



ESG INVESTMENT POLICY

Foord Asset Management's investment funds neither promote environmental, social and governance (ESG) factors nor have specific sustainable objectives. However, Foord brings a stewardship ethos to the management of investors' capital and integrates ESG factors into its fund management activities.

This policy document explains how Foord incorporates ESG factors into its research and portfolio management process and supplements the investment approach and stewardship material published on www.foord.co.za.

Introduction

As long-term investors, the enduring sustainability of income streams is fundamental to Foord's investment philosophy. Foord considers ESG factors in its formal macro view, economic and earnings forecasts, probability analysis and top-down asset allocation. Foord also uses ESG factors as a subjective measure to rank attractively priced companies or when evaluating management of investee entities.

- Environmental factors include climate change management, protection of water and marine resources, stewardship of biodiversity and ecosystems and pollution control
- Social factors include customer satisfaction, diversity issues, privacy and data protection, community relations and labour standards
- Governance factors include the standards applied to running companies, bribery and corruption, lobbying, audit and financial reporting and employee and director remuneration.

As ESG factors may have an adverse impact on investee entity income streams, careful consideration of these factors before investment is instrumental in shaping Foord's view of the long-term sustainability and longevity of investee entities. Foord therefore integrates sustainability risks into its investment decision-making process for investor mandates but does not specifically prohibit investment in any given sector or industry.

ESG risk management

Foord does not manage ESG risks by applying aggregate limits on specific economic sectors or setting caps, for example on carbon emissions, for its investment portfolios. It does, however, commit to incrementally improve the individual and aggregate ESG risk scores for portfolio investments.

As ESG risks have a potential impact on the sustainable finance within the investment horizon of its investment funds, Foord scores ESG risks for individual investments using the probability/outcome ESG Risk Scoring Matrix that follows.

ESG Risk Scoring Matrix

	CONSEQUENCE OF ESG RISKS		
	For example, financial or reputational loss, client complaints, adverse media coverage, adverse effect on revenue, adverse effect on integrity of market, ESG fines, penalties or litigation.		
PROBABILITY OF RISK OUTCOME	Low	Medium	High
High (Will probably occur)	Medium risk	High risk	Extreme risk
Medium (May occur)	Low risk	Medium risk	High risk
Low (Occurs very infrequently)	Negligible risk	Low risk	Medium risk

After scoring ESG risks for each investment, Foord commits to:

ESG RISK CATEGORY	FOORD'S COMMITMENT
Negligible risk Low risk	Monitor investee entity's ESG risks and engage as needed.
Medium risk High risk	Influence investee entities through management engagement and shareholder votes to support suitable ESG initiatives and shape positive ESG outcomes.
Extreme risk	Avoid investing in such securities and divest if apposite.

Stewardship and voting policy

Foord owes a fiduciary duty to investors to vote on investee entity resolutions in a manner that preserves and enhances investors' interests. In terms of Foord's voting policy on ESG issues, Foord will vote on every ESG-related resolution to improve the long-term ESG outcomes of investee entities. Foord will support resolutions that promote the integration of ESG factors into the investee entity's strategy and those which serve to improve sustainable business practices.

Refer to the [Voting Policy](#) on Foord's website www.foord.co.za.

Disclosure

This policy is effective from 1 January 2021. Foord disclose proxy voting summaries in its reports to investors.