

# Responsible Investing Policy



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## M&G Investments Responsible investing policy

### Introduction

This policy sets out the approach of MandG Investments Southern Africa (“M&G Investments” for purposes of this document) to responsible investing.

M&G Investments is entrusted with the stewardship of our clients’ assets and this is a responsibility that we take very seriously as responsible, considered investment professionals.

It should be noted that this policy is complemented by other documents. While those documents do not form part of this policy, they do provide further guidance on aspects related to responsible investing. Examples include our Proxy Voting Guidelines and Position Statements that have or in future might be developed to clarify our position on specific Environmental, Social and Governance (“ESG”) issues.

This policy is separate from the policies in the broader M&G plc group, but incorporates some of their principles.

### Scope, oversight and accountability

#### Scope

This policy applies to M&G Investments and its subsidiaries, and all their staff:

As asset manager:

- MandG Investment Managers (Pty) Ltd (“M&G Investment Managers”);

Many aspects of this policy are delegated to M&G Investment Managers which has also been delegated the investment decision making and execution process. The expertise in Responsible Investment rests primarily in the investment and ESG teams, who oversee this Policy and play a role in execution and advisory on Responsible Investment matters, including related aspects such as shareholder activism.

As asset owner:

- 1) MandG Investments Southern Africa (Pty) Ltd (“M&G Investments”);
- 2) MandG Investments Life South Africa (RF) Ltd (“M&G Life”);
- 3) MandG Investments (Namibia) (Pty) Ltd (“M&G Nam”);
- 4) MandG Investments Unit Trusts South Africa (RF) Ltd (“M&G Unit Trusts”); and
- 5) MandG Investments Unit Trusts (Namibia) Ltd (“M&G Unit Trusts Nam”).

Irrespective of delegations of aspects of Responsible Investing (as outlined above) within the group, the asset owners carry ultimate responsibility for their, and their clients’ assets, being managed in a responsible manner and in accordance with this Policy. They may withdraw this delegation where so required or deemed necessary.

M&G SA is the ultimate holding company of the entities listed above and is a signatory to the United Nations Principles for Responsible Investing on behalf of the underlying entities.

This policy purely relates to responsible investment in respect of assets managed on behalf of clients, and not socially conscious investing undertaken by M&G Investments, nor ESG considerations within M&G SA’s own business, or activities of the companies within M&G SA.

#### Oversight

This Policy is subject to oversight by the following committees:

- 1 Investment Risk Oversight Committee
- 2 Social Ethics and Transformation Committee, a sub-committee of the Board of Directors of M&G Investments.

## Accountability

“Staff” includes full time employees, fixed term contractors, temporary staff and executive directors. Specific sections of this Policy are identified as also applying to non-executive directors and company officers.

**Staff** are accountable for understanding and complying with the standards and processes contained in this Policy.

**Management** are accountable for ensuring that, where applicable, relevant staff are aware of and act in terms of this Policy.

The ESG team within the Investment Team is accountable for:

- a) Guiding the Investment team on the application of the policy; and
- b) Assessing operational and investment risks and reporting to the relevant forums or people for consideration and action.

**Investment Analysts** are accountable for incorporating ESG factors into the investment analysis of stocks or debt issuance, raising these at investment meetings, and engaging entities on pertinent and material ESG issues, subject to the criteria listed further in this policy statement, and in line with engagement principles contained in this Policy document. They are also accountable for the voting decisions on their stocks or issues where applicable and where they are the lead analyst on that entity or issuer.

**Portfolio Managers** are accountable for incorporating and balancing ESG factors, including investment risk and investment opportunities, into their investment portfolios.

**Investment Administration Operations** are accountable for the processing and reconciling of voting instructions as issued by the investment analysts.

**Investment Team Department Heads & Chief Investment Officer** are accountable for ensuring the portfolio managers under their supervision incorporate ESG into their investment processes and are active responsible investment stewards in terms of this Policy.

**ESG Team and Department Head** is accountable for supporting the investment analysts, portfolio managers, investment team department heads in recommending action in line with this policy document where requested. The ESG Specialist is accountable for reporting on actions taken in line with this Policy by reporting on applicable matters to the applicable oversight committees as noted above, and through the compilation of Stewardship reports.

**Executive Committee** are accountable for approving this policy.

## Training and Awareness

Training and awareness of this policy and the obligations in it is provided to staff as required.

## Conflicts of Interest

M&G Investments, its staff and representatives are also bound by the M&G Investments’ Conflicts of Interest Policy. This Conflicts of Interest Policy sets out the standards M&G Investments adheres to, in avoiding or, where this is not possible, mitigate potential and/or actual conflicts of interest.

## M&G Investments' relationship with South African and international bodies or codes established to further responsible investment

M&G Investments is:

- 1 an endorser of the principles in CRISA (Code for Responsible Investing in South Africa) and its stated objective of encouraging socially responsible investing in South Africa. It is M&G Investments' intention to comply with CRISA, but in situations where it does not, shall explain non-compliance, in accordance with CRISA's "comply or explain" principles;
- 2 signatory to the UN PRI (Principles for Responsible Investment) in 2007; and
- 3 a member on the ASISA Responsible Investing Standing Committee.

## M&G Investments Philosophy

M&G Investments believes that ESG factors can have a material impact on investment outcomes. Our goal is to achieve the best possible risk-adjusted returns for our clients, considering all factors that influence investment performance. Consequently, ESG issues are integrated into our investment processes, and are incorporated into investment decisions wherever they have a meaningful impact on risk or return. We apply this integrated approach to ESG analysis across all asset classes and sectors in which we invest.

In addition, M&G Investments believes it has a role to play as a responsible global citizen for a sustainable future.

At M&G Investments, being a responsible investor means being proactive in considering ESG factors in our investment research, in our engagements with management of investee companies, as well as using our rights as shareholders to encourage companies to address ESG concerns.

## M&G Plc Sustainability Principles

M&G Plc recognises that responsible investing must reflect a broader sustainability context for the entire group. M&G Plc has 7 sustainability principles which provide a foundation for decision making and broader strategic target setting for M&G Plc and its subsidiaries.

M&G Investments is aligned with these principles and confirms these for noting the context in which this Responsible Investing Policy resides.

The 7 sustainability principles are as follows:

- i. We will consider sustainability and ESG factors when determining our corporate strategy and new business initiatives.
- ii. We will embed sustainability considerations throughout our business.
- iii. We consider the interests of all our stakeholders and ensure our views on sustainability are consistent with our long-term approach.
- iv. We will manage our businesses to the same principles of acting responsibly that we hold our investee companies to account on.
- v. We identify and incorporate ESG risk factors into our general risk management process.

- vi. We review our sustainability thinking regularly in order to align with scientific and technological improvements, and changes in the global economy, ethics and consumer preferences. We aspire to be a thought leader, to innovate, and to advance understanding of sustainability issues.
- vii. We aim to use our influence as a global investor and asset owner to drive positive change in sustainability policy and corporate standards. We believe in active asset ownership and management which invests in businesses providing solutions to 21st century challenges and companies to transition towards a sustainable future.

## Our ESG investment principles

To carry out Responsible Investing, at the heart of the investment process is the requirement to analyse 'ESG' factors. This requires some guiding principles for the investment process, and our Responsible Investing Policy has at its core the following ESG investment principles:

- A. For all investments, we take into consideration environmental, social and governance ("ESG") factors that have the potential to have a material financial impact on that investment. In addition, for explicit ESG-related funds / mandates we take into consideration ESG strategies as necessary to deliver the specific objectives as defined in the fund documentation / investment mandate.
- B. For all investments, we believe consideration of the implications for society and the environment to be part of investment stewardship and in line with our fiduciary duty to our customer.
- C. We take a long-term approach, keeping in mind customer time horizons, the urgency of individual ESG issues and delivery of the firm's ESG priorities and commitments.
- D. We identify ESG themes and risk factors and incorporate them into our general investment and risk management processes.
- E. We are active investors and believe in active management, preferring stock selection, engagement and voting (where relevant) over exclusion. Our aim is to invest in the solution not the problem, therefore as a responsible investor we actively seek to support companies transitioning towards the creation of a more sustainable economy.
- F. As an investor we are politically neutral, we do not engage in political contributions, nor do we have a direct affiliation with any political party in any country. We are committed to working with our stakeholders, including our investee companies, to help end slavery, human trafficking, child labour or any other abuse of human rights. Therefore, we take into consideration politics where they impact human rights, the rule of law, fairness and equality, and where local and/or geo-political risk impacts the risk return profile of the investment.
- G. Where an investment, either by the nature of its business or by the nature of the investee company's activities or behaviours, breaches our core values, we will assess the investment under our exclusion process. Where we believe engagement and voting has been or will be ineffective in influencing positive change, we may exclude the company from our portfolios.
- H. We review our ESG approach regularly in order to align with scientific and technological improvements, changes in the global economy, and the evolution of good practice sustainability and ethics.
- I. We aspire to produce research of the highest quality for our investment teams, generating market leading proprietary research and data, integrating ESG into the investment process across all asset classes.
- J. We recognise the complexity in identifying and addressing the drivers of ESG issues, given the interdependence of ESG factors, some of which are inherently subjective and where available data may not

be of high quality. In such cases we adopt a pragmatic approach balancing the implications for the economy, society and the environment where available information is not objective or reliable.

- K. As providers of capital to investee companies we are not responsible for the day to day management of the company but we are cognisant of the need to encourage good corporate governance and sustainable business practices and if necessary make changes to board composition where this is not the case.

## Integration of responsible investment into our investment process

M&G Investments' approach to responsible investing may be described as integrated fundamental analysis and active ownership. Active ownership is described in a separate section; the section below describes how ESG is incorporated into the investment process.

### Screening

Whilst including ESG issues into the investment analysis is essential, broad "include/exclude screens" based on subjective viewpoints, are not applied without client reference, as this can contrast with the fiduciary duties of active management across a client's chosen investment universe (refer section below on "Socially Conscious Investing") and may also reduce the opportunity set where ESG factors have been mispriced in the market. Rather, investment decisions are made after giving appropriate consideration to all factors, including ESG factors that can influence an investment's risk or return.

Circumstances may however exist where ESG concerns are sufficient to warrant either not investing in the entity or its issuance, or to hold a maximum underweight position relative to its benchmark position in the client's index.

Defined client requirements for exclusionary ESG screening can be accommodated for segregated mandates.

### Integration into the ESG Process

ESG has not been reduced into a specific stand-alone quantifiable element in the investment process.

The investment decision making process considers the prospects of a company, in particular a substantive view of factors potentially affecting its sustainability, where ESG issues plays a material role.

### Research

Research is conducted by the equity analyst on the stock or the credit analyst on the issuer. As a responsible investor, the Analyst seeks to understand, inter alia, the ESG risks facing the financial health and sustainability of these entities, confirmation that management are aware of these risks, their magnitude and impact on the business and broader society, and is seeking to mitigate them. Analysts also seek assurance that management is sound and has an established practise of good governance with the correct degree of expertise, not only in the business, but also in respect of ESG issues.

This research primarily rests with the analyst with, where necessary, assistance from the ESG team, or peer analysts. In addition, externally sourced ESG specialist research complements internal research.

### Interrogation (and further research)

The stock/issuer research, including ESG factors, is presented to the relevant investment decision-making team for discussion and interrogation. The investment team may request further investigation into the ESG factors or a further adjustment to the model to account for these in our valuation process where warranted.

## Voting

As part of investment decision-making, the team may decide to vote on the stock or issuance to determine its continued or altered position on a buy or sell list, and material ESG factors are also accounted for at this stage.

## Portfolio Construction

ESG factors are also integrated at the portfolio construction stage, especially as many ESG factors are not easily accounted for in the valuation process. As an example, governance is not easily accounted for in a future earnings valuation. However, adjustments can be made to the weighting during portfolio construction where, taking two equally valued stocks, one may receive a higher allocation on the basis that it has stronger governance processes and structures, and is more likely to be a sustainable business.

## Monitoring

ESG factors, as with any other material factor that influences a company or issue's valuation, are monitored.

## ESG presents both investment opportunities and opportunities for risk mitigation

Positive or negative ESG effects will ultimately reflect in asset prices. As active, valuation driven managers, M&G Investments typically invest in assets that it believes are mis-priced due to the market being overly pessimistic on their prospects. This pessimism might well stem from misconceptions around ESG issues. By way of example, exploiting situations where the market prices in a permanent reduction in a company's cash flows due to ESG concerns that are temporary in nature - and where the company's long-term prospects are not compromised to the extent implied by the market price, or where the company is taking steps to rectify its impacts and long term sustainability, but this has not yet been recognised by the market.

## Voting

Where the assets are managed by M&G Investments under a fully discretionary mandate, this includes exercising the voting rights on behalf of our clients. Voting records are made available quarterly to the asset owners.

Voting is not outsourced nor is a proxy voting services utilised for any assets under a full discretionary mandate.

Voting records are published quarterly. For more information please refer to our Shareholder Activism and Proxy Voting Guidelines as published on the M&G Investments website.

## Human Rights, Slavery, Child Labour and Human Trafficking

M&G Investments is committed to working with stakeholders to help fight slavery, human trafficking, child labour and any other abuse of human rights. M&G Investments believes in supporting human rights, acting responsibly and with integrity in everything it does. This and its other policies are guided by the Universal Declaration of Human Rights and the International Labour Organisation's core labour standards.



## Other Thematic and Topic Specific Policies, Principles and Statements, and Processes

Specific position statements, principles, and policies around specific aspects, such as climate change policies, governance principles and such, are, or will be, articulated separately within their own frameworks, but are not necessarily suitable for inclusion under a broad Responsible Investing Policy.

In addition, process documentation around aspects of execution of this policy, for example our voting guidelines (as referenced above), are contained in self-standing documentation.

## Responsible investing and active ownership

Engagements with companies on ESG issues can unlock value for shareholders through a better understanding of the entity, and effecting change where required. It can also offer opportunities to drive broader sustainability goals as responsible asset owners, asset managers and corporate citizens.

### Engagements:

A constructive dialogue with the management of investee companies is maintained through regular meetings with executive management and non-executive directors. Such meetings are central to the investment approach and are focused on identifying whether a company's strategy is aligned with the interests of shareholders. These engagements are important across all asset classes and are monitored within equity, fixed income, and listed property categories.

### Engagement Principle

Ideally, M&G Investments would only invest in companies whose executive management and non-executives directors are skilled and experienced experts in that industry and that company. It is not the function of the asset manager to supplant those roles. There are however times where this ideal is not met and where engagement or intervention is required. These situations can be fluid but are guided by clear principles.

It should be noted that many engagements are to obtain further information from the entity to (i) better evaluate ESG matters and their impact, and the companies' response, or (ii) to stimulate clearer reporting from an entity in a particular area.

### Types of engagements:

#### Individual engagements

Individual engagements are with specific entities on matters that require engagements peculiar to that entity.

#### Thematic Engagement

Thematic engagements allow engagements to be broader in application, pro-active, and eliminate singling out individual companies when the matter is preferably addressed on an industry-wide basis.

#### Collaborative Engagement

M&G Investments will participate in, or lead, collaborative engagements in cases where collaboration is considered to be more beneficial than individual engagements.

This will however be cognisant of:

- (i) Legislative and regulatory frameworks, and 'concert party action';
- (ii) Potential conflicts of interests of participants;
- (iii) The need for clarity on the objectives, means and principles around the engagement, as well as the desired outcomes.

Collaborative engagements are to be subject to oversight by the Legal team, and prior approval from the Chief Investment Officer, or in his absence, the Head of Department of the relevant asset class.

### Reasons for engagement

- 1 gain more information or a better understanding of ESG factors related to the company;
- 2 provide a shareholder perspective on the company or a specific strategy or transaction;
- 3 protect shareholder value;
- 4 further a theme where we believe the industry, or part of the industry, is potentially ignoring a structural or systemic ESG matter; and
- 5 to give voice on behalf of clients or society.

### Which companies

To maximise and optimise our engagements, it is preferable to engage:

- 1 thematically within and across sectors;
- 2 with companies where M&G Investments has invested clients' assets, less frequently where portfolios may have a potential future holding;
- 3 where the ownership, either alone or in lawful collaboration with other shareholders, is sufficient to have an impact; and,
- 4 where the holding is material in client portfolios.

### How do we engage?

The method for engagement varies depending on the nature of the issue and the company. Methods range from audio calls and electronic correspondence, face-to-face discussions, to more formal recordings of the position, to the exercise of voting rights. Shareholder rights including the calling of special meetings, nominating directors, or actively participating in company meetings may also be used. In rare situations, engagement may include contributing to media coverage.

In extreme situations M&G Investments may consider litigation to either defend or assert our clients' rights. This is not our preferred method of engagement, and careful consideration of the inevitable and concomitant disadvantages is required, recognising that not all clients may have the same appetite for litigation.

### Reporting on engagements

Engagements are reported in a stewardship report that is publicly available. For clients, a quarterly summary is also available shortly following end of that calendar quarter. It should be noted that some engagements are sensitive in terms of information or may display aspects of our investment thesis in a developing portfolio positioning, and so not all engagements or their contents may be reflected in these reports.

## Escalation Processes

In the event of unresolved differences of views on aspects such as voting, submissions of stocks or issuers to ESG watchlists, or around engagements with entities on matters relating to Responsible Investing, the parties will escalate to their respective department heads for resolution, and, failing this, the Chief Investment Officer, who will have the final view on the matter. Where the matter pertains to a potential legal or regulatory concerns for M&G Investments, it will be escalated to the Head of Legal or the Head of Compliance respectively, who shall make a final decision.

## Responsible investing versus socially conscious investing

It is M&G Investments' view that socially responsible investing should be distinguished from socially conscious investing, which is our own investments into the community. These can be reflected in our sustainability reports, and fall under, by regulation and legislation, the Social, Ethics and Transformation Committee.

## Amendment log

Date	Materiality	Page	Description
November 2016	Material	All	Initial draft
April 2020	Material	All	Further detail on Oversight, Relationship with external bodies, Incorporation into the Investment Process, Voting, Engagements
November 2021	Immaterial	All	New template, updating names of entities in the group
September 2022	Material	5-6; 8-10	Incorporation of sets of guiding principle; explanation on position statements, process documents; and removal of technical description on socially conscious investing. Approved by the board in September 2022.
August 2023	Immaterial	4	Reference to Conflicts of Interest Policy
August 2023	Material	8	Confirmation of stance on human rights, trafficking, and international convention.
August 2023	Immaterial	9	Inclusion of Collaborative Engagements, capture of existing processes.
August 2023	Material	10	Escalation processes