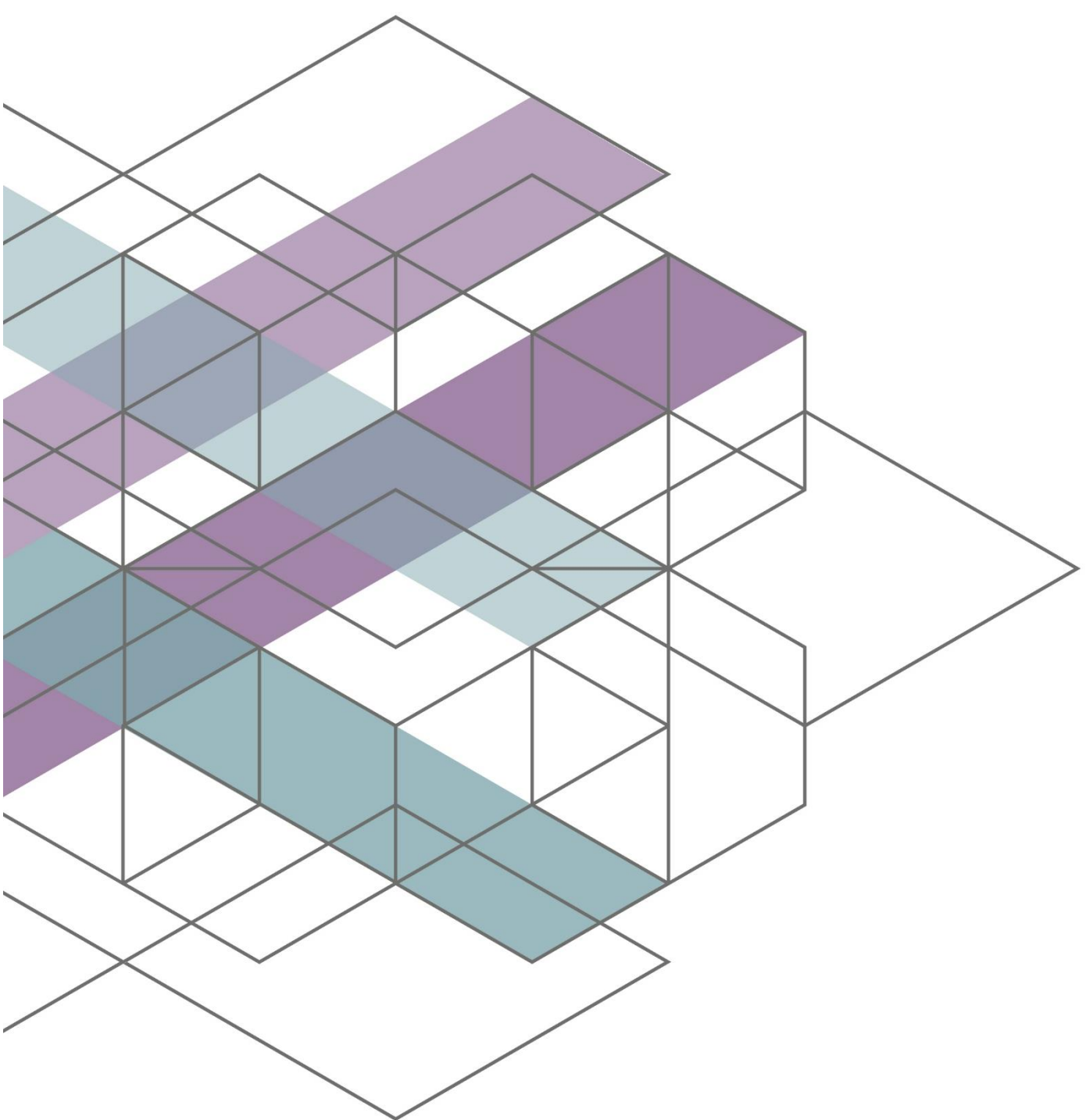
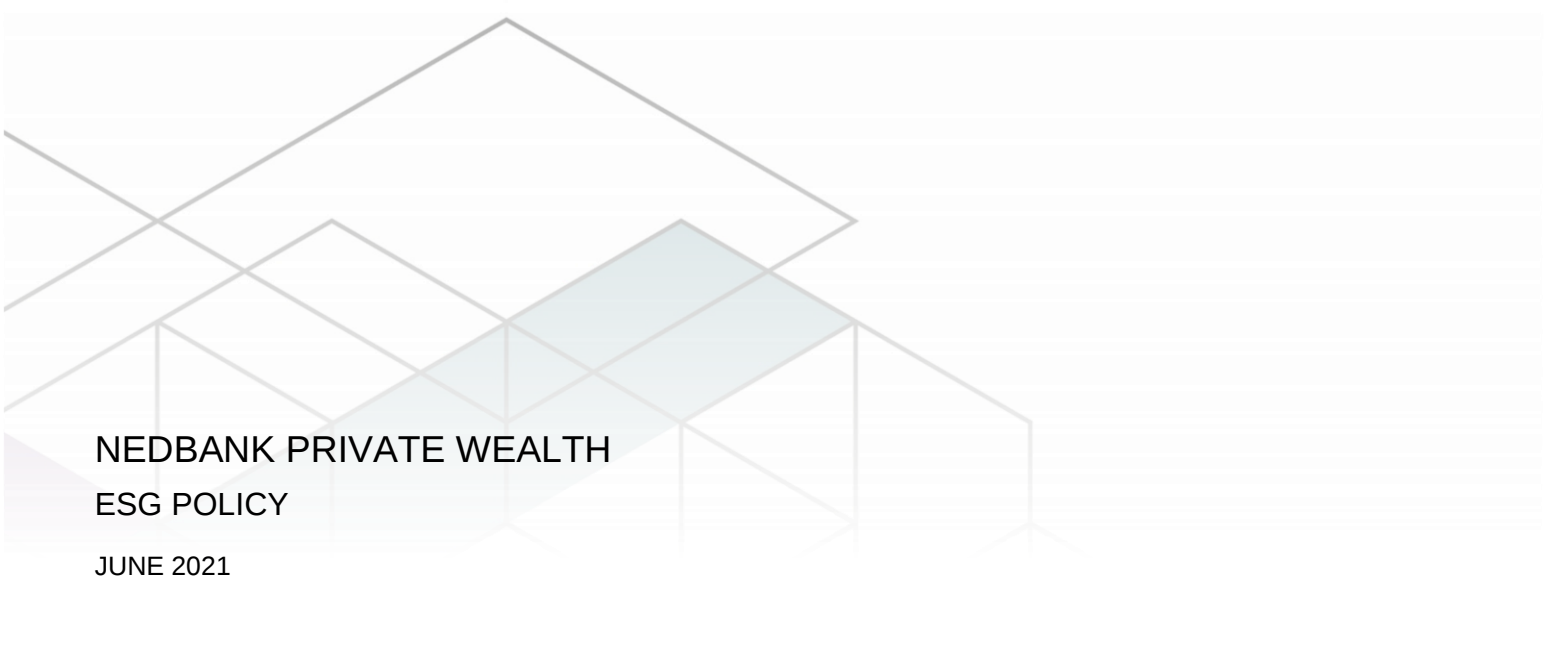




NEDBANK PRIVATE WEALTH ESG POLICY

JUNE 2021



NEDBANK PRIVATE WEALTH

ESG POLICY

JUNE 2021

1. INTRODUCTION

This Policy sets out Nedbank Private Wealth's guidelines and approach to the incorporation of ESG factors into our valuation and portfolio construction approaches.

Nedbank Private Wealth takes its responsibility to ESG seriously and are guided by the following principles:

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

2. NEDBANK PRIVATE WEALTH'S APPROACH TO ESG

2.1. WHY ESG IS IMPORTANT

For some time now the concept of stakeholder capitalism has been growing leading to the recognition of the importance of creating enduring long-term value. Stakeholder capitalism is a philosophy based on the belief that companies have an obligation that goes beyond simply providing returns for shareholders. This philosophy ensures that companies are firstly, mindful of, and secondly, also responsive to their impact on society and the environment at large. In the past three decades, there have been various labels such as ethical investing, stewardship, sustainable and responsible investing etc., but these labels are now mainly covered under the collective banner of ESG (Environmental, Social, Corporate Governance).

At the heart of ESG investing is the simple idea that companies are more likely to succeed and deliver strong returns if they create value for all their stakeholders, and not just for their shareholders. Stakeholders generally include employees, customers, suppliers and wider society, including the environment. Consequently, ESG analysis considers how companies serve society and how this impacts their current and future performance. However, ESG analysis is not just about what the company is doing today i.e current products and/or services. A consideration of future trends is also critically important and should include an assessment of changes that can have significant implications for a company's future profitability or even its entire existence.

2.2. INVESTMENT CONSIDERATIONS

We believe that ESG considerations enhance risk-adjusted return potential by reducing investment risk and creating investment value. In our view, a responsible company that cares about its people, its customers and the environment, is more likely to exhibit a greater level of resilience and is more likely to outperform its peers, than one that does not. ESG analysis can provide valuable insights about factors that can have a significant impact on the long-term financial results of a company and therefore better inform our investment decisions.

In recent years, shareholders have suffered substantial losses following ESG risk events. The negative environment and social impacts of oil spills, mining catastrophes, data leaks and unsafe consumer products can be fatal, and the cost to shareholders can be severe. More recent examples include; BP's oil spill in the Gulf of Mexico which today still has an impact on the surrounding wildlife, Vale's tailings dam failure in Brazil which counted a tragic 270 victims who lost their lives, and Facebook's Cambridge Analytica data leak which affected 87 million people. In addition, poor governance and accounting controls can undermine the success of even great businesses characterized by sustainable competitive advantages and long-term growth prospects. While there is no silver bullet to avoid such catastrophes, we believe that by incorporating ESG analysis into our investment process, we can mitigate these risks and improve the odds of meeting our investing goals.

2.3. OUR APPROACH TO ESG IN OUR INVESTMENT PROCESS

Our investment philosophy is: “long-term investing, well considered”. Our view is that if we understand enough about a company’s quality, we can get a good understanding of its valuation. This allows us to determine when we are paying a fair price. This combined with sufficient time (our horizon is 3-5 years) has allowed us to deliver excess returns to our clients.

We undertake comprehensive stock specific research that assesses the quality of the company’s operations with specific attention paid to industry structure, competitive advantage, management incentives & strengths, balance sheet, opportunities to allocate capital at attractive returns, earnings quality, company strategy and more. The second leg of the process is to value the business; the valuation methodology incorporates; 1) a quality and risk assessment and is based on a “normal” environment – i.e. we don’t pay for once-offs, or unsustainable income, 2) we assume rational economic forces (i.e. excessive margins will be competed away if possible), and 3) we try to incorporate structural changes to the businesses or industries they operate in.

From a portfolio construction perspective, we are mindful of the composition of the portfolio and exposure to various ESG risks. We construct portfolios on a bottom up basis, but apply a top down risk management lens, in order to optimize the risk/reward exposure. Where necessary, we will adjust or limit position sizes and manage overall exposure to specific risks. Our portfolios are monitored actively and rebalanced as and when necessary.

3. PRINCIPLES

3.1. WE WILL INCORPORATE ESG PRINCIPLES INTO INVESTMENT ANALYSIS AND DECISION-MAKING PROCESSES

We are valuation-based investors. As such, any factor that can affect the long-term valuation of a company (positively or negatively) needs to be factored into our investment process. ESG is integrated into our process via the assessment of the impact on the valuation of the business. How a company deals with pertinent ESG issues will, in our view, affect its long-term earnings power and quality of earnings and the rating attached to it by market participants.

For example, a poor approach to labour relations could result in industrial action which will affect the ability of the company to operate optimally, thereby negatively impacting profitability. The failure to adequately address environmental risks is likely to result in stoppages, fines and even loss of license to operate. By negatively affecting the community in which a firm operates could result in consumer boycotts or business interruption due to civil protests.

We identify what ESG factors are relevant to each company and then assess the risk (if any) to our valuation scenarios. These are tracked to assess progress and directionality of risk and the consequent effects on valuation.

Our view is that businesses need to address the ESG factors that are specific to their industry or geography in order to ensure that earnings power is retained or even increased over the long-term.

We make the distinction between incorporating ESG into an investment process and responsible investing. We don’t adopt an exclusionary, responsible investing approach, but rather consider how ESG factors affect valuations and will seek to improve company practices via engagement (please see our engagement policy for further detail). Inclusion and size of inclusion in portfolios is dependent on the expected return of a particular investment and the risk attached to that (including ESG risks).

3.2. WE WILL BE ACTIVE OWNERS AND INCORPORATE ESG ISSUES INTO OUR OWNERSHIP POLICIES AND PRACTICES

We have a formal proxy voting policy aligned the King IV principles and all proxy votes are recorded and are available on our website to all investors. We maintain records of engagement on matters with both executive management and board members on. An example of this would be discussions around remuneration policy.

3.3. WE WILL SEEK APPROPRIATE DISCLOSURE ON ESG ISSUES BY THE ENTITIES IN WHICH WE INVEST

We seek disclosure at minimum, of the following from the investee companies, where applicable (on a case-by-case basis):

- A policy on incorporation of considerations, including ESG issues, with reference to activities carried out
- Criteria for what can be considered environmentally sustainable, and explanation that all operating/economic activities engaged in by the company contribute to the environmental and social objective, by not significantly harming such objectives
- Integration of sustainability risks, adverse sustainability impacts, sustainable investment objectives, and the promotion of environmental or social characteristics in business operations
- How sustainability risks are incorporated into decision-making processes
- Disclosure of remuneration policies as well as information on how these policies are consistent with the integration of sustainability risks
- An explanation of how ESG risks are likely to impact profitability across the various business units
- Disclosure of any products which promote environmental or social characteristics
- Regulations affecting the various parts of the business from an ESG perspective
- Policies in place to guide employees regarding discipline, harassment, conflict of interest resolution, ethics code of conduct, acceptance and declaration of gifts, whistle-blowers, fraud and corruption.

We recognise the following disclosure challenges:

- Comparability between companies is a challenge due to different disclosure and measurement types
- Gaps and lack of specificity in disclosures limit the ability to understand companies' strategies regarding ESG issues
- A lack of disclosure of results of ESG initiatives implemented despite clear strategies communicated.

3.4. WE WILL PROMOTE ACCEPTANCE AND IMPLEMENTATION OF THE PRINCIPLES WITHIN THE INVESTMENT INDUSTRY

ESG investing by the investment industry will have the largest impact and effect the most change if the industry as a whole acts together. We strive to effect change beyond the scope of our assets under management by interacting with the broader Nedbank Group, as well as the general public.

The team has relationships with multiple subsidiaries within the Nedbank Group, which includes Nedgroup Investments and the broader Nedbank Wealth Management. This positions the team well to collaborate with these entities to promote acceptance and implementation of ESG Principles, as well as continuous development and improvement of principles across assets far beyond the teams' own. Nedgroup Investments has relationships with multiple external asset managers, increasing the influence of Nedgroup Investments and thus the team has on the wider investment industry.

Through its relationships the team also has access to the general public and where possible can lead or contribute to content which provides education on ESG Principles to the public.

Where appropriate and necessary, we are open to collaborating with third parties to drive improved environmental, social or corporate governance standards across the industry.

3.5. WE WILL WORK TOGETHER TO ENHANCE OUR EFFECTIVENESS IN IMPLEMENTING THE PRINCIPLES

A core part of our investment process includes feedback and collaboration. As an investment team, we also take collective responsibility for our investment process and performance. As such, given our team-based approach, team members are constantly involved in investment decision making and the research process, which addresses these ESG principles. We also strive towards an honest and open feedback system, where team members are encouraged and the environment is created, in order to question and challenge both research quality and investment decisions. We believe incentives drive behaviour, and as a team we are incentivized in the same manner ultimately by the risk adjusted performance of our assets under management. This creates a strong platform of feedback and learning which should bode well for effectively implementing these principles.

In addition, we don't believe we have all the answers to some of the ESG complexities that have arisen in our day and age. Where necessary, we will also consider engaging external parties to assist our understanding and/or assessment of ESG issues. An example of this is a team session which we hosted with one of the prominent law firms in South Africa regarding governance regulation as well as some specific work which the firm carried out.

Where appropriate and necessary, we are also open to collaborating with other investors to insist on the implementation of these principles in order to derive improved environmental, social or corporate governance across the industry.

Lastly, we also welcome feedback from our clients on matters concerning ESG as we have noted an increased awareness of the various topics around the globe.

3.6. WE WILL REPORT ON OUR ACTIVITIES AND PROGRESS TOWARDS IMPLEMENTING THE PRINCIPLES

Reporting and tracking of progress is well established within our investment process. Regarding our ESG integration, we also have a live log of activity that we update as needed. This shows our progress of our ESG integration over time and demonstrates our environment of feedback and learning.

In addition, we have a log of all engagements with management teams on matters concerning governance, which will be scoped wider to include Environment and Social issues.

We will consider sharing the above-mentioned reporting with clients/external stakeholders in future.

To illustrate our reporting, our log of activities for the calendar year 2020 shows seven separate engagements with board members on various topics ranging from remuneration to board independence, as well as to rotation of auditors.

Going forward, we are committed to keeping an accurate and complete log of our activities and progress.

4. CONCLUSION

To reiterate, we believe ESG matters are integral to good client outcomes as they can materially affect risk adjusted returns. We have adopted a principle-based approach, as detailed above, which we strive to implement on a daily basis.

Our investment process incorporates ESG matters into both the qualitative and quantitative sections. Our ESG analysis focuses on areas that we believe are essential for a company to sustain competitive advantage over the long term. We believe ESG factors should be a component of investment decisions, and we consider the valuation, sustainability and fundamental risks inherent in every portfolio position.

While we are not experts on all things ESG, we strive to adopt a continuous learning and feedback process, in order to increase our effectiveness on the above-mentioned principles. Over longer-term time horizons, we believe that ESG risks are more likely to materialize and therefore be priced into the value of securities. Therefore, we continue to enhance our investment process and believe that integrating ESG within our investment analysis improves the investment risk and reward profile of our portfolios.

We are ultimately accountable to all stakeholders regarding our position on ESG matters and we hope that this policy document provides clear insight into our thinking on the topic.