

1. Scope and purpose

Prescient Investment Management (Pty) Ltd's ("Prescient") Environmental, Social and Governance (ESG) Policy stipulates the firm's approach and guiding principles to addressing ESG related matters within its investment and corporate activities. These principles apply across the various asset classes and the geographic investment universes with the purpose of ensuring the effective implementation of the firm's responsible investing practices.

2. Definition of ESG integration and motivation

Prescient defines ESG integration as the deliberate and systematic inclusion of Environmental, Social and Governance factors in all investment and corporate activities. This ensures a broader and more holistic view of investments that goes beyond traditional financial factors by considering overall sustainability and alignment of all stakeholder interests.

3. Approaches to ESG integration

Prescient's approach to ESG integration is applied at three levels. The Product Development level encompasses purposefully developed investment products that are specifically focused on ESG-centric investing. The Investment Process level deals with the incorporation of material ESG principles into the various investment processes across asset classes. Finally, the Corporate level covers the initiatives and corporate activities that Prescient as a corporation implements to address specific ESG issues.

3.1. PRODUCT DEVELOPMENT

Prescient has specifically designed a suite of responsible investing vehicles which aim to support South Africa's National Development Plan (NDP) and are in alignment with the global Sustainable Development Goals (SDGs). To date, we have three vehicles namely the Prescient Clean Energy and Infrastructure Debt Fund Trust, the Prescient Infrastructure Debt Fund and the Prescient ESG-enhanced Equity Index.

PRESCIENT CLEAN ENERGY AND INFRASTRUCTURE DEBT FUND TRUST

The aim of the Clean Energy and Infrastructure Debt Fund Trust is to deliver sustainable long-term income to investors while maintaining a high level of Environmental and Social Impact in the investment portfolio.

The Fund follows an investment strategy that seeks to invest in clean energy and other infrastructure that will have a positive social and environmental impact by integrating the environmental and social impact assessment into our investment decision making process. The target is to build a portfolio of infrastructure investments that improves the sustainability of our energy supply and provides the infrastructure that is vital for the development of South Africa.

The strategy of the Fund is to provide debt financing to clean energy and infrastructure projects within South Africa that will reduce carbon emissions, create jobs for South African citizens, provide socio-economic and enterprise development upliftment as well as deliver the infrastructure needed to facilitate growth and greater prosperity. The project selection process aims to ensure that we have a well-diversified portfolio of assets, investing in proven clean energy technologies across the country, that meet sustainable long-term income objectives.

PRESCIENT INFRASTRUCTURE DEBT FUND TRUST

In line with our view that infrastructure development is critical for reinvigoration of economic development in South Africa, we launched the Prescient Infrastructure Debt Fund Trust which aims to support infrastructure projects, primarily through debt financing. In addition to offering clients access to real assets which are not generally available in the market, the fund aims to make a meaningful contribution to economic and social development in South Africa, including but not limited to the following areas:

- Improved infrastructure, including access to basic services, water, housing, and healthcare.
- Contribution to sustainable energy development.
- Job creation.
- Contribution to local content and local ownership at project level.

Investments in this fund are subject to a strict ESG positive screening process. One can, therefore, expect meaningful impact from the underlying infrastructure projects.

PRESCIENT ESG-ENHANCED EQUITY INDEX¹

The objective of the Prescient ESG-Enhanced Equity Indexation process is to provide access to the broad equity indices whilst taking cognisance of the Environmental, Social and Governance (ESG) factors within the underlying constituent companies. The process is designed to maximise the ESG characteristics of the resulting portfolio relative to the benchmark whilst maintaining similar performance characteristics by minimising the deviations in relative performance or Tracking Error.

To achieve this, each constituent in the benchmark index is allocated an ESG score using the Prescient ESG Scorecard. The Prescient ESG Enhanced Equity Indexation process then creates a portfolio that has higher than benchmark allocations/weights to shares with superior ESG scores while simultaneously considering each share's weight in the benchmark and contribution to relative performance or Tracking Error.

The result is a portfolio that has better ESG characteristics than the benchmark index without compromising on any of the return measures or characteristics.

3.2. INVESTMENT PROCESS: ESG INTEGRATION

Prescient's core philosophy is to preserve capital and to manage relative and absolute downside risk, whilst delivering long-term consistent returns for our clients. We are ardent believers in systematic investing, an approach that is rational, rules-based, data-driven, and supported by clear processes. Prescient's investment process covers all investment related principles from investment research and idea generation to security selection and portfolio construction, and finally, portfolio monitoring and proxy voting. In line with the responsibility to ensure that capital flows are directed to meet both short-term financial gain and long-term sustainability goals, Prescient has developed an in-house systematic ESG scorecard. The scorecard provides a data driven measure of both ESG risks and opportunities for investee entities within our investment universe. This process allows for the incorporation of ESG considerations across various stages, discussed below.

RESEARCH AND IDEA GENERATION

Equity Research

Prescient's equity process relies both on a quantitative understanding of various factors that drive investment returns such as Value, Momentum, Risk and critically strong ESG principles. Furthermore, several of Prescient's equity funds are passive in nature and are managed in line with the international trend of passive managers becoming large advocates of corporate governance with a growing shareholder activist framework.

¹ The Fund has not launched yet as at the date of review of this policy

Investment Team Research

Prescient's credit process is systematic, where credit risk is quantified and evaluated with respect to fair value. Prescient applies an internally developed model that is utilised in the analyses of all corporates. This model incorporates a range of inputs, which include the ratings from our systematic ESG scorecard. The results are used to inform the investment decision making process. With every investment decision, the Prescient Investment team performs rigorous analysis before a decision is taken.

SECURITY SELECTION AND PORTFOLIO CONSTRUCTION

Equity Securities

The Prescient's equity process has a well-defined yet flexible framework for ESG integration into the investment process. The approach is to implement a quantitative security selection process based on market factors and apply the evaluation of ESG risk, which is informed systematically by the ESG scorecard, qualitatively in the portfolio construction process. Shares with a higher ESG risk profile will not be explicitly excluded from the Prescient active equity process, however a model that downgrades or upgrades securities according to their respective ESG risk profiles has been developed and integrated into the aggregate security scoring process.

Fixed Income Securities

The Investment team conducts a purely quantitative security selection process and ESG risks are then considered separately based on the ESG scorecard and the ratings are applied qualitatively to the portfolio construction. ESG screening is implemented at two distinct levels, as follows:

Issuers that have listed equity:

1. The input variables into our ESG process are derived from reported financial statement data, however our ESG scores are calculated and derived in-house, from first principles. Thus, our investment decision making process does not rely on external ESG ratings nor external ratings providers.
2. We make use of the services of Institutional Shareholder Services Inc. (ISS), a world leader in the provision of corporate governance and responsible investing services, to assist with the Proxy Voting of issuers.
3. The proxy voting is undertaken by the respective portfolio manager, in line with best practices and Prescient's internal Proxy Voting Policy.
4. ESG risks are considered within our investment process as the market sentiment towards the materiality of ESG risks are reflected in share prices, which may have an impact on credit risk.
5. Prescient will not invest in an issue deemed too credit risky or if the issue is not compensating for the underlying credit risk.

Issuers that do not have listed equity:

1. The Investment team incorporates a bottom-up assessment of ESG factors that may materially affect the credit risk of an issuer.
2. We recognize that a material lack of ESG-related performance for issuers that do not have actively traded equity may result in increased risk.
3. We assess the credit rating in line with the ESG assessment to ensure the overall credit rating consummate with risk.

PORTFOLIO MONITORING AND PROXY VOTING

As the appointed portfolio manager, Prescient invests money on behalf of its clients through the management of segregated and other portfolios, largely in companies listed on the Johannesburg Stock Exchange (JSE), as well as corporate debt issuances. Corporate behaviours that diverge from the interests of investors, including abuses are more inclined to occur within an environment of shareholder apathy and shareholders therefore share responsibility for protecting the value of their investments against potentially harmful management decisions and practices.

Voting on Ordinary and Special Resolutions is decided on a case-by-case basis, and portfolio managers are expected to apply their minds to each issue. The internal proxy voting register lists all the Annual General Meetings and the General Meeting for all the companies where Prescient owns shares and is required to vote on behalf of clients. The register includes all historic meetings and the upcoming meetings. Not only does this provide historic information of the votes but also records previous resolutions passed by the company.

Proxy voting within the fixed income context is mainly related to the contents of the Debt Listing Requirements. Debt Listing Requirements outline the rules and procedures governing new applications and the ongoing obligations of applicant issuers. In the case where the issuing company wishes to alter the contents of the Debt Listing Requirements such as a change in covenants, a vote must be cast by the noteholders of the securities. In this case, we would cast a proxy vote on behalf of our clients by forwarding our vote to the debt sponsor, who will then vote on the JSE platform on our behalf.

3.3. CORPORATE LEVEL: ESG INTEGRATION

At a Corporate level, Prescient embraces mutually reinforcing values of commercial success and empowerment which are manifested internally and externally. Internally, an entrepreneurial environment is fostered, and most staff have equity in the business and participate in profit share initiatives.

UNPRI AND CRISA 2

Prescient is a verified signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2007. We abide by and have adopted the Code for Responsible Investing in South Africa (CRISA 2) as far as practically possible within our quantitative investment approach.

PRESCIENT FOUNDATION

Prescient's social upliftment initiatives are driven by the Prescient Foundation NPO ("the Foundation"). The Foundation's main objective rests in creating sustainability for a better future and is mainly education and leadership focused. The Foundation currently embarks on various projects that include a school support programme, a leadership programme in partnership with Sakhikamva Foundation, IT related programs, community involvement, bursaries and individual support. Prescient supports the Foundation via a contribution of profits annually. Additional to the monetary contribution, staff continuously invest their time in volunteering initiatives organised by the Foundation.

EMPLOYMENT EQUITY AND SKILLS DEVELOPMENT

Staff Education

Prescient values skills development throughout the business and the community at large. As a business committed to continuous learning, we have an internal skills and training support program whereby Prescient funds the approved studies of employees as well as offering study leave to support this. Furthermore, Prescient is committed to supporting Chartered Financial Analyst (CFA) studies and producing CFA charter holders.

Staff Training

Prescient offers a range of ongoing Training and Development initiatives which range from Technical Training and on the job training by qualified industry professionals and mentors, to personal development training and support through coaching. Furthermore, ongoing media and communication skills training is offered to staff. Prescient also ensures that all Representatives and Key Individuals maintain their Continuous Professional Development (CPD) points as a Financial Advisory and Intermediary Services (FAIS) Act requirement.

Community Development

On a community level, Prescient offers a Prescient Investment Management Bursary Scheme and Graduate Program. The bursary is specifically offered to support quantitative skills development in the Investment Sector and the Graduate Program is aimed at giving young talented investment graduates an opportunity to gain experience through rotations across the Prescient Group.

B-BBEE and Broker Selection

Prescient actively supports broad based transformation and is currently a level one Broad-Based Black Economic Empowerment (B-BBEE) contributor. Furthermore, our brokerage policy enables transformation by allocating brokerage services to black owned entities in the South African landscape, in line with the related B-BBEE Policy. We ensure that all considered brokers are fully licenced and have the required regulatory approvals and frameworks in place. We consistently seek to optimise the services at our disposal and have a cost-quality criterion through which we rank potential services from brokers. Ultimately, we do business with counterparties that can offer quality services and research in the most cost-effective manner. Our impact on overall transformation is further enhanced by our association with ASISA and ANELA Funds which enable us to touch on numerous elements of the B-BBEE codes.

4. Policy implementation and responsibilities

It is the responsibility of all investment professionals to ensure the effective implementation of Prescient's ESG Policy within the various investment processes and products. This is overseen by the Chief Investment Officer and Chief Executive Officer. The corporate level ESG incorporation is carried out under the guidance of the Prescient Group Chief Executive Officer.

POLICY AMENDMENT LOG

Effective Date	Pages	Authorised by	Amendment and Reasoning
July 2019	All	Bastian Teichgreeber (Head of Research)	First Draft
September 2019	All	David Jarman (Compliance and Risk)	Compliance Review and Changes
October 2019	All	Nadia Galloway (Legal)	Legal Review and Changes
October 2019	All	Bastian Teichgreeber (Head of Research)	Final Policy Review
July 2020	All	Bastian Teichgreeber (Head of Research)	Policy Amendments: Product Development and B-BBEE Level Updates
September 2020	All	Bastian Teichgreeber (Head of Research)	Annual Review
August 2021	All	Bastian Teichgreeber (Chief Investment Officer)	Annual Review
November 2022	All	Bastian Teichgreeber (Chief Investment Officer)	Annual Review
November 2023	All	Bastian Teichgreeber (Chief Investment Officer)	Annual Review and Legal Review

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