

As prudent stewards of capital, Ashburton Investments consider a wide range of factors that may affect the risk and return profile of the investments we make, now and into the future. Our long-term success is not only measured by investment performance, but also by the contribution our investments make to society and the environment. Ashburton incorporates all material factors that the investment team believes could affect an investment. Environmental, Social and Governance (ESG) analysis is an integral part of the investment process. In addition, as an asset manager, Ashburton is informed by Regulation 28, Code for Responsible Investing in SA (CRISA), United Nations Principles of Responsible Investment (UNPRI) and King IV.

The focus on sustainable investing was initially shareholder led and over the past 10 years has gained traction into the fixed income area. Within fixed income, Ashburton Investments continues to make great progress on the stewardship journey.

The current website meets many disclosure requirements and is continually evolving – see the Responsible Investing tab on the Ashburton Investments website. Ashburton Investments is expected to comply with local laws and regulatory requirements, holding itself accountable to the highest ethical standards. As part of the FirstRand Group, Ashburton complies with the FirstRand Financing Exclusion List. (An example of which includes the destruction of High Conservation Value Areas. Other reasons include legal constraints, financing restrictions under international financing agreements, or because FirstRand may suffer reputational damage as a result of involvement in specific industries.

FirstRand Limited has formally integrated environmental and social risk management processes (ESRA) into its credit risk governance process, which is supported by enterprise-wide social and ethics committee structures. These processes include the following key measures:

- Defining requirements for environmental and social risk assessment, and monitoring approved transactions;
- Developing and communicating environmental and social performance standards that clients will be expected to meet within an acceptable time frame;
- Defining environmental and social roles and responsibilities for both FirstRand and its clients.

Ashburton expects every investee company to similarly comply with local laws and regulations, and ethical standards including the disclosure of all relevant data in their Integrated Annual Reports, if applicable.

This report encapsulates at a high level the progress Ashburton Investments is making on its journey of Responsible Investing and covers the period 1 July 2020 to 30 June 2021.

Equities

Ashburton Investments incorporates all material factors that the investment team believes could affect an investment. Environmental, Social and Governance (ESG) factors form a part of this process. The integration of ESG into investment analysis and decision-making is conducted at the selection / initiation phase of an investment as well as over the term of the investment. Within equities, the Ashburton philosophy emphasises the selection of shares based on principles of substance and sustainability (quality characteristics) which includes ESG factors.

As part of equities selection analysis and ongoing investment process, the investment team analyses qualitative and quantitative aspects of prospective and current investee companies to derive a quality ranking table. ESG scoring and ranking of investee companies which forms part of the qualitative assessment is ranked alongside quantitative assessment to determine its overall ranking within the investable universe.

In the qualitative analysis of companies, the team assesses:

- the strength of the business model and competitive dynamics of the industry
- the competitive advantages of the company and its sustainability (ESG)
- capital allocation towards capex, acquisitions and dividends
- stewardship of management (addressing ESG factors) in execution and creating of effective business strategies
 - Importantly, high quality companies can become low quality companies by poor management/capital allocation. Therefore, a core part of the research process is to assess the quality of management and their stewardship of the business (addressing ESG factors).

These factors will provide the team with more confidence in:

- Investing in these companies for the long term
- Understanding how well the company can deal with new entrants and macro threats
- Forecasting revenue growth, margins and ultimately earnings (which feed into valuations)
- Determining bet sizes (the extent of overweight / underweight exposure)

While, a qualitative assessment is important, it is imperative that this feeds into the company fundamentals.

Fixed Income

Ashburton fixed income incorporates all material factors that the investment team believes could affect an investment. ESG factors form a part of this process. The integration of ESG into investment analysis and decision-making is conducted at the selection / initiation of an investment as well as over the term of the investment. As part of the credit investment process at Ashburton, the credit team conduct an E, S and G analysis on every prospective investee company. The extent of the analysis, however, is driven by the availability of information on the investee companies and the level of environmental and social risk pertaining to the investee company. Where investee companies are listed, information related to E, S and G is largely publicly available and assists in conducting a detailed assessment of these factors. This is more challenging for private companies, where all information related to these factors has to be obtained specifically from the investee companies. Furthermore, smaller private companies don't always have the resources to measure the data.

Our approach to assessing ESG at Ashburton is constantly evolving and improving. We have outlined the current process below:

- Each Credit analyst interprets all E, S and G factors that may materially affect the investment. Differences in the application of the various factors is accomplished through proportionality based on where the corporate is in its growth cycle, resources, size and the complexity and nature of its operations. Larger listed companies are viewed and reviewed differently to smaller unlisted companies.
- E, S and G factors are scored by the analyst using both internal research based on publicly available information and/or discussions with the management team of the investee company as well as external service providers, when this information is available. The individual issuer score is incorporated in each investee Credit Application by the analyst and this immediately gives the analyst as well as the Ashburton Investments Credit Committee (AICC) an idea of where to focus their attention with regards to potential material E and/or S and/or G risk factors.
- Where there is a weak score on individual ESG factors or the total score, the credit analysts ascertain the reasons for this and present the results in the Credit Application along with the reasoning for how comfort is obtained. Note that this is in addition to any potential material factors of an E, S or G nature that have been gathered from third party analyst reports, the press, the issuer, web search, social media etc.

- The final score highlights to the AICC via the Credit Application those issuers that may have material risks in certain areas which may need:

- Additional research and further discussion with the issuer
- Specific mitigants e.g. legal and financial structuring
- Appropriate pricing for increased risk

Collaboration

Regarding collaboration and the leadership role that Ashburton plays within Responsible Investing: During the period employees of Ashburton were involved in the following positions; member of ASISA Infrastructure Investment Workgroup and a member a member of the South African chapter of ANDE. Employees at Ashburton play an active role in forwarding these initiatives. Ashburton has also been part of the ANDE working group to map impact measurement and management practices in South Africa. Ashburton remains willing to collaborate with industry initiatives or co-investors on any material issues that will drive change in the important areas of Responsible Investing.

Engagement

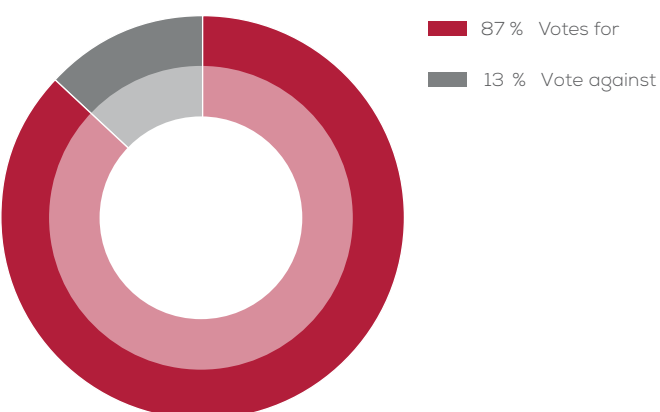
During the period, there were many engagements with company management across the various asset classes. Engagements vary from light to intense. Going forward we will keep an exact record of engagements that involve material ESG issues. To date most intense engagements involve governance issues.

In addition, Ashburton will continue to engage with the broker community as well as the credit agency community regarding ESG research.

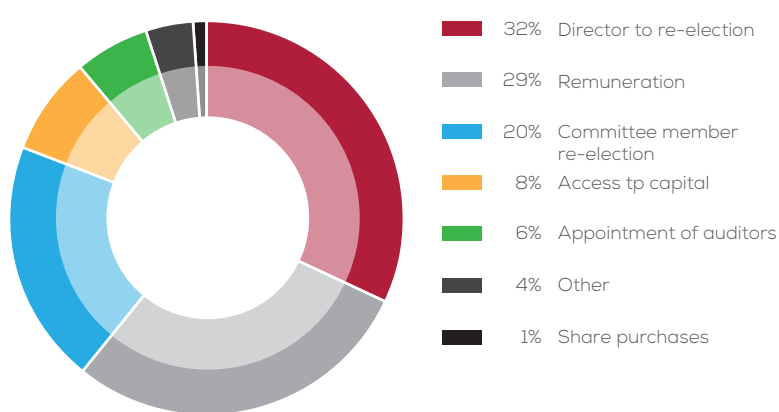
Responsible Ownership

During the period, Ashburton Equity voted at 19 South Africa listed equity meetings covering 387 resolutions. The voting is not automated with each vote receiving individual attention guided by the Ashburton Proxy Voting Policy. Our detailed quarterly voting activity is published on our website and the summary of the voting activity for the period was as follows:

Voting activity for meetings held from 1 July 2020 to 30 June 2021



Reasons for voting against management for meetings held from 1 July 2020 to 30 June 2021



Responsible lending

During the period, all lender rights were exercised after careful consideration as to what action would have the optimal results for clients. Ashburton Fixed income was involved in 388 (2020 : 235) lender decisions and involving nearly 60 companies. The large increase was mostly as a result of the consequences of the Covid lockdowns and the knock-on effect on the various business entities. Ashburton voted with management on 100% (2020 : 98%) of lender decisions. We continued to improve our legal documentation with regards to covenants and in some cases, have included clauses that allow us to measure the impact of our funding.

Conflict of interest

The conflict of interest policy has been reviewed and the latest policy documents is available on the website under the Responsible Investing tab. Ashburton will continually to proactively manage conflicts of interest in the period ahead.

Disclosure

In addition to this progress report, Ashburton Investments provides further disclosure on its responsible investment practices in the annual PRI public reporting, client reporting and the FirstRand Annual Integrated Report.