

Why we look for *responsible* businesses

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Annual reports of listed companies nowadays contain tens if not over a hundred pages filled with beautiful words to highlight compliance with what seems like thousands of regulatory rules and procedures. Taking just one example, of the 152 latest annual report pages of a JSE listed company for their 2018 financial year, **Sustainability** takes up 26 pages, **Corporate Governance** 27 pages and the **Financials** cover 65 pages.

It all looks very slick and comprehensive and it certainly ticks all the boxes, but it tells us very little about whether we are dealing with a *responsible* business.

We can think of this in two ways; one being a box-checking framework and the other being a responsibility framework. We pursue the latter, because our goal is to own the businesses we chose to acquire on a truly long-term basis. To us, 'long-term' means 5 to 10 years or even longer. It is disturbing that I feel the need to clarify what long-term means.

An important benefit of having adopted a responsibility framework is that it tends to keep us very far away from trouble. A very real risk to short-term oriented market participants is that one can never know when exactly the fire you are playing with gets out of control. Ignorance is blissful, until one day when it blows up in your face.

Our work continues...

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