



## **Khumo Capital**

### **Responsible Investment Policy - Abridged**

#### **Introduction**

Khumo Capital (Pty) Ltd (“Khumo” or “the Company”) provides specialised asset management services to investors utilising traditional and non-traditional investment instruments. This Policy sets out Khumo’s approach towards ensuring that responsible investment practices are central to investment processes and decision making.

#### **Responsible investment approach**

##### **Philosophy**

We believe that implementing a responsible investment approach that integrates environmental, social and governance (“ESG”) factors into our investment decisions will create better financial outcomes for our clients by reducing the risk of loss. Meeting our clients’ needs by providing better risk-adjusted returns will ensure that we are able to achieve our aspiration of being a market leading black empowered asset management company and the business of choice in the niche in which we operate.

##### **Codes and guidance**

Khumo became a signatory to the UN-backed Principles for Responsible Investment (PRI) in July 2019. Locally, we endorse the Code for Responsible Investing in South Africa (CRISA). We are cognisant of wider industry dynamics and work with our clients to support their own commitments to responsible investment, such as Regulation 28 of the Pension Funds Act, as part of our fiduciary duty.

##### **Screening**

Khumo does not currently exclude any sectors from its potential investment universe through negative screening, other than upon individual client request. We will continue to monitor whether such an approach might be warranted.

##### **ESG integration**

We believe that proactive management of environmental and social factors, underpinned by strong corporate governance, is material to sustaining financial performance in the long-term. We also believe that, by integrating ESG factors into our investment decisions, we can achieve a more holistic understanding of an asset, and the issuer of the asset, than by only assessing financial information. Khumo’s ESG integration process is used to support traditional financial analysis and ensures that we fulfil our fiduciary duty by acting in our client’s best interest. Our approach to responsible investment aims to protect value by avoiding and reducing client exposure to material ESG risks. As a result, this Policy applies to all the asset classes that Khumo invests in.

Khumo views governance factors to be the main driver of ESG performance as these are likely to have the greatest influence on an issuer’s ability to meet its future financial obligations. As a result, we place emphasis on factors such as board independence, transparency and ethics. However, we also view an issuer’s ability to manage environmental and social risks as an indicator of management quality. This supports our wider analysis of ESG factors, which include climate change, energy and water management, diversity and transformation.



### **Active ownership and engagement**

We have an unwavering client focus: clients are placed at the centre of everything we do and all the decisions we make. We believe that by taking an active ownership approach we can demonstrate our commitment to act in the best interest of our clients and to be a responsible steward of their investments.

Considering the nature of our business, we follow a two-pronged approach:

1. Where we hold assets directly, primarily short- to long-term debt instruments in our fixed income and credit investments business, we are active owners;
2. Where we hold derivative instruments and the counterparty bank holds the underlying reference asset, we hold the counterparties accountable for active ownership, promoting good practice such as engagement on critical issues and proxy voting wherever possible.

Khumo's approach to active ownership incorporates a mix of monitoring of issuer developments, engagement with the issuer, collaborative engagement with other investors, as well as market leadership and advocacy to support the growth of responsible investment practices. Investment managers select the mix of actions that they believe will achieve the best results. In certain instances, Khumo will collaborate with other investors on engagements. Khumo also engages with industry bodies and regulators to encourage alignment with international best practice to strengthen trust across the sector.

### **Governance**

The Khumo Board of Directors, which has approved this Policy, has oversight of Responsible Investment practices, but implementation has been delegated to the Khumo Executive Committee. Any variations to this Policy must be approved by the Khumo Executive Committee.

Khumo's investment analysts and portfolio managers are responsible for the application of responsible investment practices in their investment decisions through research and analysis. This requires continuous monitoring of emerging trends and developments. Khumo provides its investment professionals with the necessary training on a regular basis to support this approach.

As with other policies, which include a Code of Ethics and a Conflict of Interest Policy, the Responsible Investment Policy is reviewed on an annual basis, while interim reviews and updates will be undertaken if required due to regulatory developments and other changes.

Employees need to attest to the fact that they have reviewed and will adhere to all the policies governing the company.

### **Reporting and disclosure**

Khumo will publicly disclose its Responsible Investment Policy and report to its clients and the PRI on an annual basis on its implementation of responsible investment practices.



KHUMO CAPITAL

BESPOKE ASSET MANAGEMENT

**Review and versions**

Original: 15 April 2019

Version 2: 13 December 2019

Version 3: 3 December 2020

Version 4: 3 November 2021

Version 5: 28 November 2022

Version 6: 17 November 2023

Version 7: 14 November 2024

Review frequency: Annual

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