



# ESG Statement

**Environmental, Social & Governance**  
Commitment, purpose and scope of Visio response



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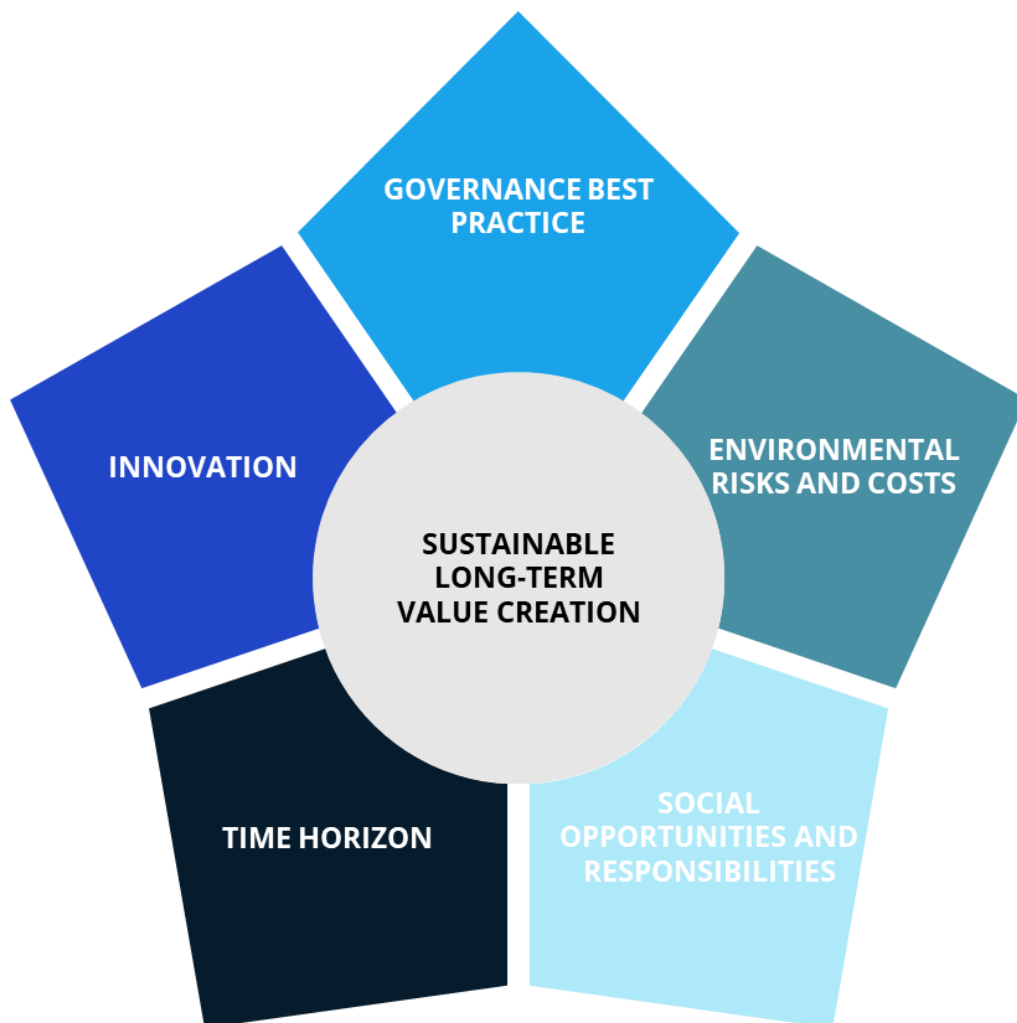


## 01 / WHAT

Visio Fund Management (Pty) Ltd.'s ("Visio") intention is to derive long term value for our investors through incorporating an enhanced Environmental, Social and Governance (ESG) process and overlay to our existing valuation framework. This recognises the importance of sustainable behaviour in generating long-term opportunities, and identifying risks, for companies and industries in our investable universe. The COVID-19 pandemic has accelerated the acceptance of an ESG-framework for inclusion in investment processes.

We acknowledge that Environmental, Social and Governance factors are equally important in the long-term viability and profitability of companies. However, as custodians of capital, we see our key strength as driving the discussion and improvements in governance, particularly within the South African investible universe.

Visio has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2014 and endorses the local responsible investment codes such as Code for Responsible Investment in South Africa (CRISA).



## 02 / HOW

ESG issues are central to our constructive engagement with company management. Visio regularly engages with management teams and boards of directors to ensure that their and stakeholders (ourselves and our clients) interests are aligned and meet our minimum ESG standards. Visio believes that ESG improvements are best achieved through constructive engagement with companies.

Visio employs a proprietary integrative ESG screening tool - the Risk Assessment Procedure sheet (or RAP sheet) – as its primary ESG analytical measure. The team considers both positive and negative screening within its ESG assessment of companies and industries

The RAP sheet is a qualitative overlay to the Visio quantitative investment process. Companies are scored subjectively on sustainability, industry and governance issues – a company which scores below 50% in their RAP sheet assessment will not be included in the funds unless there is a strong case for the expectation that the score may reasonably improve in the near term.

The Visio proprietary RAP Sheet currently includes 50 subjective metrics which are equal weighted and with a focus on sustainability and governance measures.

Where appropriate, we will choose to invest in the higher rated ESG-scored company (as per the proprietary RAP sheet score) on a similar valuation. This is borne out by the expectation that companies which score poorly on ESG metrics are likely to reflect higher risks and require additional investment to generate returns long term (i.e. environmental capital expenditure, social development costs or restitution).

	COUNT	SCORE	MAX SCORE	%
<b>COMPANY RAP SHEET</b>	50	450	450	100%
<b>Executive Management</b>	7	63	63	100%
<b>Corporate governance</b>	9	81	81	100%
<b>Financial disclosure</b>	4	36	36	100%
<b>Business model</b>	13	117	117	100%
<b>Capital discipline</b>	7	63	63	100%
<b>Sustainability</b>	10	90	90	100%

Governance is, arguably, the most critical of areas for shareholder consideration: robust governance measures (from both the Board of Directors and senior management) are generally a precursor for understanding and implementing resilient and compelling policies for environmental and social sustainability and by extension company longevity. It is our view that governance is where Visio can (and historically has) achieve greatest impact given the foundation in the King IV corporate governance codes and global best practice.

We engage with company and industry experts to understand risks and opportunities relating to Environmental concerns and will drive specific change within companies where possible. These measures will be consistently revised based upon the latest available information and global best practice. Given that South Africa has been a coal-based economy, we acknowledge that certain industries are structurally challenged in their ability to meet global environmental standards. Visio will endeavour to engage with these companies to understand intentions for improvement and will evaluate based on stated plans to improve their environmental status and success versus their history.

Where possible, we will push for social policies and consultation to enhance the lives of all stakeholders and ensure that the company is well positioned for opportunities in the areas of operation. The COVID-19 pandemic has brought the importance of social sustainability to the fore.

Visio does not have a separate ESG committee and believes that ESG is best implemented at an investment analyst/portfolio manager level. This ensures that those closest to a company can keep abreast of any changes that may drive a change in our ESG risk perception.

The regular updates of company RAP sheets and the annual proxy voting by analysts ensures that the broader investment team maintain a timely awareness of relevant ESG issues facing companies.

The Visio board and executive have final responsibility in the assessment and oversight of ESG implementation.

## **03 / WHY**

To drive value creation and long-term value for companies, our investors and society.

We are the custodians of pensions and capital for our investor's long-term retirement and other financial goals – it is in the best interest of our investors to ensure the long-term viability of their investments.

By investing the funds with any potential near term social and valuation constraints in mind, we aim to generate market beating returns over the long term.

We believe that ESG factors should be considered holistically and equally important by both the company board and management, and in our assessment of company's ESG score.

We strive to acknowledge companies which, despite near term constraints, are genuinely moving to improve upon their key ESG risk factors.

## **04 / REPORTING**

Visio reports its ESG activities to relevant stakeholders on an ad-hoc basis. Proxy voting is reported quarterly to relevant investors.

All Responsible Investing, Proxy Voting and ESG policies are available on the Visio website.

## 05 / KEY CONSIDERATIONS

While Visio uses a proprietary scoring system for its ESG analysis (the RAP Sheet), we note that it considers key factors as per the UNPRI and the 17 Sustainable Development Goals

AREAS OF FOCUS BY CATEGORY		
GOVERNANCE	SOCIAL	ENVIRONMENTAL
QUESTIONABLE PRACTICES	LABOUR STANDARDS	CLIMATE CHANGE STRATEGY
BOARD COMPOSITION	GOVERNMENT RELATIONS	WATER POLLUTION AND SCARCITY
DISCLOSURE	LOCAL COMMUNITY IMPACT	RESOURCE DEPLETION
REMUNERATION POLICY	HUMAN RIGHTS	WASTE MANAGEMENT
DIVERSITY	PRODUCT AND PEOPLE SAFETY	LAND DEGRADATION
ACCESSIBILITY	INDUSTRY RIVALRY	CARBON REPORTING
BOARD INDEPENDENCE	CUSTOMER CARE	CAPEX FOR ENVIRONMENTAL PROJECTS
SKILLS FOR BUSINESS	BEE SENSITIVITY	GROWTH POTENTIAL
	INCORPORATION OF 17 SUSTAINABLE DEVELOPMENT GOALS	AIR POLLUTION