

SIM Responsible Debt Policy

Policies and Procedures

July 2020



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1. CONTEXT

Responsible Investing (RI) is an investment practice that promotes the consideration of environmental, social and governance (ESG) factors in investment decisions and active ownership. ESG issues have the potential to impact portfolio values over the long term. Through a better understanding of these issues, investment managers are able to achieve a broader and more holistic view of investments.

2. SCOPE AND PURPOSE OF POLICY

SIM's Responsible Debt Policy specifies the firm's approach and guiding principles, to addressing ESG related matters within its investment and lending activities. These principles have the purpose of ensuring the effective implementation of responsible investment practices. This policy relates ESG considerations to the fiduciary duties of the investment manager, mandate of the asset owner and considerations to issuers.

3. GOVERNANCE STRUCTURE

In 2006, the Corporate Governance Unit (CGU) was established to drive implementation of our Responsible Investment initiatives, on behalf of clients. The unit has oversight responsibility for responsible investment practices and reports into the Sanlam Investments Executive committee on a quarterly basis, including any escalation that may arise during the year. The CGU consists of senior investment professionals, company secretarial and front office staff.

4. OUR ESG PHILOSOPHY

We believe that by evaluating ESG factors, asset managers can better understand the risks and opportunities in their investments, in order to achieve superior risk adjusted returns. Responsible Investment also encourages investee companies to conduct their operations in a way that meets the interests of their stakeholders, without compromising the needs of future generations.

In line with our overarching investment philosophy, we believe considering environment social and governance factors within our investment decision-making and ownership practices, will impact the value, performance and reputation of the investments we make on behalf of clients.



5. APPROACHES TO ESG INCORPORATION

INVESTMENT PROCESS

There are at least three key ways in which we incorporate ESG factors in the investment process. It is through the screening out of non-mandated instruments or issuers, integration of financial material ESG risks and investing thematically (for example in support of 'green' projects)

ESG factors are addressed at the credit analyst level with an internal ESG risk scorecard. This information is viewed as a qualitative overlay, but also incorporated directly into the internal credit rating when assessing management quality, industry and reputation. Both quantitative and qualitative factors are considered.

Our ESG approach seeks to achieve the following outcomes:

- Evaluate ESG risk
- Monitor ESG activities & controversies
- Engage when risks are identified
- Report to stakeholders on ESG issues in our investments in a transparent and accountable manner.

ACTIVE OWNERSHIP AND ENGAGEMENT

Engagement with companies is part of our fundamental approach to the investment process as an active investor. We will engage with bond and debt issuers, and will communicate any specific concerns we may have in respect to ESG practices to these issuers. When engaging with companies our purpose is to either seek additional understanding or, where necessary, to seek change that will protect and enhance the value of investments for which we are responsible.

LENDING PRACTICES

In relation to our lending practices, SIM acknowledges the equator principles, and aspires to address their risk management framework used to assess and manage environmental and social risks. The Equator principle guidelines are as follows.

- Assess social and environmental impacts, and determine management and mitigation measures;
- Apply social and environmental standards, and ensure legal compliance;
- Plan and manage the project's social and environmental impacts, risks and corrective actions;
- Address concerns promptly and transparently via a grievance procedure;
- Use the services of an independent expert, if necessary, to assist with due diligence studies;
- Apply covenants, and remedies for non-compliance, after a grace period;
- Promote independent monitoring and reporting, and
- Report on outcomes annually and publicly.



OUR COMMITMENT TO MONITOR, REVIEW AND REPORT ON PROGRESS

SIM is committed to sharing our progress on ESG incorporation at the request of our clients and other stakeholders. In line with this, the following commitments have been made:

- Understand and incorporate the ESG preferences of clients and/or beneficiaries
- Disclose our ESG efforts to clients and stakeholders through the annual Responsible Stewardship and Investment Report and the PRI Transparency Report.
- Implement the prescribed principles of the Code for Responsible Investment South Africa (CRISA) and provide annual disclosure of these practices

SIM is a signatory to the UN supported Principles of Responsible Investment (PRI) and endorses CRISA.

6. REQUIREMENTS OF ISSUERS

SIM strongly supports King IV and CRISA as they set a good benchmark for governance practices. Accordingly, in line with this support, we expect the following requirements from issuers:

- Should ensure that the organisation is and is seen to be a responsible corporate citizen, which includes ESG oversight and monitoring against measures and targets agreed with management.
- Should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.
- Should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects

7. POLICY IMPLEMENTATION AND RESPONSIBILITIES

It is the responsibility of all investment professionals to ensure the effective implementation of the SIM Responsible Debt Policy, within the various investment processes and products. This is overseen by the Chief Operating Officer, and Chief Executive Officer.

call us 

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