



ALL WEATHER
INVESTING IN POSITIVE OUTCOMES

All Weather Capital ESG Policy

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All Weather Capital: ESG Policy



1. Introduction

All Weather Capital is committed to being a leader in Responsible Investing. Our investment philosophy centres around the belief that integrating ESG considerations into our decision-making processes not only aligns with sustainable shareholder value creation but also fosters business practices that yield enduring benefits for all stakeholders.

This ESG Policy serves as the cornerstone of our approach, outlining how we **identify, integrate, engage, and report** on ESG factors in our investment strategy to meet our objectives and contribute to a more responsible and sustainable financial landscape.

All Weather Capital is a signatory of the United Nation-Backed Principles for Responsible Investment (UNPRI) and the Code for Responsible Investment in South Africa (CRISA).

2. Our Approach to ESG

All Weather Capital is dedicated to advancing environmental sustainability, social responsibility, and effective corporate governance. We recognise that neglecting Environmental, Social, and Governance (ESG) issues exposes companies to substantial legal, regulatory, product, and reputational risks, we believe that organizations proactively addressing these concerns, with robust governance structures, are more likely to deliver sustainable returns over time.

Our comprehensive ESG policy serves as a testament to our commitment to the holistic evaluation of factors essential for responsible and sustainable investment practices. This encompasses diverse considerations, such as leadership quality, capital stewardship, accountability, transparency, human capital management, and efficient use of natural resources.

Specifically, our commitment to investee companies entails ensuring that they:

- Operate in an environmentally responsible manner, actively conserving natural resources, mitigating negative impacts on climate change, and adhering to global and local environmental regulations.
- Uphold social responsibility by embracing fair labour practices, fostering diversity and inclusion, adhering to ethical standards, maintaining health and safety standards in product and service offerings, and considering the needs and aspirations of the

communities they engage with. We actively encourage compliance with all regulations governing their operations.

- Demonstrate effective corporate governance by ensuring that Boards and executive management are governed by factors that promote fairness within the business itself, its external stakeholders, and its shareholders. This commitment includes safeguarding shareholder rights, maintaining a sound board structure with independence, ensuring fair executive compensation, conducting independent audits, and complying with relevant accounting standards.

3. ESG Integration

Our role as investment managers involves prioritizing the consideration of long-term risks as investors, with the aim of effectively managing and expanding capital. Simultaneously, we are committed to promoting positive impact and fostering sustainable practices within the companies we invest in. This approach guides our evaluation of ESG factors concerning our investee companies.

When integrating ESG factors into our investment process, our intention is not to adopt a purely moral standpoint. Instead, we take a holistic and constructive approach to assess investments comprehensively. This strategy ensures a heightened focus on companies that generate value and/or mitigate risks responsibly, thus honouring their obligations to stakeholders. This sense of responsibility stems from recognizing the impact of a company's operations on its stakeholders. By actively addressing and mitigating any adverse effects, companies can both reduce costs and minimize potential reputational harm.

Based on our experience, we emphasise specific environmental, social, and governance risk factors as crucial contributors to a company's sustained success.

1. Identification of ESG Issues:

We assess and evaluate significant ESG (Environmental, Social, and Governance) factors as an integral part of our fundamental analysis process. These risks are identified through two primary channels:

- Using the ESG Framework, meticulously crafted by our dedicated ESG analyst for each of our portfolio companies. These frameworks are tailored to the specific characteristics and operations of each investee company.
- Conducting thorough fundamental analysis by our research analysts as they delve into the key drivers influencing investment decisions for individual stocks.

This includes considering any unforeseen ESG issues that may emerge from sources such as press coverage or regulatory developments.

2. Rating of ESG Issues

Within our framework, we incorporate specific metrics encompassing Environmental, Social, and Governance dimensions, along with predetermined benchmarks that align with best practices.

Environmental

When evaluating a company's environmental responsibility, we expect adherence to three key principles:

- **Compliance with Regulations:** Companies should comply with all applicable environmental laws and regulations to minimize negative impacts on the environment.
- **Climate Change and Resource Management:** Companies should proactively manage their exposure to climate change and address the scarcity of natural resources. This includes implementing measures to mitigate climate-related risks and reduce resource consumption.
- **Environmental Impact Reduction:** Companies should take tangible steps to reduce the adverse effects of their operations on the environment. By adopting sustainable practices and technologies, they can minimize their environmental footprint.
- **Effective management of environmental risks** not only safeguards the business against potential disruptions but also positions it to capitalize on opportunities arising from the global transition towards a lower carbon future. Companies that prioritize environmental responsibility can serve as catalysts for positive change, especially given the growing urgency of environmental risks and their significant impact on business operations.

Social

When evaluating the social responsibility of investees, we assess their interactions with employees, customers, and the communities in which they operate.

Employees: A company's treatment of its employees significantly impacts productivity and commitment. We evaluate how well a company respects employees' rights and manages the work environment. Key considerations include recruitment, development, and retention practices, health and safety measures, diversity initiatives, collective bargaining, and fair compensation.

Customers: Fair treatment of customers is paramount to sustainable business success. We examine aspects such as product safety and quality, privacy protection, responsible marketing practices, and accessibility and affordability of products or services. Prioritising customer well-being fosters trust and loyalty, driving long-term growth.

Community: Effective management of a company's impact on the community helps mitigate negative scrutiny from various stakeholders. We assess how companies engage with and contribute to their surrounding communities, ensuring responsible practices that align with societal expectations. This involves initiatives to support local development, environmental stewardship, and community engagement programs.

By evaluating these social aspects, we aim to identify companies that prioritise ethical conduct, foster positive relationships with stakeholders, and contribute to sustainable development in the long term.

Governance

We believe that a sound corporate governance culture is essential for fostering stability, transparency, and accountability within organizations. This culture enables companies to effectively manage risks, capitalize on opportunities, and create long-term value for all stakeholders. At a minimum, we expect all investees to comply with the King IV codes of practice, which encompass principles such as Transparency and Accountability, Board Effectiveness, and Independence, among others. Adhering to these standards ensures that companies uphold high ethical standards, maintain effective oversight mechanisms, and prioritize the interests of shareholders and other stakeholders. By embracing a robust corporate governance framework, companies can build trust, enhance reputation, and drive sustainable growth and value creation.

Investee companies are evaluated against these benchmarks, resulting in the derivation of an ESG Score. This score serves as a measure of the company's performance relative to established standards across environmental, social, and governance criteria.

3. Incorporating ESG rating into investment decisions

We incorporate ESG risks and ratings into our investment processes by:

- Adjusting the assumptions we make to financial metrics due to an ESG issue flagged.

- Adjusting discount rates used to value stocks. The outcome of our financial analysis may call for an adjustment to the discount rates we use, for example by adjusting the country risk premium and/or the cost of debt.
- Applying premiums or discounts to relative valuation multiples used to value stocks.

Our valuation and implied target prices are then compiled into a ranking table (Valx), which ranking includes our universe of stocks. Stocks are then chosen according to where they fall in our ranking table – we prefer to hold stocks at the top of the table, which provide relative outperformance.

No Automatic Exclusion; Case-by-Case Evaluation:

We recognise that companies may exhibit varying degrees of ESG issues, which can differ in their materiality concerning their impact on valuation and investability. Our approach is not to automatically exclude companies or sectors from our investment universe based solely on identified ESG issues. Instead, we aim to assess and quantify the impact of these issues and incorporate them into our valuation.

Consequently, we may still hold companies in our portfolio even if we have identified ESG issues, provided they successfully navigate our rigorous fundamental research process and we believe that the share price sufficiently accounts for the ESG issues we have identified. This approach allows us to balance our commitment to responsible investing with our pursuit of optimal returns.

However, we maintain a degree of flexibility in our approach. If our investment process indicates that holding a company would negatively impact AWC's return objectives or pose a significant risk to our reputation, senior oversight managers may approve exclusion from our investment universe. Additionally, we will consider client requests for exclusion, aligning our investment practices with their values and preferences to ensure responsible stewardship of their assets.

4. Advocacy

Individual Company Engagement:

Our engagement approach aims to gain insights into how company leaders perceive and address risks, fostering dialogue to pose specific questions and express concerns, particularly when our views differ from the company's course of action. Engagement priorities and approaches vary based on factors such as our ability to influence, the nature of the issue, the company's geographic location, and its weight in our portfolio. Engagement mechanisms include one-on-one meetings, written correspondence, telephonic communication, and

attendance at AGMs. In contentious situations, we seek input from external stakeholders, including sector regulators, to make informed decisions. All engagements are guided by our [<Responsible Investing Policy>](#).

Proxy Voting:

Voting at shareholder meetings serves as a potent tool for us to exercise shareholder rights, fulfil fiduciary duties, and encourage best practices and sustainable business conduct among our invested companies. Our voting framework integrates internal research conducted by both our fundamental and ESG analysts, along with external research from brokers, ESG platforms, and public information. We actively vote on all resolutions in accordance with our [<Proxy voting policy>](#) applicable laws and regulations. Before submitting votes, we engage companies on resolutions we intend to vote against to foster ongoing dialogue around raised issues. It is our policy to vote all shares on all resolutions, and we utilize a third-party service for electronic processing of proxy voting instructions, maintaining meticulous records of all proxies.

Collaboration:

In cases where management fails to adequately address concerns raised, we are committed to collaborating with like-minded investors, industry associations, non-governmental organisations (NGOs), and other stakeholders to communicate with the investees effectively. This collaboration may involve various forms of engagement, such as a joint letter, signed petition, group call, or other appropriate methods tailored to the specific circumstances. By joining forces with other investors, we amplify our voice and increase our collective influence, thereby enhancing our ability to drive positive change and promote responsible corporate behaviour. Through collaborative efforts, we aim to encourage investees to address key issues, improve governance practices, and deliver sustainable value for all stakeholders.

Media:

We employ media channels, including article writing, as a key advocacy tool. Through the publication of articles addressing specific ESG topics relevant to investees, we aim to raise awareness, stimulate dialogue, and inspire action within and beyond the investment community. This facilitates the dissemination of information, sheds light on emerging issues and fosters increased accountability among companies. In doing so, we strive to enhance awareness of responsible investing principles and underscore the significance of ESG factors in investment decision-making processes.

5. Progress Monitoring

We recognise that ESG considerations represent an ongoing journey for many of our investees, characterised by constant evolution. As such, continuous monitoring and evaluation are fundamental aspects of our Responsible Investing process at All Weather Capital.

We maintain ongoing oversight of identified Environmental, Social, and Governance (ESG) issues within our investee companies. This entails regular engagement with company management to track the progress made in addressing these issues and to ensure alignment with our sustainability objectives.

Furthermore, we proactively inquire about any new ESG issues that may be emerging and relevant to the investees. Collaboratively with management, we work towards finding solutions and establishing progress targets with clear timelines to drive continuous improvement in ESG performance. Through these efforts, we aim to support our investees in navigating the dynamic landscape of ESG considerations and fostering sustainable business practices over time.

6. Reporting

AWC maintains a comprehensive record of all engagements with investee companies and proxy votes.

While specific company votes and individual engagements are not disclosed publicly, AWC provides a quarterly summary of its voting activity on our website. Company-specific information is made available to clients upon request.