



Social Policy

Definition

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.

We believe that an analysis of ESG factors, in combination with fundamental research, delivers insight that enhances investment decisions and returns. By incorporating ESG factors, we have greater conviction in valuation and risk-reward assessment, and we are better able to identify security mispricing.

Aeon Investment Management's motive for developing a social responsibility investment policy is to set a clear framework that will be implemented in the investment philosophy. The "S" in ESG has often been neglected when integrating ESG and we believe that a better understanding of the socio-economic impact a business has on its employees and the environment it operates in, results in more sustainable and responsible investment decisions and practices.

Responsible Investment Guidelines

Aeon Investment Management aims to identify companies which have a positive effect on the South African society through Product & Service delivery, Employment, Gender Pay Ratios, Corporate Social Responsibility, Black Ownership, and overall Remuneration Practices. In determining whether to invest or continue investing in a company, we undertake an analysis of the company and consider the following factors:

1. Business and Product

- Does the company engage in ethical business practices?
- Does the product and/or service add value to the consumer?

- Does the company offer products and/or services which meet the needs of low-income consumers?

2. Employment Creation and Labour Practices

- Has the company consistently created sustainable jobs over the past years?
- Does the company have expansion plans that include an increased workforce in the coming year(s)?
- Does the company have positive employee practices?
- Does the company ensure that their suppliers meet local ethical labour standards?
- What is the employee turnover and if this figure is relatively high, what is the reasoning provided?
- Does the company implement safe occupational health practices within its operations? What are the public health measures that are promoted within the business?

3. Gender Pay Equality

- Does the company have fair remuneration practices across both male and female employees?
- Does the company regularly disclose its gender pay ratio at all role levels? If no, why not?
- Are the females in the company (board, management and junior level) remunerated equally to their male counterparts?
- Are the female and male employees who hold different roles, but of similar/identical value, remunerated equivalently?
- What methodologies and tools are used to determine fair remuneration packages? Are these methodologies, tools and considerations equally applied for both male and female employees?

4. Pay Ratios

- What is the CEO-to-Employee pay ratio? How does the company intend on reducing this gap if a significant gap does exist?
- Does the company regularly disclose its CEO-to-Employee ratio?

5. Corporate Social Investing

- What is their allocation to CSR initiatives as a percentage of earnings?
- Are the CSR initiatives undertaken by the company directed to sustainable projects that will benefit the community in the long run?
- Are there any initiatives directed toward educational programmes in disadvantaged areas?
- Does the company employ independent verification of CSI projects to check if it offers best value for money for the company and the intended beneficiaries?

6. Black Ownership and Management

- What percentage of the company is owned by black individuals?
- What percentage of the company is owned by black employees?
- Is the company black ownership broad-based, or concentrated among a few individuals?
- What percentage of senior management is comprised of black individuals?
- What percentage of the board is comprised of black individuals?
- Is the B-BBEE shareholding at the group company level?

7. Human Rights

- Does the company engage in any slave trade or labour?
- Does the company respect human rights meaning do they avoid infringing on the human rights of others?
- Does the company have a policy commitment to meet its responsibility to respect human rights?

- Does the company have a human rights due diligence process to identify, prevent, mitigate, and account for how they address their impact on human rights?
- Does the company have appropriate internal tracking and reporting processes?
- Does the company comply with all applicable laws and respect internationally recognised human rights wherever they operate?

Modern slavery statement

Aeon Investment Management is committed to ensuring that modern slavery and human trafficking do not occur within our business operations, the companies we invest in, or their supply chains. We achieve this through due diligence processes designed to identify and mitigate the risks of modern slavery.

Our policies explicitly prohibit:

- The use of forced, bonded, or compulsory labour
- Human trafficking
- Any practices that exploit individuals or infringe upon their human right

By upholding these standards, we strive to foster an ethical and responsible investment environment.

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 have 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 Principles for Responsible Investment (see below), King IV Code, CRISA (see below), as well as any client mandate restrictions and guidelines.

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.