Discovery

MAY
2025

POLICY

CONFIDENTIAL

RESPONSIBLE INVESTMENT POLICY

GROUP-WIDE

CONTENTS

1 | INTRODUCTION

Discovery Limited (“Discovery” or the “Group”) is a signatory to the United Nations Global Compact and subscribe to the Sustainable Development Goals (SDGs) which call for strategies and operations to align to universal principles that advance societal goals.

The purpose of this policy is to set out the Group’s principles for responsible investment, which aim to align the investment philosophy with the relevant principles and industry codes of best practice. This policy governs the Group’s approach to the implementation of environmental, social and governance (ESG) factors in the investment process, proxy voting guidelines and policies as well as shareholder activism.

Responsible investment requires the recognition, evaluation and incorporation of material ESG risks and opportunities into investment and ownership decisions by subsidiaries across the Group.

Responsible investment should not be confused with socially responsible investment or impact investing. Responsible investment does not require ruling out investment in any sector or company. It involves including ESG factors in investment decision-making to ensure that all relevant factors are accounted for when assessing risk and return.

2 | SCOPE

This Policy applies to Discovery Limited including its South African and international subsidiaries, insurance, and non-insurance entities. This includes:

1. All executive and non-executive directors;
2. All senior managers;
3. All employees (Full time, part time or temporary employees);
4. Any independent contractors or consultants under our direct control.

This policy applies to all investable assets. This policy does not apply to assets that are not under the Group’s direct and internal management or that of our appointed asset managers. This means assets over which the Group does not have investment discretion, such as index investments, unaffiliated fund mandates and client-directed managed accounts.

3 | IMPLEMENTATION

Each entity within the Discovery Group -

- Must comply with the legislation applicable in that country’s jurisdiction;
- Must have procedures in place to align its operations with the spirit and purpose of this policy; and
- May elect to have its own policy in respect of Responsible Investment, provided that the policy is consistent with this Policy and that the required procedures are in place.

Each directly held intermediate holding company of Discovery Limited must facilitate the adoption of this policy by the boards of its directly or indirectly held subsidiaries and is responsible for oversight of adherence to this policy by its direct and indirect subsidiaries.

As there is no intermediate holding company in respect of the South African-domiciled subsidiaries that are directly held by Discovery Limited, the CEO of the South African composite fulfils the role of oversight and other responsibilities of directly held intermediate holding companies as set out in this policy.

A subsidiary within Discovery may elect to have its own policy considering its nature, scale and complexity, and the legislation under which it operates.

Such a policy must be consistent with this Policy and the Board of Discovery Limited ("Board") must approve any deviation from this Policy by any of its directly held subsidiaries unless the deviation is necessary to facilitate compliance with legislative and regulatory requirements. In the latter instance, the approval is automatically granted if the board of directors of a subsidiary has communicated the need for such a deviation to the Board.

In respect of indirectly held subsidiaries of Discovery Limited, the board of the relevant intermediate holding company must approve any deviation from this Policy by any of its directly or indirectly held subsidiaries.

4 | APPLICATION

Discovery is a financial services group with funds held in accounts, deposits, bonds, unit trusts, shares and other investments on behalf of policyholders, unit trust holders, shareholders or other stakeholders who place their trust and confidence in us to manage and protect their money.

It is, therefore, our duty to invest these funds responsibly. To support this, we have formulated this Responsible Investment Policy, which applies to all Discovery policyholder, client or accountholder assets, investible shareholder assets, and assets held within unit trusts. The principles of this policy include:

- The overarching principle is that Discovery should aim to act in the best long-term interests of policyholders and shareholders by implementing the required governance and processes to effectively do so.
- Requiring our external asset managers to incorporate ESG factors into their investment process
- Requiring our external asset managers to be active owners through proxy voting and engagement
- Requiring internal functions and staff responsible for investing assets (including bank deposits, bonds and other investible assets) to incorporate ESG factors into their investment process
- Committing to public disclosure about our responsible investment policy and implementation

The application of these policy principles may be impacted by a particular investment mandate, such as those based on specific asset classes or investment styles.

Listed below are the legislation and industry codes on which this policy is based, summaries of which can be found in Annexure C:

- United Nations Principles for Responsible Investment (PRI)
- The Code for Responsible Investing in South Africa 2 (CRISA 2)
- King IV Code on Corporate Governance.
- Regulation 28 of the Pension Funds Act
- Financial Sector Charter (FSC)

This policy will be given effect through investment mandates and engagements with external asset managers and controls and monitoring processes applied to internally managed assets. The Capital Currency and Investment Committee (CCIC) is responsible for ensuring that the requirements of this policy are met.

5 | POLICY PRINCIPLES

As prescribed by the King IV Code on Corporate Governance, the Board of Directors of Discovery Limited ('the Board') is ultimately responsible for setting the direction on how responsible investing should be approached and conducted by Discovery. Where an institutional investor outsources investment decisions or investment activities to custodians, nominees, consultants or other service providers, the Board should oversee that the outsourcing is regulated by formal mandate that reflects and gives effect to its responsible investment policy.

When selecting and appointing asset managers, the extent to which responsible investment is embedded in their investment and ownership practices must be considered.

5.1 INCORPORATION OF ESG FACTORS BY ASSET MANAGERS INTO THE INVESTMENT PROCESS

Asset managers (incorporating both external asset managers and internal Discovery staff responsible for allocating investments) must consider ESG factors when identifying risks and opportunities associated with their investments that fall under this policy. Responsible investment also encourages investee companies to conduct their operations in a way that meets the interests of their stakeholders in a long-term sustainable manner through sound governance practices, good labour and human rights practices as well as managing their impact on the environment and local communities.

ESG factors applicable to asset managers and different asset classes can be found in Annexure A, while ESG factors applicable to investee companies can be found in Annexure B. These factors should be used as guidelines or frameworks (and not as exhaustive lists).

We do not insist that investments should be selected or rejected solely on the basis of ESG factors; however, ESG factors must be considered in the overall investment process. Asset managers' individual investment styles and philosophies must be respected, and as such, the manner in which ESG factors are incorporated will vary. While still upholding the principles of responsible investment and this policy, Discovery's ownership of securities in a company does not automatically imply approval of that company's policies, products and actions.

Discovery, however, does require that as we consider the ESG impacts across our own business, as well as when selecting and appointing asset managers, we require the same of underlying asset managers. That is, to account for the ESG impacts of managing their underlying business in addition to when making investment decisions.

5.2 MANDATE AND ACTIVE OWNERSHIP BY OUR ASSET MANAGERS

In line with this policy, the progress made by investment managers in considering ESG factors in their investment decisions must be monitored and reviewed, and remedial action recommended where necessary.

Asset managers should be active custodians of the assets they manage, which includes voting on proxies and engaging with management of investee companies on material ESG matters. Guidelines on proxy voting and management engagement are provided below.

Asset managers may be signatories and endorsers of PRI, CRISA 2 and the United Kingdom Stewardship Code, and as such, are likely to have robust ESG policies and meet the general requirements of incorporating ESG factors into their investment analysis and decision-making in investments.

5.2.1 EXCLUSIONS

Some investments and entities may not comply with Discovery's investment criteria as they may not meet Discovery's ethical standards and criteria. Discovery maintains a list of excluded sectors, industries and counterparties (included below) and will review and change this list from time to time, subject to the approval of the Social and Ethics Committee. These specific exclusions should be communicated to Discovery's asset managers. Asset managers should flag both direct and indirect exposure to all entities that do not meet our ethical criteria so as to exclude them.

Discovery remains committed to global corporate responsibility and is a signatory to the United Nations Global Compact (UNGC). We continue to uphold the Compact's principles on human rights, labour, anti-corruption and environmental responsibility.

The following is the list of excluded sectors, industries, and counterparties:

From all investment portfolios

- Companies that are directly involved in the manufacture and production of controversial weapons that include cluster munitions, antipersonnel landmines, and biological and chemical weapons
- Companies that are in direct contravention of the United Nations Global Compact principles on human rights, labour, anti-corruption, and environmental responsibility
- Counterparties identified through the Discovery Risk Management and Compliance Programme, including:
  - Potential and existing clients in terms of the sanctions screening process who have been sanctioned by the United Nations Security Council (UN) and, in certain instances other sanctions.

From all direct investments within our shareholder portfolios

- Companies not aligned with our values as a health and wellness company including:
  - Companies that manufacture tobacco products
  - Companies where 25% or more of revenue is generated through distribution and retail of tobacco products

5.2.2 PROXY VOTING GUIDELINES

Discovery delegates the investment management to various asset managers, and at times the view between different asset managers may be divergent. Discovery will not influence the view of the asset manager when it comes to proxy voting as Discovery has appointed the manager based on the belief that each asset manager complies with the Group's Responsible Investment Policy and will vote according to the asset manager's independent assessment of the respective situation. This allows Discovery to acknowledge various perspectives on the same issue while allowing the underlying asset managers to remain completely accountable for their investment performance and voting decisions. Discovery may in exceptional circumstances take part in collaborative engagement to stop or support a particular resolution to ensure that Discovery's participation allows for a more impactful outcome by voting consistently across all eligible votes attributable to Discovery. In such circumstances, Discovery will consult with underlying managers and other institutions or third parties such as the United Nations Principles for Responsible Investing.

Proxy voting by asset managers should be exercised and combined with engagement with management, especially if an asset manager has voted against a resolution.

Asset managers should have a proxy voting policy in place that aligns with good practice and legislation, including the requirements of the Companies Act, JSE Listings Requirements and the King IV Report on Corporate Governance in South Africa 2016 (King IV).

Asset managers should submit the results of their proxy votes and Discovery should review the proxy voting policy of its asset managers at least annually.

5.2.3 MANAGEMENT ENGAGEMENT GUIDELINES

Asset managers must incorporate a robust approach to escalation in their engagement with investee companies. Our approach to escalation through asset managers includes, but is not limited to, our mandate and active ownership guidelines provided, collaboration and public disclosure. If escalation efforts fail to deliver adequate results, asset managers should only consider divestment from the investment as a last resort. Such decisions should be made in line with our fiduciary duties and in accordance with our responsible investment objectives.

- Asset managers should have an engagement policy in place that outlines their engagement process and expectations of investees.
- Discovery should review the engagement policy of its asset managers at least annually.
- Asset managers should meet regularly with investee management on overall and ESG matters. Where issues are identified or arise, asset managers should engage with management in a constructive and meaningful manner, in a private forum, to bring about positive change. Only as a last resort should the press and public forums be used to drive change.
- Asset managers should engage in a manner that is consistent with proxy voting activities.
- Asset managers should submit to Discovery an annual report including a summary of their engagement activities and outcomes on ESG matters.

5.2.4 CONFLICTS OF INTEREST

Conflicts of interest may arise in the course of stewardship activities. In line with our established group conflict of interest policy, we are committed to ensuring that any potential conflicts are managed effectively and transparently to protect the interests of our clients and ensure the integrity of our stewardship activities. Our appointed asset managers must manage and mitigate any potential conflicts of interest transparently and effectively. This includes, but is not limited to, identification and disclosure of conflicts of interest, independent oversight and governance, and conflicts management policies.

5.3 PUBLIC DISCLOSURE ABOUT OUR RESPONSIBLE INVESTMENT POLICY

Responsible investment codes and King IV endorse the approach where investment activities and decisions are delegated to a service provider by mandate.

Discovery should, at a minimum, disclose the responsible investment code or principles that it has adopted and the application of its principles and practices.

The Code for Responsible Investing in South Africa (CRISA 2) recommends, in the case of delegation of investment activities to service providers, disclosure of the following:

- The extent to which investment activities (or aspects thereof) have been delegated to a service provider
- Details of the processes and procedures on how service providers are selected and monitored in respect of those investment decisions and activities that have been delegated according to the mandate

The overarching principle that applies to disclosure by Discovery through the mandate with service providers is that the disclosure by Discovery, as the asset owner, and each service provider should, when read together, cover the complete disclosure required.

6 | ROLES AND RESPONSIBILITIES

The Group has adopted the “three lines of defence” governance model as a key principle of operation. The model promotes transparency, accountability and consistency within the risk management process through the clear identification of roles and separation of business management from governance and control structures. A depiction of the 'three lines of defence' is defined below.

Individual entities within the Group may choose to establish a different governance framework to the one illustrated below. However, they should still align to the high-level principles established within this Policy.

DISCOVERY LIMITED BOARD		
Discovery Limited Executive Committee Discovery Limited Entity Executive Committees	Discovery Limited Audit Committee Discovery Assurance Risk and Compliance Committee Discovery Assurance Actuarial Committee Discovery Limited Remuneration Committee Discovery Limited Social and Ethics Committee Discovery Limited Technology Working Group	
MANAGEMENT	**RISK MONITORING AND ASSURANCE**	
First Line of Defence • Executive Committees • Management of Operations	**Second Line of Defence** • Group Risk Management Function • Group Actuarial Function • Group Compliance Function	**Third Line of Defence** • Group Internal Audit • External Audit • Other Assurance Providers

6.1 FIRST LINE – BUSINESS MANAGEMENT

The responsibility for responsible investment management is delegated to the Executive Committee ("Exco") of each company which operates under the guidance of the specific board of that company (or Discovery Limited Board if no entity board exists).

- The company Exco ensures that the Responsible Investment Policy is embedded across all functions responsible for the investment management process and is responsible for processes in accordance with their own business requirements.
- The company Exco regularly monitors the investment exposure and reviews compliance with the objectives and guidelines and ultimately reports the overall results to the relevant Board.

The Group Exco has established a CCIC[1] as the main governance body for all the investment activities in the Group. The terms of reference of the CCIC includes reviewing the Group's Responsible Investment Policy, guidelines, strategies, exposures, management and performance. It is chaired by the Group Chief Actuary. Other members include the Group Chief Financial Officer (CFO), CFOs for the South African composite, Discovery Life, Discovery Invest, Discovery Insure, Vitality UK and Vitality Global and the Head of Group Treasury. Other attendees include senior management from the Group Actuarial function, Head of Balance Sheet Management for Discovery Bank and representatives from other business areas, including Actuarial and Finance divisions who are responsible for the management of investments, and other activities within their entities, relevant to the CCIC.

6.2 SECOND LINE – OVERSIGHT FUNCTIONS

6.2.1 Group Risk Management Function

The GRM Function reviews the investment management process to ensure that the risks and controls associated with the process have been identified, measured, managed, monitored and reported.

[1] *UK equivalent is the Reinsurance, Investment and Capital Committee ("RICC")*

It also reviews and challenges information on investment risk and facilitates the establishment of appropriate risk reporting procedures and feedback loops to the Board. GRM coordinates an attestation exercise to assess compliance with this Policy on an annual basis.

6.2.2 Compliance Function

The Compliance Function ensures that the Group is able to meet its regulatory obligations and promotes a corporate culture of compliance and integrity. The Compliance Function monitors that all regulatory requirements pertaining to responsible investment management are complied with across the Group.

6.3 THIRD LINE – ASSURANCE FUNCTIONS

The 'third line of defence' comprises the Group's independent assurance functions, i.e. internal and external audit, which provide an independent and balanced view of the effectiveness of the 1^{st} and 2^{nd} line functions as defined above. The Group Internal Audit Function performs an assessment on the effectiveness of the investment management process as part of its regular audit plan or when requested to do so. The findings from these audits/assessments are reported to the various governance bodies within the organisation.

7 | GOVERNANCE

The Discovery Limited Board Charter sets out the scope and responsibilities of the Board in respect of the entities within the Group, and responsibilities of the subcommittees are set out in the respective the terms of reference documents.

In instances where an entity has established a separate governance structure in addition to the Group governance structures, the entity should ensure that the responsibilities defined below are included in the terms of reference of the relevant committee structures.

7.1 DISCOVERY LIMITED BOARD

The Board is ultimately responsible for responsible investment management across the Group. The Board may delegate some of the activities or tasks associated with its own roles and responsibilities to a delegated Board Committee or senior management within the Group. The Board, executive and senior management have the responsibility to:

- Ensure that the principles defined in this policy are embedded across the Group;
- Review and approve the Responsible Investment Policy biennially; and
- Implement the appropriate monitoring mechanisms to ensure that the responsible investment strategy is being delivered and complied with by management.

7.2 DISCOVERY LIMITED SOCIAL AND ETHICS COMMITTEE

The Discovery Limited Social and Ethics Committee (SEC), a statutory committee of the Board, is required to monitor the Group's activities having regard to legislation, legal requirements, regulations and codes while considering the interest of the Group, social, economic and sustainable development, organisational ethics, good corporate citizenship, stakeholder relations, the environment and deal with emerging topical issues which may have an impact on the mandate of the SEC. The SEC is responsible for the review and approval of policies and frameworks within the SEC's scope (including the Group's Responsible Investment Policy), satisfying itself that they are appropriate and effective for the Group's activities and aligned to the objectives of the Group, and recommend these to the Board for approval.

7.3 DISCOVERY LIMITED CAPITAL, CURRENCY AND INVESTMENT COMMITTEE

The CCIC is established by the Group Exco as the main governance body for all the investment activities of the Group. This will include appropriate oversight across the Group's subsidiaries and composites, which may differ in the level of detail and direct management depending on the principle of proportionality and the existence of other governance structures within those entities. The primary purpose of this committee is to assist the Group Exco in implementing and reviewing the Group's investment policies, guidelines, strategies, transactions, management and performance, and to oversee the Group's capital and financial resources. The CCIC is required to report back to the appropriate Board(s).

7.4 DISCOVERY LIMITED RISK AND COMPLIANCE COMMITTEE

The Discovery Limited Risk and Compliance Committee is a sub-committee of the Discovery Limited Board. Its authority is given by way of Board instruction and delegation. The terms of reference of this committee are defined in the Discovery Limited Risk and Compliance Committee Terms of Reference. This committee reviews all enterprise-wide risk assessments, control evaluations and mitigation plans on a regular basis.

7.5 DISCOVERY LIMITED AUDIT COMMITTEE

The Discovery Limited Audit Committee is a sub-committee of the Discovery Limited Board. Its authority is given by way of Board instruction and delegation. The terms of reference of this committee are defined in the Discovery Limited Audit Committee Terms of Reference. Its responsibility in terms of investment management includes, but is not limited to:

- Reviewing the effectiveness of internal controls and the reliability and accuracy of the financial information provided to management and other users of financial information;
- Reporting on significant findings from internal audit reviews and the extent of management implementation of recommendations;
- Reporting on any significant deficiencies and material weaknesses in the design or operation of internal controls in the financial reporting process; and
- Reviewing the scope of work (risk analysis and audit plan) of the external and internal auditors, confirming reliance placed on Risk Management Reports and how this has been validated.

8 | ATTESTATIONS

Each directly held intermediate holding company of Discovery Limited must provide an attestation on the adherence to this policy, including that of its direct and indirect subsidiaries, facilitated by a Discovery Limited platform.

9 | COMPLIANCE WITH THIS POLICY

Our policies support our values and reflect what is important to us. We take breaches of our policies seriously. Depending on the severity of the breach, consequences may range from a warning to termination of employment.

Any breach of or non-compliance with this policy must be communicated to the policy owner as soon as reasonably practical. The policy owner, with input from key stakeholders, will consider the appropriate action required. All instances of non-compliance with this policy will be included in the regular risk and compliance reporting processes and will be reported to the relevant board committees.

ANNEXURE A: ESG FACTORS THAT MAY APPLY TO ASSET MANAGERS AND DIFFERENT ASSET CLASSES

ASSET CLASS	ESG FACTORS TO CONSIDER
Equities	• In the assessment of individual companies and portfolios, use ESG-related tools and metrics for a better understanding of risks and opportunities. • Integration of ESG factors into active ownership practices, where relevant.
Fixed income	• Consider ESG factors when evaluating credit risk of corporate bonds. • Consider ESG factors when setting debt covenants for corporate bonds. • Consider country-specific ESG criteria when evaluating sovereign debt.
Property (including direct and shares)	• Analyse ESG risks and opportunities on direct property investments through due diligence. • Undertake an environmental impact assessment where relevant. • For property in the construction and development phase, undertake an assessment of the energy efficiency strategy • For property already developed, consider the long-term benefits of improving energy efficiencies. • In terms of property shares, actively engage with property management companies around material ESG matters, in terms of their direct property holdings.
Alternative investments (including private equity, hedge funds, etc)	• Undertake due diligence prior to investment of ESG matters • Monitor and understand the ESG risk exposures in alternative investments. • Actively engage with private equity investments in ESG matters to positively influence long-term company performance. • Consider the environmental risk for infrastructure assets.
Foreign investments	Consider country-specific ESG criteria when evaluating investments. Examples for each component include: • Environment: laws, policies, climate-related matters, deforestation, pollution, development • Social: labour laws, poverty, inequality, healthcare, access to basic services, inclusive economy • Governance: bribery, corruption, corporate governance standards, property rights, leadership, political stability
Collective investment schemes and multi-managers	• Undertake due diligence on the collective investment scheme, with active engagement on ESG matters. • Undertake ESG due diligence on underlying fund managers in the case of multi-managers.

ANNEXURE B: ESG FACTORS THAT MAY APPLY TO INVESTEE COMPANIES AND SUBJECT TO ENGAGEMENT / VOTING PRINCIPLES

The following three proxy voting principles are high-level statements that reflect our voting philosophy and active ownership priorities. These principles explain our positions on key ESG issues where voting can be used to effect progress on those issues. We expect our asset managers to have proxy voting guidelines in place which we will review.

- Given our commitment to the UN Guiding Principles on Business and Human Rights (UNGPs), we support proposals that will enhance a company's policies and practices to meet international human rights standards.
- An effective board is the keystone of a well-governed company. The board should exercise independent judgment, without conflicts of interest and should fulfil its duties effectively and have an appropriate balance of competencies and backgrounds. Board members should be accountable to shareholders for the outcomes of their decisions.
- Where climate change is identified as a material issue for the business, we expect investees to have sufficient expertise and experience on the board to ensure effective strategic and operational oversight. In addition, where little or no progress has been made in terms of providing the market with investment-relevant climate disclosures, votes may be cast against the investee.

ENVIRONMENTAL ISSUES

- Compliance with environmental legislation
- Environmental management system in place and monitoring thereof
- Efficient use of resources, including reduction of greenhouse gas emissions, responsible water use and energy efficiency
- Pollution prevention through effective management and recycling
- Biodiversity conservation that protects habitats and manages the impact on fauna and flora
- Prevention of or adaptation to climate change
- Environmental considerations in the use of suppliers and sub-contractors

SOCIAL ISSUES

- Compliance with legislation and global standards on labour, working conditions, health and safety
- Social management system in place and monitoring thereof
- Fair and equitable treatment of workers, including basic human rights, wages and training
- Monitoring and addressing of staff turnover and worker grievance mechanisms
- Diversity of workforce and gender pay ratio
- Adequate health and safety mechanisms in place, with subsequent monitoring thereof
- Company's potential adverse impact on the community: management of human rights in the value chain; security force impact; operations near indigenous people; and human rights violations
- Integration of environmental and social consideration in products and services, for example, product design, energy intensity, packaging, recalls, adverse materials and product safety
- Policies and practices of the collection, use and retention of customer information and related data privacy
- Social considerations in the use of suppliers and sub-contractors
- Conflict-free minerals and materials

GOVERNANCE ISSUES

- Governing body and governance practices that comply with legislation and relevant Codes, such as King IV
- Governance framework in place, as well as a code of ethics and/or conduct
- Independent, diverse and functioning Board of Directors that is supported by a structure and committees in line with best practice, such as noted in King IV
- Adequate control environment that includes an internal audit, risk management and compliance function
- Disclosure and transparency through, for example, an annual report and/or sustainability report
- Fair and equitable treatment of minority shareholders
- Related-party policy and disclosure
- Dividend policy
- Remuneration disclosure and consultation process in line with King IV Remuneration Report requirements
- Disclosure of ultimate beneficial ownership
- Governance of stakeholder engagement
- Appropriate ethics and anti-corruption practices and management in place

ANNEXURE C: PRINCIPLES AND CODES FOR GUIDANCE

UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice.

The six principles that signatories sign up to are:

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will each report on our activities and progress towards implementing the Principles.

CODE FOR RESPONSIBLE INVESTING IN SOUTH AFRICA 2 (CRISA 2)

The Second Code for Responsible Investing in South Africa, 2022 (CRISA 2) is a voluntary industry code overseen by the CRISA Committee and builds on the first CRISA Code (2011). CRISA 2 recognises that institutional investors may outsource some or all of their investment decision-making processes and activities to service providers. Notwithstanding this, the institutional investor (who is the asset owner) has fiduciary duties towards the ultimate beneficiaries of these investments and is accountable in this regard. If an institutional investor appoints a service provider to make investment decisions or to execute any aspect of the investment activities, that relationship should be regulated by a mandate.

CRISA 2 has five main elements, namely that institutional investors should:

- Reflect a systematic approach to integrating material environmental, social and governance (ESG) factors
- Demonstrate the acceptance of ownership rights and responsibilities diligently enabling effective stewardship
- Consider, where appropriate, a collaborative approach to promote acceptance and implementation of the principles of CRISA 2 and other codes and standards applicable as well as targeted capacity building throughout the investment industry
- Ensure that sound governance structures and processes are in place to enable investment arrangements and activities that reflect and promote responsible investment and diligent stewardship, including proactively managing conflicts of interest
- Ensure disclosures are meaningful, timeous and accessible to enable stakeholders to make informed assessments of progress towards the achievement of positive outcomes.

KING IV CODE ON CORPORATE GOVERNANCE

Principle 17 of the King IV Code on Corporate Governance for South Africa (King IV) addresses the responsibilities of institutional investors: "The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests." King IV defines an institutional investor as: "Any juristic person or institution referred to in the definition of financial institution in section 1 of the Financial Services Board Act, No. 97 of 1990, to the extent that these juristic persons or institutions are the holders of beneficial interest in the securities of a company. It includes retirement funds and insurance companies as well as the custodians, nominees and service providers who act under mandate in respect of any investment decisions and investment activities exercised in relation to these securities."

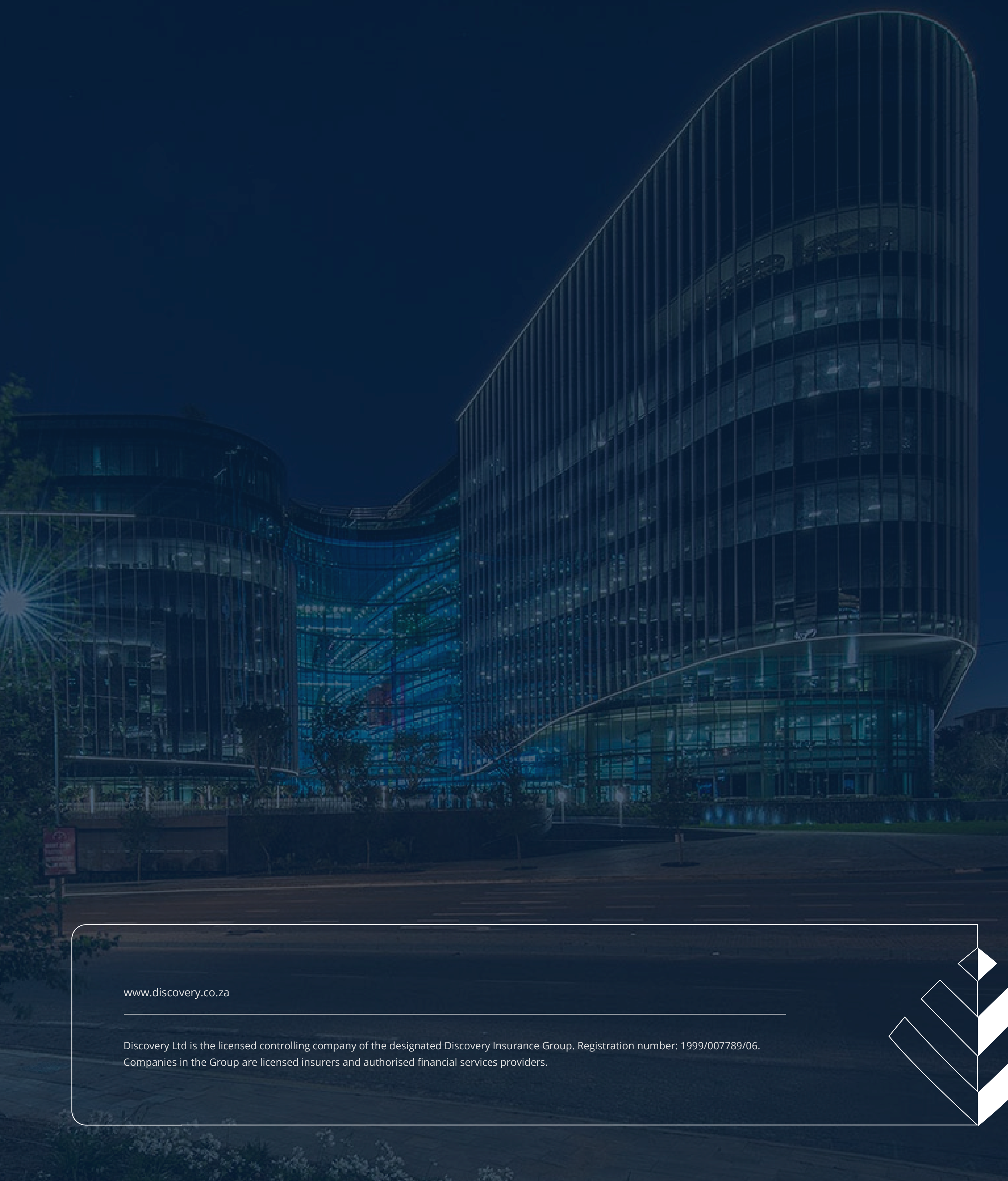
REGULATION 28 OF THE PENSION FUNDS ACT

Under the 'Principles' section of Regulation 28 of the Pension Funds Act, section c(ix) considers it part of the fiduciary duty of trustees to require ESG consideration during investment decision-making. In particular, the regulation expressly states: "...before making an investment in and while invested in an asset consider any factor which may materially affect the sustainable long-term performance of the asset including, but not limited to, those of an environmental, social and governance character."

FINANCIAL SECTOR CHARTER (FSC)

The Financial Sector Charter (FSC) is based on a harmonisation of the Generic Codes and the Financial Sector Charter as gazetted under section 12 of the B-BBEE Act. Parties subject to the Code are committed to "actively promoting a transformed, vibrant and globally competitive financial sector that reflects the demographics of South Africa, and contributes to the establishment of an equitable society by providing accessible financial services to black people and by directing investment into targeted sectors of the economy".

Discovery



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