# CODE FOR RESPONSIBLE INVESTING IN SOUTH AFRICA

## INTRODUCTION

Code for Responsible Investing in South Africa (CRISA) came into effect in February 2012 and gives guidance on how institutional investors should execute investment analysis and investment activities and exercise rights to promote sound governance.

In undertaking to commit to CRISA, Excelsia Capital integrates CRISA's five principles into our investment process as follows:

**Principle 1: An institutional investor should incorporate sustainability considerations, including ESG, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.**

Excelsia believes that ESG factors could significantly affect a company's valuation in terms of environmental liabilities, employee strikes, community issues, fraud or non-compliance with regulations.

Sustainability is a critical part of the process of evaluating intrinsic value and earnings of a business. If those earnings are not sustainable due to environmental obligations, technology changes, license conditions, regulatory changes, poor management etc., then valuations need to be adjusted accordingly.

Analysts are responsible for incorporating ESG issues into their research and valuations. To the extent that ESG issues are significant, we engage with management and incorporate the risks within our valuations.

**Principle 2: An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.**

Excelsia's acceptance of ownership responsibilities is primarily reflected by the establishment of its Voting Policy, which incorporates sustainability and ESG issue when exercising voting rights on behalf of its clients. The main objectives of the Voting policy are to improve corporate transparency, management accountability and the alignment of management's interests with those of the shareholders.

All voting decisions are maintained in a database together with explanations for any votes against a company's proposals.

**Principle 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.**

Excelsia is committed to working with other industry participants to further the principles of CRISA, and to encourage management of companies to disclose relevant ESG information in financial statements and investor disclosures.

**Principle 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.**

Excelsia has a Conflict of Interest Management Policy, Order Execution Policy, and an Outside Interest and Personal Account Investing Policy. These policies combine to address the avoidance or mitigation of any potential conflicts of interest, and to ensure they are proactively managed.

**Principle 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.**

All our policies are available to our clients on request, or to potential clients through due diligence processes. Principles contained in these policies (and integration thereof into the investment process) may be communicated to our clients at either regular scheduled report-backs or due diligence updates.

All voting decisions are maintained in a database from which detailed information can be easily extracted for disclosure to our clients. Records include an explanation for any votes against a company's proposals.