

Code for Responsible Investing in South Africa, 2022 (“CRISA 2”)

Annual disclosure statement ending 31 December 2022

Our philosophy on being a responsible investor

Futuregrowth is a fiduciary asset manager, and we believe that non-financial factors i.e., environmental, social, and governance (ESG) are important sustainability issues that should be considered as part of an integrated investment process.

Our commitment

We strive to invest our clients' assets responsibly, making a concerted effort to be aware of these issues. The purpose of integrating non-financial analysis into our investment process is to identify and price for any risks, improve the analysis of our investments and to promote improving standards of practice.

Futuregrowth has with reasonable diligence assessed the factors, which may materially affect the sustainable long-term performance of the assets that we manage, including, but not limited to, those of an environmental, social and governance character.

CRISA annual disclosure ending 31 December 2022

The Second Code for Responsible Investing in South Africa, 2022 (“CRISA 2”), which considers non-financial (i.e., ESG) factors, can be applied across all asset classes including fixed income where the majority of our assets under management is invested on behalf of our clients.

“The main objective of CRISA 2 is to reaffirm a framework of principles for stewardship and responsible investment as a key component of the South African governance framework”. Futuregrowth endorses CRISA 2, below is a summary of Futuregrowth’s disclosure based on our application of the 5 CRISA principles.

5 CRISA Principles	Futuregrowth's application of these principles
<p>Principle 1: ESG Integration "Investment arrangements and activities should reflect a systematic approach to integrating material environmental, social and governance (ESG) factors.</p>	<ul style="list-style-type: none"> – Our Responsible Investment (RI) Policy outlines our commitment to responsible & sustainable investment practices, including the integration of non-financial analysis into investment and decision-making processes. – Our analytical framework integrates non-financial analysis across listed and unlisted investments (this includes State Owned Enterprises (SOEs) entities). – We translate non-financial risks into pricing and positive outcomes, analysts exercise judgment on these issues, which is expressed in either of the following three scenarios: <ul style="list-style-type: none"> ○ Scenario A: Pricing for risk & mitigate through engagement. ○ Scenario B: Pricing for risk: Where we cannot effect change (e.g., we are not the dominant player). ○ Scenario C: Denying capital (turning down deals) as see consider appropriate.
<p>Principle 2: Diligent Stewardship "Investment arrangements and activities should demonstrate the acceptance of ownership rights and responsibilities diligently enabling effective stewardship".</p>	<p>Our active ownership approach is based on our Responsible Investment, Corporate Governance & Proxy Voting framework and policies.</p> <p>We practice active ownership through the following:</p> <ul style="list-style-type: none"> – Filing shareholder resolutions; – Exercising voting rights and engaging in proxy voting issues; and – Attending annual general meetings and other relevant meetings; and <p>Our active engagement strategy follows two broad paths:</p> <ul style="list-style-type: none"> – To engage and promote change within the capital markets, as bondholders and equity investors; and – To engage issuers on material non-financial (ESG) matters and a process of escalation to the Credit Committee on material matters where milestones and targets are not met.

Principle 3: Capacity Building & Collaboration

“Acceptance and implementation of the principles of CRISA 2 and other applicable codes and standards should be promoted through collaborative approaches (as appropriate) and targeted capacity building throughout the investment industry”.

As a responsible investor, we promote acceptance of the Principles through our support and engagement with the industry and investee companies, privately and sometimes publicly, on sustainability issues. We continue to work steadfastly to improve South Africa’s debt capital market standards.

We collaborate with the industry on RI and all relevant non-financial (ESG) matters. These include:

- Industry bodies like e.g., ASISA, Chartered Financial Analyst (CFA) SA etc.; and
- Representation on a few industry working groups e.g., ASISA Bond committee, ASISA Infrastructure Working Group, ASISA RI Committee, PRI Awareness & Recruitment Working Group and the CRISA Review Working Group.
- Regulatory body engagement e.g., FSCA etc.
- Building capacity and promoting awareness of whistleblower practices and protections in the industry.

Principle 4: Sound Governance

“Sound governance structures and processes should be in place (including at all levels of the organisation) to enable investment arrangements and activities that reflect and promote responsible investment and diligent stewardship, including proactively managing conflicts of interest”.

- Futuregrowth has a robust Governance process that can demonstrate integration into the analytical process; ongoing monitoring and engagement that contributes to sustainable outcomes with investee companies.
- Our Conflict of Interest Management Policy outlines key parameters within a framework to manage conflicts. [View the policy.](#)

Principle 5: Transparency

“Investment organisations should ensure disclosures are meaningful, timeous and accessible to enable stakeholders to make informed assessments of progress towards the achievement of positive outcomes”.

- We will seek appropriate disclosures on relevant non-financial (ESG) and sustainability issues from investee companies where we allocated capital. This includes engaging companies to report and disclose material issues.
- In addition, we will disclose and report on non-financial issues, which includes our progress towards implementing the principles.

This can be evidenced in the following reports.

- Futuregrowth’s Responsible Investment Policy
- Futuregrowth’s Corporate Governance & Proxy Voting Policy
- PRI Annual Disclosure Statement
- PRI Annual Scoring
- CRISA Annual Disclosure Statement

[View the reports.](#)

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¹ <https://www.crisa2.co.za/crisa2code/>

Source: CRISA 2