

BALONDOLOZI

— INVESTMENT LEADERSHIP —

ESG POLICY

Balondoloji Investment Services (Pty) Ltd

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1st Floor Building 1, Glenhove Square, 71 4th Street, Houghton Estate, 2198

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Registration No. 2010/007109/07 FSP No. 42188

Directors: Masibulele P Dem (Board Chair), Yolande A Mokhantso (CEO), Pedro M Samuel (COO), Fannuel Tigere (CIO), Zanele Mdlekeza (Audit Committee Chair), Zandie Mlambo (Risk & Compliance Committee Chair), Christopher Pratt, Nobuhle Mhlanga, Zintle Mjali

ESG POLICY

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BALONDOLOZI ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

Overview

Balondolozzi understands that the effective management of Environmental, Social and Governance (ESG) issues is fundamental to creating value for investors. Corporates which are successful in avoiding ESG risks whilst capturing ESG opportunities will be able to allocate capital efficiently in their businesses. In turn, efficient allocation of capital will lead to higher long-term returns compared to those which do not consider ESG issues.

ESG Philosophy

At Balondolozzi we believe that ESG is fundamental for value accretion since it leads to efficient capital allocation, which in turn leads to higher longer-term returns.

Prior to 2017, Balondolozzi used to follow a predominantly qualitative approach as we believed that qualitative issues were reflected in security prices. Balondolozzi's approach to ESG has advanced to a more quantitative view which is in line with our quantitative bias. ESG due diligence assists us in the investment process by acting as a screen.

ESG Scope

The scope of our ESG research includes the Top 100 listed companies on the JSE. Only publicly available information is used such as integrated, sustainability and supplementary reporting while macro data at segmental or geographical level is derived from academic, government and NGO datasets.

In addition, Balondolozzi also focuses on the unlisted environment (Government, State), being various municipalities and SOE's, and in addition to the above, perform the following functions with further scrutiny; Corporate Governance & political ESG Scores are designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across variety themes (emissions, environmental

appointments, Compliance with PFMA, State Guarantees, Labour Relations, Corruption, Business Associates and Laws and Regulations.

Scope of Analysis

Balondolozzi evaluates companies ESG policy in detail and score them based on factors and indicators within their control. The assessments of responses include those in relation to; Governance, Societal, and Environmental issues.

ESG Scorecard

Regulation 28 requires explicit consideration of ESG issues in Investment decision making. Relative comparisons require a rigorous and methodical approach to evaluation. A scorecard is a logical mechanism to discharge this responsibility. ESG issues are becoming increasingly important to investment trustees, investment houses, responsible and inclusive investing approaches and broader funds who require investing to be done in an ethical manner. A scorecard provides a basis for ongoing assessment of ESG performance over time and relative to peers.

Therefore, in scoring companies, the quality of executive feedback is scrutinised to determine how acceptable/satisfactory it reports on key ESG issues. Executives that provide exceptional reporting/feedback towards its most significant key ESG issues receives a high ranking, reflecting ESG leadership. While executives that provide poor reporting/feedback towards its most significant key ESG issues will receive a low ranking, portraying an executive that is non-compliant.

ESG score = product of company exposure to key issues to quality of executive feedback to its key ESG issues

ESG Methodology

product innovation, human rights, shareholders, etc.) based on company-reported information. The significance of the issues across industries is presented below.

ESG Key Issues

| ENVIRONMENT | SOCIAL | GOVERNANCE |
|--------------------------|-------------------------------|--------------------------------------|
| Energy | Labour | Board Balance & Eff./Corp Governance |
| Water | Societal Issues | Audit Independence |
| Waste | Product Suitability | Remuneration & Incentives |
| Climate Change Reporting | Treatment of Customers | Ethics |
| | Access to Products & Services | |

Balondolozzi researches the company's issues from the universe that are significant/consequential within their industry. The focus is among 13 key issues across the 3 pillars (ESG).

Environment

Under the environmental factor, Balondolozzi examines the following:

- How well is the company managing its energy use, towards the ideal of the zero-carbon footprint?
- Does the company understand its energy sources and its reliance of fossil fuels, versus renewable energy options?
- How well does the company respond to the environmental impacts of its use of water?
- How well prepared is it for shortages of water?
- How well and effectively is the company managing the impacts of solid waste (including packaging), waterborne waste effluent, and its airborne emissions on the environment and biodiversity?
- How well does the company understand environmental risks beyond the company's control? These include risks related to climate change and extreme weather events

Social

Under the social factor, Balondolozzi examines the following:

- How well does the company engage and communicate with employees such that the organisation can resolve concerns, build trust and productive employee relations?
- How fairly does the organisation arrive at fair wages and salaries?
- How effectively the company develops the knowledge and skills of its employees?

- How well does the organisation measure, manage, and promote the health, safety and wellness of its employees?
- How genuinely does the company engage with communities affected by its operations to understand their concerns and co-operate in community development?
- How proactively is the organisation developing managers at middle, senior and board level?
- How proactively is the organisation developing suppliers, contractors, and small businesses from previously disadvantaged communities?
- Quality of product/service
- Health impact of product/service
- Affordability of product/service
- How fairly does the organisation transact with its customers?
- How is the product promoted and sold and how this may be detrimental to the customer?
- Customer experience
- Ethical advertising, product labelling and sales practices
- Responsible credit and lending practices
- How companies provide for, or prevent, access to their products and services through innovative product design, education, etc

Governance

- Under the environment factor, Balondolozzi examines the following:
 - Skills/experience of directors
 - Tenure of directors
 - Independence of directors
 - Director fees
 - Leadership selection and preparation
 - Audit tenure
 - Independence of audit committee
 - Audit fee
 - Remuneration governance – how remuneration is governed at board level
 - Link between remuneration policy and company strategy
 - Link between remuneration outcome and company performance outcome

- Fairness from an equity standpoint – this relates to the gap between executive remuneration and general worker pay
- Use of remuneration consultants and their fees
- Moral DNA of the organisation
- Theft, fraud and corruption (including conflicts of interest)
- Anti-competitive behaviour

Company Exposure to Key Issues across industries is illustrated below:

| | Insurance | Bank | Renewables | Commodities | Hotels & Leisure | Infrastructure | TMT | Property | Healthcare | Pharmacy | Food & beverages | Mining | SOEs |
|-------------------------------|-----------|------|------------|-------------|------------------|----------------|-----|----------|------------|----------|------------------|--------|------|
| Energy | 10 | 13 | 35 | 38 | 30 | 42 | 30 | 12 | 33 | 17 | 45 | 33 | 37 |
| Water | 3 | 3 | 40 | 30 | 37 | 30 | 2 | 12 | 37 | 17 | 30 | 17 | 13 |
| Waste | 0 | 0 | 47 | 35 | 17 | 37 | 7 | 30 | 7 | 33 | 30 | 33 | 15 |
| Climate change reporting | 10 | 8 | 33 | 33 | 15 | 17 | 3 | 5 | 0 | 0 | 30 | 42 | 10 |
| Labor | 8 | 5 | 33 | 33 | 37 | 45 | 5 | 42 | 37 | 37 | 30 | 45 | 30 |
| Societal Issues | 19 | 25 | 34 | 35 | 36 | 22 | 29 | 21 | 25 | 24 | 32 | 38 | 21 |
| Product suitability | 40 | 40 | 30 | 3 | 42 | 45 | 35 | 38 | 45 | 35 | 37 | 0 | 42 |
| Treatment of customers | 40 | 40 | 10 | 2 | 38 | 30 | 37 | 38 | 42 | 33 | 13 | 0 | 45 |
| Access to products & services | 35 | 33 | 0 | 0 | 3 | 5 | 37 | 30 | 35 | 35 | 30 | 0 | 17 |
| Board balance & effectiveness | 43 | 40 | 35 | 38 | 38 | 17 | 38 | 38 | 37 | 40 | 33 | 38 | 33 |
| Audit independence | 37 | 40 | 38 | 17 | 30 | 45 | 17 | 17 | 13 | 30 | 42 | 45 | 7 |
| Remuneration & incentives | 42 | 40 | 42 | 17 | 32 | 17 | 17 | 32 | 30 | 30 | 17 | 33 | 32 |
| Ethics | 37 | 40 | 35 | 37 | 32 | 35 | 34 | 38 | 37 | 36 | 35 | 19 | 28 |

The above table indicates the various scores a specific industry would get based on the significance of the issue affecting the industry.

Once the ESG Key issues have been identified, we set the weights that determine each key issue's contribution to the overall score. The weighting considers both the contribution of the industry, relative to all other industries, to the negative or positive impact on the environment or society; and the timeline within which it is expected that risk or opportunity for companies in the industry will materialize. The weighting of an issue is affected by the likelihood and significance of its impact on the company in the long run. The weighting ranges on a scale from 0 to 50. Key issues with low significance receive a low weighting, while key issues with high significance receive a high weighting.

FUNDAMENTAL ESG CONSIDERATIONS

Voting Policies

Balondolozzi's corporate governance guidelines and procedures are followed internally and in voting proxies. Proxy statements increasingly contain material issues involving shareholder rights and corporate governance issues, among others, which deserve careful review and consideration. Therefore, in voting proxies, Balondolozzi, on a case-by-case basis, will consider those factors that may affect directly or indirectly the value of the clients' investments.

Board Composition & Directorship

Board membership should comprise a balance of executive and non-executive directors who have broad experience and are able to act independently. Balondolozzi will support the election of an independent non-executive Chairman so that the Board represents the interests of shareholders, not executive management.

Internally, to preserve the independence and flexibility of the investment process, Balondolozzi will not appoint investment team members to the board of listed companies.

Share Capital

Balondolozzi will generally oppose:

- Placing unissued ordinary shares under the control of the directors that would dilute existing shareholders.
- Resolutions that provide directors the authority to issue shares for cash, as any further issues would dilute existing shareholders.
- Resolutions that allow share repurchases to impact on the "free float" of the company and where the share repurchase could have a material negative impact on liquidity.
- Proposals to divide share capital into two or more classes or to otherwise create classes with unequal voting and/or dividend rights.
- Proposals that allow for the re-pricing or issuing of options at a discount.

Environmental Issues

The public has a right to know whether a company uses substances that pose an environmental health or safety risk to a

community in which it operates. Balondolozzi will support resolutions asking companies to prepare general reports describing environmental management plans and to disclose current or potential environmental liabilities.

▪ **Remuneration**

Levels of remuneration should attract, retain and incentivise directors to perform in the best interests of the shareholders.

Items that Balondolozzi will consider include:

- Detailed disclosure of director and employee compensation, particularly where the company does not have a majority independent board.
- The independence of the Remuneration Committee and its recommendations
- Whether compensation is reasonable especially with respect to total compensation to CEOs per annum; "golden parachutes" for early termination of service or if triggered by a takeover; executive severance pay (particularly where the company performance was poor during the said executive's tenure).

▪ **Appointment of Auditors**

The audit process must be objective, rigorous and independent to maintain the confidence of the market. Balondolozzi will pay serious consideration to any issues that may have compromised the audit firm's independence and objectivity with respect to the company over the past year.

▪ **Empowerment/Equality.**

Balondolozzi will encourage development of an employment equity plan and reporting on empowerment with specific focus on:

- Shareholders
- Board of Directors
- Executive and senior management
- Staff/labour force
- Suppliers/Contractors

▪ **King Report on Corporate Governance**

Balondolozzi supports the principles and intentions as laid down in the King III Report on Corporate Governance.

▪ **Sustainability**

Balondolozzi Investment Services strives to follow best industry practices for sustainable investing. In line with its objective, Balondolozzi embraces the principles of the responsible investing outlined in CRISA and the UNPRI. Several policies have been implemented to ensure compliance once funds grow.

▪ **Infrastructure development**

Balondolozzi strives to ensure that infrastructure development is done sustainably, economically viable and with consideration to the environment and communities it operates in. The firm votes to ensure inclusive community deals that are broad based and profitable with limited impact on existing stakeholders.

▪ **HIV/AIDS**

Balondolozzi identifies that HIV/AIDS poses a serious consideration in the economies and companies it is invested in. Balondolozzi strives to ensure that the companies it has invested in have HIV/AIDS policies and acts on these in the best interest of those affected, with special consideration to women.

▪ **BEE**

Balondolozzi adheres principally to sustainable broad based economic transformation. It votes for inclusive BEE deals that benefit employees, communities and economies in which the company will operate in. Balondolozzi votes against major dilution of existing shareholders and each case is to be of benefit to broader society and not individuals.

▪ **Gender Empowerment**

Balondolozzi is an equal employment vendor. Consideration in hiring policies and transformation is given consideration to those disadvantaged and marginalised, especially previously discriminated groups.

▪ **Employee Relations**

Employees should be treated in terms of a code of conduct and treated fairly, equitably and socially responsibly.

PROXY VOTING SUMMARY

- Below is a table of our proxy summary for 2023:
- Proxy voting, exercise voting rights for all securities held
- Total resolutions across the companies amounted to 2090, of which 1649 received votes in favor and 441 were opposed, with a 0% abstention rate**
- Majority of the time we voted in favour of the resolutions, and we've never abstained from any of the votes, however we've taken an exception frequently in terms of re/election of directors, appointment of auditors and approval of remuneration policies.

2023 Proxy Voting Summary (considerations addressed)

- Independent directors with compromised Independence
- Remuneration policies and implementation reports not linked to performance
- Share schemes that may have a dilutive impact on existing shareholders
- Political donations
- Political donations with no disclosure on which organisation, terms as well as conditions, thus, potentially exposing the company to reputational risks
- Endorsing Climate Change Report's consistency and progress on decarbonisation pathway for companies that still lack year-on-year emissions targeting. Although progress so far is a step forward in formalising a transition towards a low carbon sector, there remains some areas that could be more clearly articulated to ensure clarity and transparency towards the decarbonisation pathway commitments (e.g Sasol).

| Proxy Voting 2023 | | | | |
|-------------------|-------------|-----|---------|---------|
| Stock | Resolutions | For | Against | Meeting |
| BID | 3 | 2 | 1 | Jun-23 |
| ANG | 1 | 1 | 0 | Jul-23 |
| SRE | 19 | 15 | 4 | Jul-23 |
| BYI | 19 | 16 | 3 | Jul-23 |
| KST | 18 | 10 | 8 | Jul-23 |
| OMN | 1 | 1 | 0 | Jul-23 |
| GRT | 1 | 1 | 0 | Jul-23 |
| PIK | 20 | 10 | 10 | Jul-23 |
| VOD | 16 | 12 | 4 | Jul-23 |
| NY1 | 28 | 22 | 6 | Jul-23 |
| N91 | 28 | 28 | 6 | Jul-23 |
| DTC | 14 | 11 | 3 | Jul-23 |
| DCP | 16 | 11 | 5 | Jul-23 |
| INP | 37 | 35 | 2 | Aug-23 |
| INL | 37 | 35 | 2 | Aug-23 |
| AFT | 32 | 19 | 13 | Aug-23 |
| TSG | 3 | 3 | 0 | Aug-23 |
| PRX | 15 | 8 | 7 | Aug-23 |
| EQU | 22 | 10 | 12 | Aug-23 |
| ANG | 4 | 4 | 0 | Aug-23 |
| RNI | 10 | 6 | 4 | Aug-23 |
| TKG | 27 | 21 | 6 | Aug-23 |
| MCG | 18 | 15 | 3 | Aug-23 |
| NPN | 43 | 29 | 14 | Aug-23 |
| TSG | 14 | 8 | 6 | Aug-23 |
| MRP | 30 | 24 | 24 | Aug-23 |
| HCI | 17 | 5 | 12 | Sep-23 |
| CFR | 40 | 28 | 12 | Aug-23 |
| VKE | 26 | 18 | 8 | Sep-23 |
| TFG | 18 | 8 | 10 | Sep-23 |
| SSP | 17 | 16 | 1 | Sep-23 |
| ATT | 2 | 2 | 0 | Sep-23 |
| OMN | 16 | 9 | 7 | Sep-23 |
| S32 | 7 | 7 | 0 | Sep-23 |
| NPH | 12 | 7 | 5 | Oct-23 |
| BHG | 28 | 26 | 2 | Oct-23 |
| IMP | 28 | 26 | 2 | Nov-23 |
| AVI | 34 | 32 | 2 | Nov-23 |
| MTH | 28 | 26 | 2 | Nov-23 |
| TRU | 31 | 24 | 7 | Nov-23 |
| SHP | 33 | 31 | 2 | Nov-23 |
| DSY | 20 | 16 | 4 | Nov-23 |
| ATT | 20 | 16 | 4 | Nov-23 |
| SOL | 20 | 14 | 6 | Nov-23 |
| KAP | 27 | 21 | 6 | Nov-23 |
| PAN | 15 | 8 | 7 | Nov-23 |
| MTM | 37 | 33 | 4 | Nov-23 |
| WHL | 15 | 8 | 7 | Nov-23 |
| OUT | 22 | 11 | 11 | Nov-23 |
| BID | 34 | 27 | 7 | Nov-23 |
| WBO | 17 | 14 | 3 | Nov-23 |
| BVT | 20 | 14 | 6 | Jul-23 |
| GRT | 20 | 16 | 4 | Nov-23 |
| HYP | 26 | 20 | 6 | Nov-23 |
| FRS | 13 | 10 | 3 | Nov-23 |
| DRD | 16 | 8 | 8 | Nov-23 |

Team Responsibility

The entire investment team is responsible for the ESG implementation, with Alecia Sekwati (ESG Analyst), mentored by Sandelee Van Wyk (Head of Equities) coordinating the entire process.

Risks to ESG

Qualitative issues governing responsible investments are usually subjective in nature and yet Balondolozzi follows a quantitative process which aims to minimise subjectivity. Hence incorporating responsible investment issues deviate from the investment process objective of removing subjectivity in the firm's investment processes.

On the other hand, benchmarks which are used to measure performance do not take cognisance of issues of responsible investment thus Balondolozzi risk deviating from the objective of outperforming fund benchmarks.

ESG Reporting

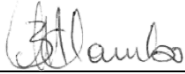
Balondolozzi disclosure requirements are guided by CRISA so the use of the "apply and disclose and disclose principles" is applied. However, disclosure on specific funds is guided by the

clients' posture on disclosure principles" is applied. However, disclosure on specific funds is guided by the clients' posture on disclosure.

| Proxy Voting 2023 | | | | |
|-------------------|--------------|--------------|------------|---------|
| Stock | Resolutions | For | Against | Meeting |
| CLS | 12 | 9 | 3 | Jan-23 |
| LHC | 24 | 21 | 3 | Jan-23 |
| ARL | 19 | 19 | 7 | Feb-23 |
| NTC | 16 | 14 | 2 | Feb-23 |
| SAP | 21 | 16 | 5 | Feb-23 |
| RLO | 23 | 22 | 1 | Feb-23 |
| SPP | 18 | 9 | 9 | Feb-23 |
| CML | 14 | 12 | 2 | Feb-23 |
| TBS | 10 | 9 | 1 | Feb-23 |
| RDF | 24 | 22 | 2 | Feb-23 |
| PPH | 27 | 27 | 0 | Mar-23 |
| TCP | 18 | 13 | 5 | Mar-23 |
| CFR | 1 | 1 | 0 | Apr-23 |
| BTI | 20 | 17 | 3 | Apr-23 |
| OCE | 16 | 7 | 9 | May-23 |
| RBP | 12 | 9 | 3 | Apr-23 |
| ANH | 15 | 7 | 8 | Apr-23 |
| AGL | 20 | 18 | 2 | Apr-23 |
| LTE | 14 | 8 | 6 | Apr-23 |
| MNP | 20 | 19 | 1 | May-23 |
| JSE | 13 | 13 | 0 | May-23 |
| SUI | 29 | 29 | 0 | May-23 |
| AMS | 17 | 13 | 4 | May-23 |
| ANG | 13 | 12 | 1 | May-23 |
| QLT | 21 | 20 | 1 | May-23 |
| EXX | 22 | 19 | 3 | May-23 |
| GLN | 17 | 14 | 3 | May-23 |
| GFI | 11 | 6 | 5 | May-23 |
| CPI | 13 | 10 | 3 | May-23 |
| MTN | 62 | 58 | 4 | May-23 |
| SSW | 20 | 11 | 9 | May-23 |
| GND | 17 | 15 | 2 | May-23 |
| KIO | 18 | 18 | 0 | May-23 |
| AFE | 22 | 22 | 0 | May-23 |
| MKR | 3 | 3 | 0 | Jun-23 |
| SNT | 21 | 21 | 0 | May-23 |
| TXT | 6 | 6 | 0 | Jun-23 |
| TSG | 3 | 3 | 3 | Jun-23 |
| TGA | 13 | 13 | 0 | May-23 |
| ABG | 18 | 18 | 0 | Jun-23 |
| NED | 38 | 35 | 3 | Jun-23 |
| SLM | 26 | 25 | 1 | Jun-23 |
| WBO | 5 | 5 | 0 | Jun-23 |
| SBK | 37 | 36 | 1 | Jun-23 |
| NRP | 15 | 15 | 0 | Jun-23 |
| RES | 17 | 16 | 1 | Jun-23 |
| SPG | 16 | 11 | 5 | Nov-23 |
| FFA | 16 | 13 | 3 | Dec-23 |
| REM | 19 | 12 | 7 | Dec-23 |
| HAR | 14 | 6 | 8 | Dec-23 |
| MSP | 11 | 6 | 5 | Dec-23 |
| APN | 24 | 19 | 5 | Dec-23 |
| ARL | 24 | 11 | 13 | Dec-23 |
| LCH | 1 | 1 | 0 | Dec-23 |
| | 2 090 | 1 649 | 441 | |

Adoption of the Policy

Adopted by:



Chairperson Risk and Compliance Committee
Balondoloz Investment Services

30/04/2024
Date

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