

Principles for Responsible Investment (PRI) annual disclosure

31 December 2018

Our philosophy on being a responsible investor

Futuregrowth is a fiduciary asset manager and we believe that environmental, social and governance (ESG) issues are important sustainability issues that should be considered as part of a holistic investment process.

Our commitment

We seek to invest our clients' funds in a responsible manner, consciously making an effort to be aware of these issues. The purpose of integrating ESG issues into our investment process is to improve the analysis of our investments, promote improving standards of practice and to assist the investment process in mitigating any risks.

PRI annual disclosure

We believe that the PRI principles which considers 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.

Futuregrowth is a signatory to the PRI and endorses the Code for Responsible Investment in South Africa (CRISA). Below is a summary of Futuregrowth's disclosure based on our application of the PRI principles.

PRI principles	Futuregrowth's application of these principles
<p>Principle 1 We will incorporate ESG issues into investment analysis and decision-making processes.</p>	<p>Our Responsible Investment (RI) Policy outlines our commitment to responsible investment practices and ESG integration.</p> <p>Our investment process includes ESG integration into listed and unlisted investments (this includes State Owned Enterprises (SOEs) entities).</p>
<p>Principle 2 We will be active owners and incorporate ESG issues into our ownership policies and practices.</p>	<p>Our active ownership philosophy is based on our framework of our Corporate Governance and Proxy Voting policies.</p> <p>Active ownership involves:</p> <ul style="list-style-type: none"> – File shareholder resolutions; – Attend annual general meetings and other relevant meetings; and – Exercise voting rights and engage in proxy voting issues. <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 ESG matters.
<p>Principle 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.</p>	<p>We will seek appropriate disclosure on ESG issues by the entities in which we invest by engaging investee companies to report and disclose material ESG issues.</p>



<p>Principle 4 We will promote acceptance and implementation of the Principles within the investment industry.</p>	<ul style="list-style-type: none"> - We promote acceptance of the Principles through our support and representation on a few industry working groups e.g. the ASISA Bond committee, ASISA Infrastructure Working Group, ASISA RI Committee and PRI Awareness and Recruitment Working Group. - As a responsible investor we engage with the industry and investee companies privately, and sometimes publicly, on sustainability issues. We have been working steadfastly to improve South Africa’s debt capital market standards. In 2013, we identified unfair, unsustainable and prejudicial practices within the consumer lending industry. We chose to stop lending to such businesses in our developmental funds and publicly called for industry reform. And in 2016, we announced that we could no longer in good conscience invest pension fund members’ assets in certain SOEs until we had concluded detailed governance reviews. - Examples of issues raised: <ul style="list-style-type: none"> - JSE takeover of BESA (2008): Lack of fair and transparent price discovery - Credit Ratings Agencies (2008): Conflict with ratings agencies - Bond Covenants (2009): Fighting for better investor protections - Bank failures (2011): Lack of accountability when banks fail - Bond pricing (2011): Bond pricing problems - Prescription (2009-2019): Hostile to prescription in SA - Micro-lending (2013): Identified unfair and unsustainable practices of micro-lenders - Bond Indices (2015): Argued indices are fundamentally flawed - Covered Bonds (2015): Hostile to covered bonds introduction in SA - ACSA (2015): Oppression of minorities - SOE governance (2016-2019) - Currently, we are engaging the JSE on the Debt Listing Requirements.
<p>Principle 5 We will work together to enhance our effectiveness in implementing the Principles.</p>	<p>We collaborate with the industry on RI and ESG matters. These include but also refer to response in Principle 4:</p> <ul style="list-style-type: none"> - 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 and PRI Awareness & Recruitment Working Group.



Principle 6

We will each **report** on our activities and progress towards implementing the Principles.

We will disclose and report on ESG issues and our progress towards implementing the principles. This can be evidenced in the following reports:

- RI Policy
<http://www.futuregrowth.co.za/media/1268/futuregrowth-ri-policy.pdf>
- PRI Annual Disclosure
<http://www.futuregrowth.co.za/media/2539/futuregrowth-pri-disclosure-2018-final.pdf>
- PRI Transparency Report (Click on the Futuregrowth link to access the report)
<https://www.unpri.org/signatories/transparency-reports-2018/3350.article>
- CRISA Annual Disclosure
<http://www.futuregrowth.co.za/media/1267/futuregrowth-crisa-disclosure.pdf>

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