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**ENVIRONMENT**



**SOCIAL**



**GOVERNANCE**



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## 1. Introduction

### 1.1 Balondoloji Investment Services' ESG Philosophy and Commitment

**The world has undergone profound transformations**, which have inevitably reshaped the financial services industry. Key drivers of this change include environmental, social, and governance (ESG) factors, such as the depletion of natural resources, a growing and aging global population, escalating risks of cyber-attacks, and, in certain instances, inadequate corporate governance. Responsible investing integrates these ESG considerations alongside more traditional financial metrics within the investment process.

This strategy facilitates a shift of capital towards companies that actively mitigate risks by minimising harm to people and the planet, while aligning with the Sustainable Development Goals (SDGs). As a result, sustainable investing provides a balanced approach, enhancing long-term outcomes by incorporating both conventional and ESG insights.

Balondoloji Investment Services is committed to integrating Environmental, Social, and Governance (ESG) factors into its investment processes, recognising the firm's critical role in value creation and efficient capital allocation. The firm **holds the belief that incorporating ESG risk factors can generate sustainable returns and contribute to long-term value for its stakeholders.**

The objective is to position each of Balondoloji's funds within the top quartile of performance while maintaining a primary focus on fulfilling investment commitments. This aim reflects the firm's dedication to balancing strong financial returns with the commitment to responsible corporate governance and sustainability. By integrating these principles into its investment strategy, **the firm seeks not only to create immediate value for shareholders** but also to build a legacy that benefits future generations of stakeholders and employees. This long-term vision ensures that business practices contribute positively to the broader

social and environmental landscape.

By embedding ESG principles into both top-down and bottom-up investment approaches, Balondoloji enhances its ability to manage risks and identify opportunities, thereby reinforcing its commitment to achieving superior, sustainable investment outcomes.

The investment process is driven by a comprehensive approach that integrates both qualitative and quantitative criteria to identify promising opportunities within the market. In stock selection, the firm seeks companies with strong potential to achieve superior earnings and meet its investment objectives. ESG factors are therefore integrated into the decision-making process, enhancing the buy/hold/sell evaluations without compromising traditional financial metrics.

This approach allows the firm to deepen its company-level analysis as it works on refining its investment philosophy, research, and engagement strategies. Companies with inadequate ESG performance may face underperformance, particularly if their ESG practices do not improve, as the health and stability of financial systems are closely tied to environmental, social, and governance factors.

To guide its ESG efforts, **Balondoloji actively subscribes to the globally recognised United Nations-supported Principles for Responsible Investment (UNPRI). Additionally, the firm has embraced the principles of the Code for Responsible Investing in South Africa (CRISA 2)**, emphasising its commitment towards responsible business practices. The UNPRI principles serve as a foundation for integrating Environmental, Social, and Governance (ESG) factors into Balondoloji's investment processes, promoting transparency, accountability, and a long-term sustainability focus. Concurrently, adherence to the CRISA principles ensures that the firm's operations are aligned with local standards and foster active stakeholder engagement. Together, these frameworks strengthen Balondoloji's approach to responsible investing, enabling the company to manage risks effectively while contributing positively to sound

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corporate governance, society and the environment.

## 1.2 Scope and Mission

This policy document outlines the firm’s sustainable investment philosophy as well as framework for integrating Environmental, Social, and Governance (ESG) factors across all internally managed asset classes. It serves as a strategic guide for the investment team, ensuring the systematic incorporation of ESG considerations into the investment decision-making process across all the asset classes. Balondoloji is **committed to developing asset class-specific ESG strategies, conducting annual reviews using company integrated reports and working towards enhancing these frameworks** to reinforce the company’s dedication to responsible investing.

## 2. Corporate Governance & ESG Oversight

In 2021, Balondoloji Investment Services **established an in-house governance structure through the creation of its ESG function, to enhance its commitment to sustainable investment practices.** This function, which includes a dedicated ESG Analyst under the leadership of the Chief Investment Officer, is responsible for driving the integration of ESG factors into investment decisions and ensuring that each investment team embeds ESG considerations into their processes. The ultimate oversight of the organisation's sustainability and ESG matters resides with the Board, monitoring and evaluating the implementation progress of outlined priorities.

**Its key mandate includes the following:**

- Assessing and improving Balondoloji's integration policies and developing additional guidance where necessary.
- Tracking and monitoring governance-related developments, such as new stewardship rules and regulations.

- Evaluating how to implement the abovementioned effectively.
- Provide advice on engagement strategies and potentially controversial proxy votes, while discussing notable case studies to derive insights and replicate successes within the ESG space.

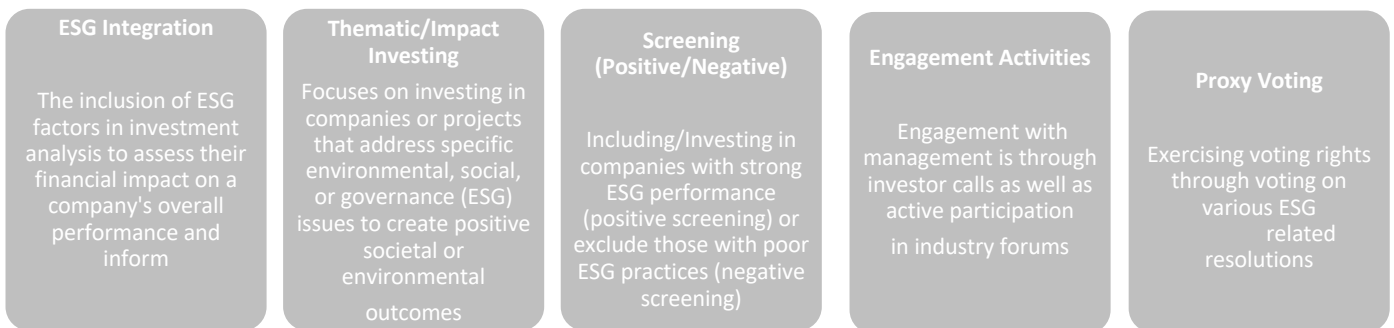
## 3. ESG Integration

Balondoloji evaluates qualitative ESG factors through a quantitative lens, using **ESG criteria as a screening tool** that complements traditional financial metrics to guide its investment decisions.

The approach to ESG at Balondoloji Investment Services is firmly rooted in ESG integration, **paired with active ownership.** By prioritising ESG integration, the firm seamlessly incorporates Environmental, Social, and Governance factors into its investment decision-making processes. Simultaneously, active ownership enables the firm to engage with portfolio companies on their ESG practices, advocating for improvements and driving positive change from within. This balanced approach ensures that Balondoloji maintains flexibility in portfolio construction while effectively managing and enhancing ESG performance across its investments.

Balondoloji Investment Services conducts a comprehensive ESG analysis aimed at identifying issues material to the investment outcome. The investment team integrates ESG factors into its processes, with a strong focus on materiality. Companies within the investment universe are **evaluated using the most relevant ESG issues within each sector, focusing on the ESG risks and opportunities that are most impactful for each company and sector.**

**Responsible investing is incorporated into the company’s investment process through the following sustainable investment strategies:**



### 3.1 Qualitative Analysis

Balondolozhi conducts a comprehensive qualitative evaluation of ESG performance metrics, with the analysis built on the following principles:

- Companies are analysed using material and relevant metrics across the three ESG pillars.
- The assessment prioritises tracking performance trends over time, highlighting whether companies are improving or declining in their ESG practices.
- This approach identifies risks unique to each company, enabling clear comparisons across the industry and portfolio.
- Risk evaluation is tailored to the specific business model and industry, ensuring the relevance of insights.

- Balondolozhi's methodology is consistently applied on an annual basis, ensuring the accuracy and comparability of ESG assessments across all investments.

#### Key ESG issues looked at across equities and fixed Income:



scores ensure that more critical issues are appropriately prioritised in the overall evaluation process.

- **Weightings from 0 to 15 indicate low materiality/significance**, meaning the issue has minimal impact on a company’s financial and operational performance. Scores between **15 and 35 reflect moderate significance**, requiring monitoring but not posing immediate risks. **In contrast, scores from 35 to 50 denote high materiality, where the issue is critical to the sector**, with substantial potential to affect profitability, stability, and long-term viability. This framework ensures ESG assessments are industry-specific, aligning with factors that directly influence sector performance.

### 3.2 Internal ESG Scoring Methodology

The analysis of qualitative ESG factors across companies helps identify areas requiring enhanced focus and deeper analysis. This framework enables an internal screening process and allows for comprehensive trend analysis. By leveraging this system, Balondolozzi ensures that investment decisions are informed by a thorough assessment of material ESG factors, enabling a clearer evaluation of risk, opportunity, and long-term sustainability.

- **ESG factors are weighed with care per company**, depending on the industry they operate in.
- **Material ESG issues will establish the framework for assessment, utilising weighted scores assigned to each pillar on a scale of 0 to 50.** This methodology emphasises the relevance and significance of each issue in influencing the financial performance of companies, while also informing the decisions of key stakeholders, including investors, regulators, and management. The weighted

The materiality map outlined above serves as a tool to assess the risks ESG issues may pose to an issuer. For

an issue to be deemed material, it must have a potentially significant impact on a company’s economic value and its financial risk-and-return profile from an investment standpoint. For example, companies operating in the resources and industrial sectors may face greater risks related to emissions, effluents and waste, occupational health and safety, as well as community relations. If these risks are not properly understood and managed, they could negatively affect financial performance, business operations, and key stakeholders.

**Balondolozzi takes a comprehensive view of a company’s investment risk profile by evaluating the materiality of ESG factors.** To meet client expectations and respond to market demand for sustainable investments, as well as to comply with regulatory and reporting standards, Balondolozzi recognises both the risks and opportunities posed by ESG factors. The firm prioritises the complexity and severity of a company’s exposure to these factors and generally avoids active positions in companies with significant exposure to

complex ESG risks, preferring companies with simpler models and lower ESG risk exposure to safeguard long-term performance.

**Management's response to key ESG issues** is crucial in demonstrating the actions taken to address these issues effectively. Balondolozzi evaluates and reports on management's response to ESG risks and opportunities.

Various ratings (0-10) are assigned to reflect management's effectiveness in addressing key ESG issues over time, to ensure that the issues don't have a detrimental impact on the company's performance in the long run, if not managed effectively.

**A score between 1-2 indicates insufficient compliance, suggesting that management is not adequately committed to implementing necessary changes. Conversely, a score between 9-10 represents strong ESG leadership, demonstrating a proactive approach and a sustained commitment to advancing sustainability and governance practices within the organisation.**

	1-15 Not Important	16-35 Neutral	36-50 Very Important	Insurers	Banks	Resources	Commodities	Leisure	Industrials	TMT	Property	Hospitals	Pharmacy	Food	Mining	SOEs
<b>E</b>	Energy			10	13	35	38	30	42	12	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
<b>S</b>	Labour			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
	Customer Treatment			40	40	10	2	38	30	37	38	42	33	13	0	45
<b>G</b>	Product Access			35	33	0	0	3	2	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
				37	40	35	37	32	34	34	38	37	36	35	19	28

<b>Executive Reporting</b>	Non-Compliance	Addressing Non-Compliance	Basic Compliance	ESG Commitment	ESG Leadership
	1-2	3-4	5-6	7-8	9-10
Feedback is scored on a scale from 0 to 10 based on the quality and adequacy of companies' disclosure on key ESG issues					

The overall ESG score is calculated by first identifying the key qualitative ESG issues relevant to companies under assessment. Each issue is assigned a materiality weighting based on its importance to the company's operations and the broader industry context. This **process involves multiplying the number of identified issues by their respective weightings, ensuring that more significant concerns have a greater influence on**

**the overall score. The total of these weighted values is then divided by the sum of all material weightings, resulting in a comprehensive ESG score that accurately reflects the company's effectiveness in managing environmental, social, and governance factors. This rigorous methodology ensures that the score is both robust and reflective of the company's true ESG performance.**

#### 4. Active Ownership

Active ownership is a strategic initiative at Balondolozzi Investment Services aimed at driving positive change within the portfolio companies. This **approach involves actively influencing companies through various channels, including direct dialogues with executives and management, as well as exercising voting rights on proxy resolutions.** Balondolozzi regularly implements its voting rights in accordance with the best ESG practices and policies. By focusing on engagement, the firm adopts a proactive stance, believing that these efforts will significantly enhance ESG practices among the companies in which it invests in.

##### 4.1 Monitoring and evaluation

In its commitment to active ownership, Balondolozzi takes several strategic steps to drive positive change within its portfolio companies. First, the company establishes clear engagement objectives to guide interactions with management and executives.

Balondolozzi **monitors and tracks all engagement activities to ensure alignment with strategic objectives.** Following each engagement, the outcomes are categorised as positive, neutral, or negative to assess the overall effectiveness. Balondolozzi will continuously strengthen its influence and promote enhanced ESG practices across its portfolio companies.

##### 4.2 Escalation process

When engagements fail to achieve the intended results, Balondolozzi Investment Services may decide to vote against the board and management during annual general meetings (AGMs). Importantly, an increasing number of companies are reaching out for detailed explanations regarding votes cast against certain resolutions, demonstrating their commitment to enhancing corporate governance and fostering a culture of accountability and continuous improvement.

#### 4.3 Proxy Voting Overview

Balondolozzi exercises voting rights for all securities held and remains committed to using this responsibility to influence outcomes constructively as an active shareholder.

In a typical year, Balondolozzi participates in voting on more than 2,000 resolutions across over 80 companies. Our voting record consistently reflects a strong emphasis on ESG-aligned stewardship, with the majority of votes cast in favour of resolutions, generally exceeding 80%, and the balance representing votes against where proposals do not align with sound governance, shareholder value, or sustainability considerations.

##### Key areas of dissent include the following:

- Director independence, where long tenures and excessive external commitments compromise objectivity.
- Remuneration policies that lack clear performance alignment or ESG-linked KPIs. Balondolozzi also votes against dilutive share incentive schemes, unjustified political donations, and climate reports lacking transparency or alignment with decarbonisation commitments and clear year-on-year targets.
- The high dissent on director elections signals Balondolozzi's insistence on independent, skilled, effective and accountable boards, ensuring that leadership decisions align with long-term shareholder value.
- The opposition to remuneration policies that lack performance-based incentives underscores the firm's stance that executive pay must be tied to measurable value creation, including ESG-linked targets.
- By challenging weak governance resolutions, Balondolozzi reinforces its role as an active

steward of capital, advocating for policies and resolutions that protect investor rights, promote transparency, and drive sustainable business practices. This disciplined approach not only mitigates governance risks but also enhances portfolio resilience, aligning the firm's investments with companies that demonstrate strong ethical leadership and long-term financial sustainability.

#### 4.4 Socio-economic development

Balondoloji Investment Services takes a **proactive approach in integrating ESG principles, focusing not only on financially material ESG factors but also on driving broader socio-economic benefits**. Internally, the firm runs an **impactful internship program** that successfully trains graduates from previously disadvantaged backgrounds, directly contributing to the reduction of unemployment. Additionally, Balondoloji operates a **mentorship program** in collaboration with the Alexandra Education Committee (AEC), adopting seven secondary school learners for a five-year mentorship period by analysts and portfolio managers. This initiative underscores the company's commitment to social upliftment by providing bursaries to academically promising learners from low-income households.

Furthermore, Balondoloji **actively invests in bonds that provide SMMEs with the essential capital for expansion, working capital, and other business needs**, supporting the growth of small businesses. The company also demonstrates a strong commitment to sustainable development through its investment in the

Agrarius Sustainability-Linked Instrument, aimed at enhancing the agricultural sector by ensuring affordable food security, supporting exports and processing, creating jobs, and reducing the sector's carbon footprint. These efforts highlight Balondoloji's dedication to achieving both sustainable financial returns and positive societal impact.

#### 5. Climate Change

Climate change has become a critical global issue, with increasing frequency and severity of natural disasters such as wildfires, floods, hurricanes, and tsunamis highlighting the urgent need for action. In response, governments around the world are enacting stringent regulations to curb greenhouse gas emissions and accelerate the transition to low-carbon economies. The 2015 Paris Climate Agreement, signed by 196 parties including South Africa, sets an ambitious target to limit the global temperature rise to well below 2°C above pre-industrial levels. Achieving this goal requires a coordinated global effort to reduce emissions, promote renewable energy adoption, and improve energy efficiency.

At Balondoloji, **commitment is around addressing the challenges posed by climate change** through the integration of sustainability principles into investment strategies. Balondoloji actively engages with portfolio companies to support their transition to sustainable practices, aligning its investments with long-term environmental objectives and fostering resilience in a rapidly evolving regulatory landscape.

This commitment is translated into clear actions and measurable outcomes across both investment activities and internal operations. Balondoloji integrates climate considerations into investment analysis by assessing climate-related risks and opportunities, engaging management teams on climate matters, and monitoring relevant carbon metrics and targets where applicable. Through active ownership, including proxy voting and structured stewardship engagements, the firm advocates for improved climate disclosure and credible transition strategies among investee companies. In parallel, Balondoloji demonstrates accountability within its own operations, including the installation of a rooftop

solar system to reduce reliance on coal-generated grid electricity, reinforcing its commitment to lowering emissions and promoting renewable energy adoption within the financial sector.

Key achievement	Strategic Plan
Comprehensive integration of climate considerations into the investment process	Assess climate-related risks as well as opportunities within the investment landscape, report on climate issues through management meetings and disclose relevant carbon metrics and targets as applicable
Advocating for climate action through proactive ownership engagement	Engage proactively and directly with investee companies through proxy voting and stewardship reports, to address their climate responses and disclosure practices
Balondoloji installed a rooftop solar system as part of its commitment to reducing its reliance on grid electricity, which in South Africa is primarily generated from coal	Position Balondoloji as a forward-thinking company dedicated to sustainability, showcasing its commitment to reducing greenhouse gas emissions and promoting renewable energy solutions within the financial sector

## 6. Overview of ESG integration per asset class

### 6.1 Equities

Environmental, Social, and Governance (ESG) factors are a core component of Balondoloji's investment approach, shaping the evaluation of each company's

fundamental performance. Balondoloji's **ESG framework is designed to ensure that financial projections, including returns and earnings, account for both the risks and opportunities arising from ESG considerations.** Balondoloji is committed to active ownership, leveraging engagements and the exercise of voting rights on all securities held to drive long-term

sustainable value creation. This proactive stewardship is vital to promoting responsible business practices and enhancing the overall sustainability of the companies across the portfolios.

- When a company's fundamentals and ESG material factors are below average or poor relative to industry standards, the stock is underweighted.
- When a company has poor ESG material factors but strong fundamentals, the stock generally remains neutral in the portfolio.
- When a company's fundamentals and ESG material factors are strong relative to industry standards and peers, the stock is overweighted.

### 6.2 Fixed Income

In fixed income investing, Balondoloji integrates Environmental, Social, and Governance (ESG) factors closely with credit risk assessment. The firm's ESG approach ensures that ESG-related risks are embedded within the credit evaluation process, directly influencing internal credit ratings. These ratings, in turn, are critical in determining portfolio allocations, aligning investment decisions with both financial and sustainability goals.

Comprehensive qualitative analysis is applied to all potential investments and transactions, including sovereigns, state-owned enterprises, corporates, and financial institutions. Existing exposures undergo an annual review, during which the Credit Committee or Fixed Income team is presented with detailed qualitative analyses addressing a range of ESG issues.

Balondoloji has made significant advancements in its fixed income portfolio, driving sustainable investments in the agricultural sector by supporting innovative financing solutions that enhance food security, promote economic growth, and create employment opportunities.

By aligning capital with sustainability-driven projects, Balondoloji facilitates financial inclusion and resilience within the agricultural value chain. The firm’s commitment extends to fostering long-term environmental and social impact, ensuring that investment decisions contribute to both financial performance and broader community well-being.

Additionally, Balondoloji invests in clean energy infrastructure to expand the supply and distribution of Liquefied Petroleum Gas (LPG) as a cleaner alternative to coal-powered electricity. Through strategic partnerships, the company enhances supply chain efficiencies, ensuring a stable and cost-effective LPG supply. This reduces carbon emissions, improves air quality, and strengthens energy security while driving economic growth and job creation across key regions (Western Cape, Northern Cape and Namibia).

## 7. Transparency and Disclosure

Balondoloji provides clients with thorough updates and robust insights into portfolio performance, including the integration of Environmental, Social, and Governance (ESG) factors, during annual and quarterly reporting sessions. The firm maintains a transparent approach by disclosing voting outcomes executed on behalf of clients, with detailed voting results readily available upon request. Additionally, Balondoloji's **voting guidelines and governance policies are published on its website, reinforcing its dedication to transparency, accountability, and alignment with industry-leading governance standards.**

### 7.1 Balondoloji’s ESG KPIs

Priority focus	ESG KPI’s
ESG integration	Continue to attain high ratings across all the UN PRI assessment modules, to reflect the company’s commitment towards responsible investment practices
Stewardship reporting	Continue to compile engagement activities to drive impactful initiatives
Proxy Voting	Continue to provide quarterly disclosures of proxy voting activities, along with comprehensive analysis, ensuring transparency and accountability

## 8. Reporting and Alignment with best practices

### 8.1 UN Principles for Responsible Investment (UN PRI)

Balondoloji Investment Services formally adopted the Principles for Responsible Investment (PRI), demonstrating commitment towards sustainable investing.

The UN PRI publishes an annual Transparency Report based on signatories’ progress in implementing the principles derived from annual submissions through the PRI Reporting and Assessment tool. This assists the company to work on improving its philosophy, research and engagement initiatives.

As a PRI signatory, Balondoloji commits to the following principles in line with its fiduciary responsibilities, acknowledging that ESG issues can influence investment portfolio performance across various dimensions:

- **Principle 1:** Incorporate ESG factors into investment analysis and decision-making processes.

- **Principle 2:** Act as active owners by integrating ESG issues into ownership policies and practices.
- **Principle 3:** Seek appropriate disclosure on ESG matters from entities in which investments are made.
- **Principle 4:** Promote the adoption and implementation of the principles within the broader investment industry.
- **Principle 5:** Collaborate with other investors to enhance the effectiveness of PRI implementation.
- **Principle 6:** Report on activities and progress related to the implementation of the principles.

Balondolozzi commits to adopting, implementing, and evaluating their effectiveness, ensuring long-term value creation for beneficiaries while contributing to societal objectives.

## 8.2 Code for Responsible Investing In South Africa (CRISA 2)

The Code for Responsible Investing in South Africa (CRISA 2) serves as a framework for institutional investors like Balondolozzi Investment Services, guiding the execution of investment analysis and activities while promoting sound governance practices. CRISA 2 outlines five key principles that emphasise responsible investing:

- Institutional investors should integrate sustainability considerations, encompassing environmental, social, and governance (ESG) factors, into their investment analysis and activities to deliver superior risk-adjusted returns to beneficiaries.
- Investors must accept ownership responsibilities in their investment

arrangements and practices, demonstrating accountability for their actions.

- Where feasible, institutional investors should adopt a collaborative approach to promote the acceptance and implementation of CRISA principles, as well as other relevant codes and standards within the investment community.
- Investors should recognize situations and relationships that may lead to conflicts of interest and proactively manage these risks when they arise.
- Institutional investors must maintain transparency regarding the content of their policies, the implementation processes, and how CRISA principles are applied, enabling stakeholders to make informed assessments.

By adhering to CRISA, Balondolozzi commits to responsible investment practices that align with the long-term interests of its beneficiaries while fostering sound governance and sustainability within the investment landscape.

Balondolozzi's goal is to outperform its benchmarks while delivering competitive returns and yields. By prioritizing investments in socially responsible companies and corporates, the firm aims to manage risks effectively while enhancing overall returns, thereby aligning financial performance with its commitment to responsible investing.

**The firm's comprehensive approach to ESG integration, coupled with active ownership strategies, underscores its dedication to responsible investing. This dual focus seeks to achieve sustainable financial returns while addressing critical environmental, social, and governance challenges, ensuring that investments contribute positively to society and the planet.**