Environmental Policy

Objective

Responsible investment is defined as the integration of environmental, social and corporate governance (ESG) considerations into the investment management processes and ownership practices in the belief that these factors can have an impact on financial performance.

Aeon Investment Management's motive for developing an environmental policy is to create a framework that identifies companies' current and potential environmental risk factors and quantitatively integrate them into the investment philosophy to ensure responsible investment.

Governance

Oversight and overall accountability of climate-related risks at Aeon Investment Management is the responsibility of the investment team (Chief Investment Officer, Portfolio Managers and Analysts). The Investment team is responsible for continually reviewing and updating the Environment Policy in line with changes to climate-risk analysis and opportunities, reporting standards and identified risks.

Approach (Assessment of Climate change risks)

When analysing environmental risk factors, analysts and portfolio managers at Aeon Investment Management will identify factors that are relevant to the company in question. Further research on the identified environmental risk factors is then conducted to determine their impact on the company, its employees and on the environment as a whole. If there is limited disclosure by the company on these risks, an engagement process (preferably a collaborative engagement process) is then commenced requesting this information from the company's management team. The degree of identified environmental risks determines the level of engagement we undertake and the timescale we allocate to the risk.

In addition, the Bloomberg ESG tool is used to account for and integrate company climate risks into the final analysis.

Aeon Investment Management largely invests in South African companies and thus when assessing the timescales associated with these risks, we have had to rely on global timescales such as the Paris Agreement, other available global conventions and frameworks that have target carbon emissions and local jurisdiction regulation timescales. We adopt these timescales into our own investment time horizon and subsequently investment strategy.

Once the degree of the risks associated with a current and/or potential company have been identified, assessed and evaluated, depending on the outcome of the evaluation, an ESG risk premium is applied to the financial valuation.

Biodiversity

The importance of Biodiversity at Aeon Investment Management is due to its key role in ensuring sustainability and long-term value creation. At Aeon Investment Management, when analysing company environmental-related risks, a team of dedicated analysts will identify factors relevant to the company in question and then further research to determine their impact on Biodiversity. When it comes to biodiversity loss in the supply chain, we rely on company disclosure on the impacts of their operations on biodiversity and the ecosystems they operate in.

Biodiversity preservation is linked to UN SDG goals related to climate action. SDG goal 13 is part of Aeon Investment Management's priorities to engage and encourage investee companies to disclose and, put in place their Net Zero and climate change targets. Engagement and advocacy are mostly through collaborative engagements to ensure they are effective and efficient.

Just Transition

Aeon Investment Management sees Just Transitions as a way to address systematic risks to long-term sustainability and value creation which is in line with our investment philosophy. We are committed to supporting a low-carbon economy through a Just Transition by considering risks and opportunities related to the transition in research and engagements. We do acknowledge the need for an inclusive approach to safeguarding jobs. We do not want to see job losses at the cost of climate change. Therefore, we actively engage investee companies on Just transition-related issues.

Task Force on Climate-Related Disclosures (TCFD) & Task Force for Nature Disclosure (TNFD)

As signatories of the PRI Aeon Investment Management is required to report according to the TCFD recommendations on governance, strategy, risk management and metrics and targets. When analysing companies, the dedicated analyst takes into account this reporting recommendation when going through company reports. As part of our continuous business development, we are considering reporting in line with the Task Force for Nature Disclosure (TFND), however, this is subject to changes depending on new developments of the initiative.

Responsible Environmental Investment Guidelines

Aeon Investment Management aims to identify companies that actively reduce their carbon footprint, disclose their emissions (if they have any) and those that have an ongoing positive effect on the South African society and the globe as a whole. In determining whether to invest or continue investing in a company, Aeon Investment Management undertakes an analysis on the company by considering the following factors:

Disclosure

- Does the Company disclose its GHG emissions, energy consumption, water usage and waste production in its Sustainability/Integrated Report?
- Has the company disclosed the trends in its GHG emissions, energy consumption, water usage and waste production to determine any changes (positive and negative) to the above-mentioned factors and to monitor the implementation and continued practice of their sustainability policies?
- Going forward, has the company disclosed a plan to reduce its environmental impact?
- Has the company disclosed the environmental benchmarks used for determining environment-linked remuneration target metrics?
- If applicable, has the company recently or historically had any environmental catastrophes such as hazardous spills and subsequent fines? Has the company disclosed

the fines and programs they have implemented to rehabilitate the damage caused by these catastrophes?

Water (if applicable)

- Has the company disclosed its water usage and the amount of water it has recycled in its Sustainability/ Integrated Report?
- Does the company have an extensive policy (-ies) in place addressing the reduction of water usage and/or recycling water?
- What water-saving initiatives have been implemented within the company?

Emissions (If applicable)

- Has the company disclosed its GHG Scope 1, Scope 2 and Scope 3 emissions in its Sustainability/ Integrated Reports?
- What is the company's carbon emissions per unit produced relative to its competitors?
- What is the company's emissions of other gases (nitric oxide, sulphur oxide and ozone-depleting substances) relative to its peers?
- What initiatives has the company implemented to lowering its emissions and reducing their carbon footprint?
- Is the pollution or harmful effects caused by the company being offset by the improvement and growth of the community they operate in?
- Does the company fully and publicly endorse the Paris Agreement? What formal commitments have been implemented by the company towards combating climate change?
- What is the company's policy regarding a Just Transition, if applicable?

Waste (If applicable)

- Has the company disclosed the level of tailings and overburden waste it produces?
- Does the company produce any hazardous waste? If so, how is this waste eliminated?
- Are there any initiatives in place to recycle the hazardous waste produced?

Energy

- Has the company disclosed its electricity usage or relevant benchmark metric?

- Has the company implemented any renewable energy initiatives within the business?
- What is the company's electricity usage per unit of production? What is the historical trend of this production?

Remuneration

- Is the company's remuneration policy linked to sustainability practices?
- Are the executive directors' remuneration (short-term, long-term incentives, key-performance indicators etc.) based on appropriate and/or relevant benchmarked environmental target metrics?
- Are there appropriate weightings allocated to remuneration-linked environmental target metrics?
- What are the remuneration implications of environmental target metrics that have not been met by the executive directors?

Carbon footprint awareness, disclosure scores of the above factors, and implementation of adequate sustainability policies related to companies' operations are an initial indication of the awareness, level of interest, and effort a company displays to climate risk and environmental metrics.

Overall Responsible ESG Investment Approach

ESG integration

Aeon Investment Management's approach to responsible investment is through Environmental, Social & Governance integration. The objective of ESG integration is to protect and enhance the value of our long-term investments. Central to our investment philosophy is the explicit recognition that sustainability factors directly affect long-term business profitability. By incorporating ESG factors, we have greater conviction in valuation and risk-reward assessment, and we are better able to identify security mispricing.

All our Analysts and Portfolio Managers keep track of corporate governance issues of companies listed on the Johannesburg Stock Exchange (JSE). The Analysts and Portfolio Managers report to Asief Mohamed, Chief Investment Officer, who is actively involved in environmental, social and governance engagement. We aim to consider a broad range of ESG issues. The environmental issues we consider include but are not limited to climate risk and change, water scarcity, pollution, packaging, and sourcing of raw materials. The Social issues we consider include but are not limited to diversity, workplace health and safety, product standards, community relationships and staff turnover metrics. The Governance issues we consider include disclosure, director independence, qualification and experience, remuneration benchmarking, board tenure and attendance. Our Analysts also research integrated reports of companies in our coverage and we consider economic, social and governance issues in our valuation methodologies.

Screening

Aeon Investment Management does not utilise negative screening when assessing companies.

Active ownership

Aeon Investment Management votes for all proxy resolutions for shares held in our portfolios and we provide full detail of our voting record quarterly on our website.

Aeon Investment Management voting policy covers Corporate Governance, Environmental and Social issues. The policy incorporates principles from the United Nations Principles for Responsible Investment (see below), King IV Code, CRISA (see below), as well as any client mandate restrictions and guidelines.

UN PRI Six Principles

"***Principle 1****: We will incorporate ESG issues into investment analysis and decision-making processes.*

Principle 2*: We will be active owners and incorporate ESG issues into our ownership policies and practices.*

Principle 3: *We will seek appropriate disclosure on ESG issues by the entities in which we invest.*

Principle 4*: We will promote acceptance and implementation of the principles within the investment industry.*

Principle 5: *We will work together to enhance our effectiveness in implementing the principles.*

Principle 6: *We will each report on our activities and progress towards implementing the principles."*

CRISA Five Principles

Principle 1: *An institutional investor should incorporate sustainability considerations, including ESG, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.*

Principle 2: *An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.*

Principle 3: *Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.*

Principle 4: *An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should pro-actively manage these when they occur.*

Principle 5*: Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments."*

CRISA 2 versus CRISA 1

At Aeon Investment Management we do not expect ESG integration in our investment process to change materially. We believe that our obligation to achieve a five-star rating for the Principle of Responsible Investment (PRI), which we have historically achieved, will more than suffice in achieving the CRISA 2 principles and reporting requirements. PRI principles and reporting guidelines enable Aeon Investment Management to implement and endorse CRISA 2 into our ESG integration and stewardship activities.

Reviewing the CRISA 2 Second Code for Responsible Investing in South Africa, 2022, Aeon Investment Management believes that its Biannual and Annual ESG report will largely satisfy the reporting requirements of CRISA 2.

The biggest difficulty will be the lack of ESG data and trends being provided by investee companies by mid and small-cap companies. ESG subscription services' data cost is prohibitive and will hold back reporting to asset owners.

Principle 1: *ESG integration: Investment arrangements and activities should reflect a systematic approach to integrating material environmental, social and governance (ESG) factors.*

Principle 2: *Stewardship investment arrangements and activities should demonstrate the acceptance of ownership rights and responsibilities diligently enabling effective stewardship.*

Principle 3: *Capacity building & Collaboration: acceptance and implementation of the principles of CRISA 2 and other applicable codes and standards should be promoted through collaborative approaches (as appropriate) and targeted capacity building throughout the investment industry.*

Principle 4: *Governance: Sound governance structures and processes should be in place (including at all levels of the organisation) to enable investment arrangements and activities that reflect and promote responsible investment and diligent stewardship, including proactively managing conflicts of interest.*

Principle 5: *Transparency Investment organisations should ensure disclosures are meaningful, timeous and accessible to enable stakeholders to make informed assessments of progress towards the achievement of positive outcomes.*

Aeon Investment Management takes advantage of public results presentation and public conference platforms to address matters relating to economic, social and governance issues. We actively research and monitor corporate governance practices and take advantage of platforms that where we encounter management to address economic, social and governance issues. In certain instances, we engage one-on-one with companies' management teams.

Public Policy Influence:

Asief Mohamed, the Chief Investment Officer (CIO) for Aeon Investment Management also makes submissions and proposals to parliament, in relation to economic, social and governance issues, through a number of organisations that he is affiliated to.

Reporting

Aeon Investment Management discloses its Social Policy and Environmental Policy on the website which is updated every quarter. We also report our proxy voting record to clients on a quarterly basis.