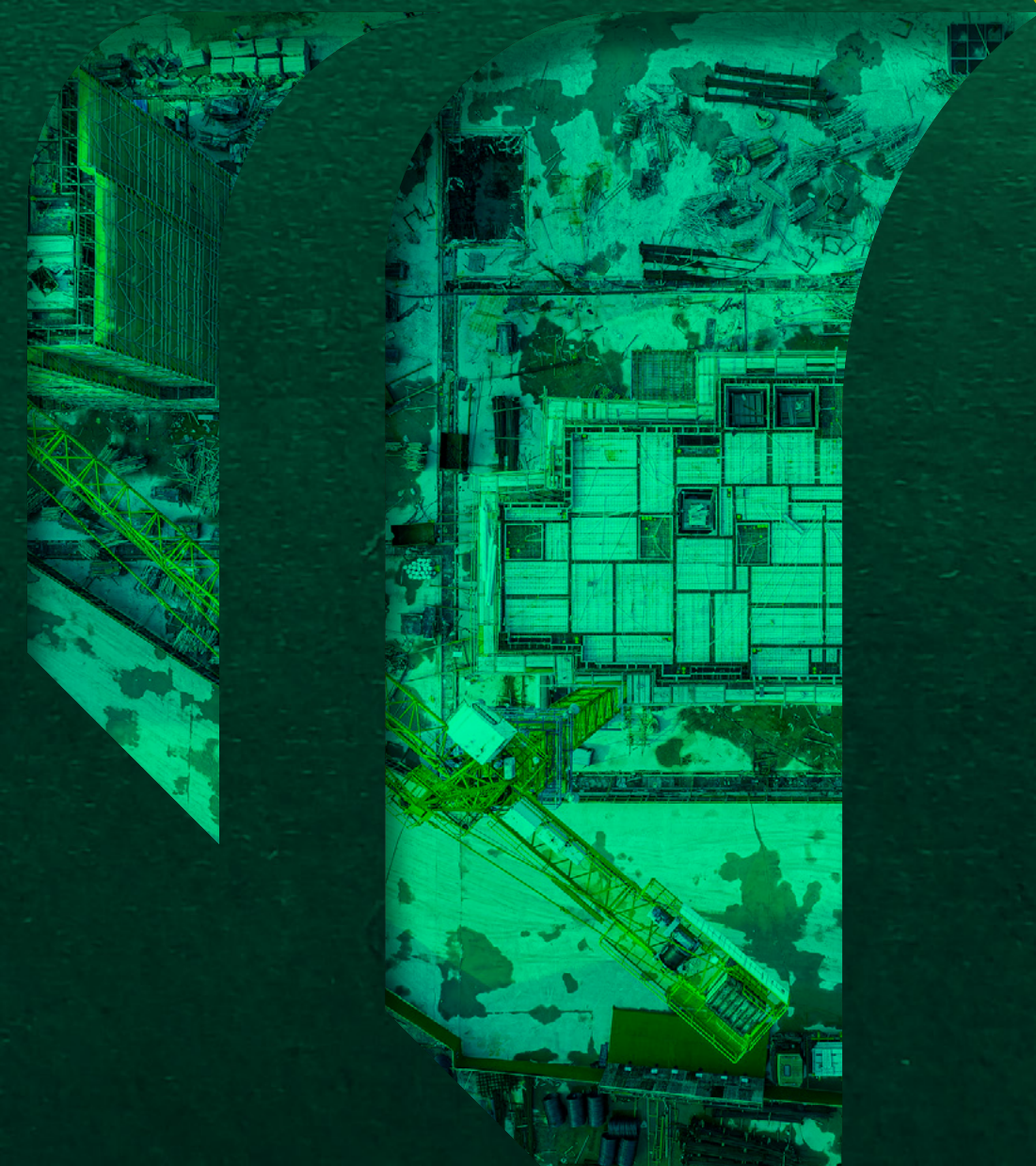
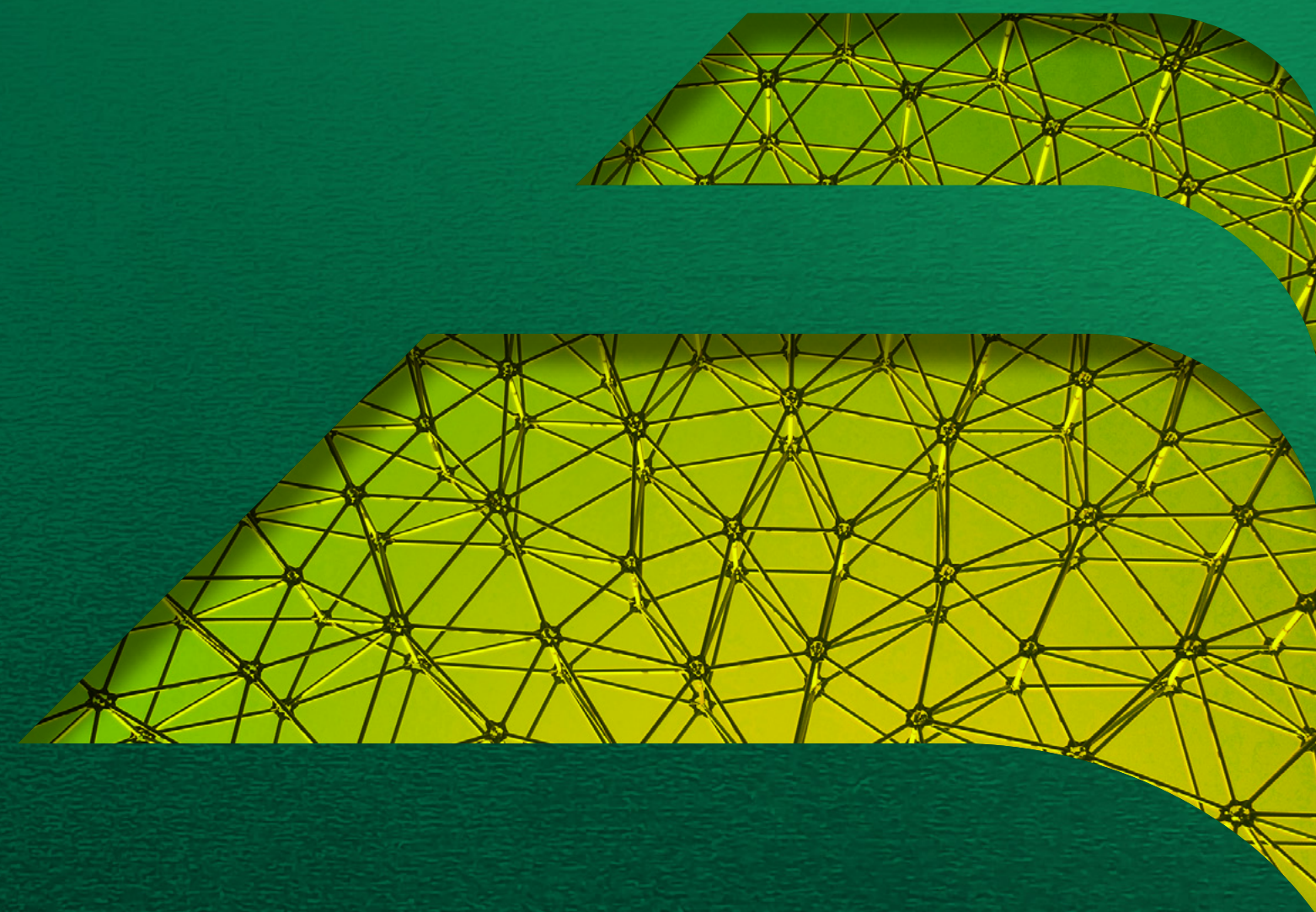




NEDGROUP
INVESTMENTS

2025

Responsible
Investment Report





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Foreword

Anél Bosman
Group Managing Executive:
Nedbank CIB

Momentum is not simply about speed; it is the product of mass and velocity. In responsible investing, both matter — the weight of capital and institutional commitment, and the pace and direction of execution.

The global environment has become more complex and, at times, more contested. ESG is increasingly shaped by divergent regional approaches and, in some instances, a retreat from earlier ambitions. Against this backdrop, our direction has remained consistent, while our understanding of what it takes to navigate this complexity has deepened.

Sustainable investing is not defined by simple classifications or easy judgements, but by the realities of economies and societies in transition, where objectives are not always aligned and trade-offs are unavoidable. These transitions affect real people, businesses and communities, and require a level of pragmatism and discipline that goes beyond theory.

As financial institutions, our role is not to influence outcomes through statements of intent alone. Real impact is achieved through the allocation of capital, by financing the real economy, participating in complex transactions, and supporting markets where the need for capital is greatest. This is where meaningful change takes place.

In South Africa, this is particularly evident in the ongoing transformation of the energy sector. Structural reform is underway, and renewable energy is increasingly being developed, financed and connected to the grid. Over the past year, Nedbank Corporate and Investment Banking has supported transactions that advance this transition, contributing to the country's energy resilience.

“ In South Africa, this is particularly evident in the ongoing transformation of the energy sector. Structural reform is underway, and renewable energy is increasingly being developed, financed and connected to the grid.

This is one example of how capital can enable real-world outcomes. Responsible investing, however, is not defined by a single theme or sector. It spans asset classes and geographies, from infrastructure and private markets to listed equities and fixed income, and requires an integrated approach to managing risk, return and long-term outcomes.

As an asset manager, our responsibility extends beyond portfolio construction. We are stewards of the savings and investments that clients have entrusted to us — and that trust carries a clear obligation to manage their assets with rigour, oversight and long-term purpose. As signatories to the UN Principles for Responsible Investment, Nedgroup Investments is committed to the six principles that define responsible investment leadership globally. Our extensive network of sub-investment managers further positions us to extend that ambition across the industry — not only applying responsible investing standards within our own portfolios, but raising expectations across the managers with whom we partner.

“ Nedgroup Investments is committed to the six principles that define responsible investment leadership globally.

Within the investment community, stewardship is becoming more deliberate and more visible. Asset managers and institutional investors are not only allocating capital, but actively using their position as owners to influence outcomes — not as a formality, but as a core part of the investment process. This shift is supported by a strengthening regulatory and governance environment.

At Nedgroup Investments, we are strengthening how responsible investing is embedded across our portfolios. This includes integrating environmental, social and governance considerations into how we assess opportunities, construct portfolios and manage risk over time, across asset classes and geographies. This is not a discrete initiative, but an ongoing commitment that continues to evolve with the complexity of the environment.

Underpinning this work is a recognition that responsible investing depends on more than intent. It requires organisational commitment, transparent and accurate data, and stewardship that is deliberate rather than reactive. When these elements are in place, it becomes possible to assess the real-world impacts of investment decisions with greater precision — and to act on what that assessment reveals. A portfolio that is well-aligned with the real economy supports better goal-setting, more informed risk management, and ultimately, better outcomes for clients.

Effective responsible investing requires both conviction and execution. Institutional commitment provides scale, while disciplined implementation ensures progress. Neither is sufficient in isolation. Without execution, conviction does not translate into impact, and without a clear framework, execution risks becoming indistinguishable from business as usual.

“ Effective responsible investing requires both conviction and execution. Institutional commitment provides scale, while disciplined implementation ensures progress. Neither is sufficient in isolation. Without execution, conviction does not translate into impact, and without a clear framework, execution risks becoming indistinguishable from business as usual.

I believe that financial expertise applied with rigour and purpose can be a powerful force in enabling change. That perspective has not changed. What has evolved is a deeper appreciation of what this requires: engaging with complexity, making difficult decisions, and holding ourselves to account on whether we are doing enough.

This report reflects where we are in that journey. It covers the sustainability megatrends shaping the investment landscape, the evolution of our responsible investment framework, and how we are working to achieve purpose at scale. It also details our approach to proxy voting — a core instrument of stewardship — and the corporate engagements undertaken during the year. Taken together, these chapters represent not a statement of completion, but a transparent account of progress, challenge and continued commitment.

This is not a finite process. Responsible investing, like the transitions it supports, requires consistency over time. What matters is that we continue to make progress, with clarity of purpose, disciplined execution and a commitment to contributing meaningfully to the economies and societies we serve.



Introduction

David Levinson
Head of Responsible Investment:
Nedgroup Investments

Embracing change

In the past I have not made my technophobic disposition a secret, if I could have my way, I'd probably be writing this with chalk and papyrus. But I would be remiss not to talk about the role of artificial intelligence. The broad economic efficiency gains will be transformative, yet in the 'cons' column we can list things like governance, who controls what, the high energy and water requirement, and the potential to replace jobs that would otherwise be done by a human being. In South Africa today, the unemployment rate for graduates with a bachelor's degree or higher already stands at 10.3%.

Considering the 'pros' column, AI's most immediate impact is being felt through efficiency gains, such as automating routine tasks, optimising supply chains, improving capital allocation and enhancing decision-making across sectors ranging from manufacturing and logistics to healthcare and financial services. As AI systems absorb and process vast quantities of data at speed, firms are able to reduce operational costs, increase productivity and respond more dynamically to changing market conditions. Over time, these efficiency gains are expected to translate into higher potential growth, shifts in labour demand, and a reconfiguration of competitive advantages at both a corporate and national level. However, these gains are not evenly distributed and come with second-order effects — including energy intensity, infrastructure demands and skills displacement — that will shape how value is created and captured across the global economy.

For responsible investors, AI represents both a powerful enabler and a material source of risk. On the opportunity side, AI is transforming the depth, quality and usability of ESG data. Machine learning tools can ingest unstructured information — from satellite imagery and geospatial data to corporate disclosures and supply chain records — enabling more granular tracking of emissions, land use change, water stress and social indicators at an asset and portfolio level. This materially improves investors' ability to assess the physical and transition risks of climate change, monitor progress against emissions glidepaths, and test the credibility of corporate transition plans over time. In practice, this allows responsible investment frameworks to move beyond static snapshots toward dynamic, forward looking assessments that better reflect real world outcomes and transition alignment.

At the same time, the rapid expansion of AI infrastructure introduces new stewardship considerations. Data centres and their associated water and energy demands create tangible environmental externalities that must be actively assessed. Responsible investors therefore have a critical role to play in ensuring that AI driven growth is aligned with climate objectives, rather than becoming a source of unpriced emissions and resource pressure. This includes engaging with companies on renewable energy procurement, data efficiency, governance of AI systems, and transparency around lifecycle impacts. Ultimately, AI has the potential to materially enhance how investors track, measure and influence sustainability outcomes — but only if it is deployed deliberately, governed robustly, and integrated into responsible investment practices as a tool for accountability rather than abstraction.

Data has been a key pillar in our Responsible Investment Framework over the past few years, and its role is only becoming more meaningful with the added ability to make sound inferences and inform strategic decision-making.

As we move into 2026, much of 2025 was spent self-marking and then refining our Responsible Investment Framework. I also happened to pick up Kate Raworth's wonderful book again, Doughnut Economics - or Donut Economics, depending on what side of the Atlantic you bought it. Her framework reminded me of the power of imagery - humans have a greater ability to recall visuals than they do text. Raworth has created a wonderful graphic that captures the interplay between Society, the Planet, and the Economy. Which got us thinking, can we apply a similar approach to responsible investing?



In South Africa today, the unemployment rate for graduates with a bachelor's degree or higher already stands at 10.3%.



Responsible Investment Framework

We have reported in the past on our key sustainability focus areas, namely climate change, biodiversity loss, social equity, and human and labour rights. How these interacted with our Responsible Investment Framework was always a challenge to capture and relay. Our framework was created using the DEAL acronym, made up of Data, Engagement, Active ownership, and Leadership. Where Raworth has used the Sustainable Development Goals and the Stockholm Resilience Centre’s Planetary Boundaries, we have leant into our Sustainability Focus Areas and DEAL Framework.

I have also provided a third option which our readers may find useful, many of our contemporaries are signatories to the UN-supported Principles for Responsible Investment, and we can similarly borrow from Raworth’s work here.

The internal portion of the Nedgroup Investments doughnut utilises our DEAL acronym, which we see as elements within our control. We believe we can move the dial where it comes to leveraging data, engaging with our third-party investment managers, effecting active ownership through our stewardship activities, and leading by working collectively with the asset management industry and its stakeholders.

Looking outside the doughnut, we have our four key sustainability focus areas where we believe our investment activities can have meaningful real-world outcomes. Differing to the internal elements, here we indirectly affect these areas, and through identifying, measuring, and tracking well-considered data points we can better mitigate and manage these risks.

Should we perform well on each pillar with our DEAL elements, we should move outward and into the doughnut, which we define as being leaders in responsible investing. Similarly, as we begin to better manage our adverse impacts and record tangible improvements, we would see climate change, biodiversity, social equity, and human rights move into the responsible investment ring. This is the ‘sweet spot’. And of course, like any sweet spot, as our ambition grows so do our hurdles to achieving responsible investment best practice.

I look forward to reporting on our progress during 2026 and in our future annual reports.

“ Should we perform well on each pillar with our DEAL elements, we should move outward and into the doughnut, which we define as being leaders in responsible investing. Similarly, as we begin to better manage our adverse impacts and record tangible improvements, we would see climate change, biodiversity, social equity, and human rights move into the responsible investment ring. This is the ‘sweet spot’.

Climate transition risks (eventually) become a reality

South Africa’s climate policy landscape, although many years in the making, is beginning to take shape. Moving from the establishment of a formal regulatory framework, through rising carbon pricing, to the resulting investment implications. The below graphic highlights the introduction of the Climate Change Act as the legal foundation for a coordinated national response, the implementation of Carbon Tax Phase 2 with higher headline prices but continued relief mechanisms, and the growing relevance of these developments for investment risk, capital allocation and stewardship decision-making.

Why it matters? First, these policy developments materially increase transition risk for emissions-intensive sectors, as rising carbon prices and the prospect of enforceable carbon budgets introduce clearer financial consequences for non-compliance. Second, the continued availability of allowances and offsets means that regulatory exposure will increasingly differentiate between companies with credible long-term transition strategies and those relying on short-term mitigation — an important distinction for both portfolio construction and stewardship priorities.

Climate Change Act: Establishing the regulatory framework

South Africa’s Climate Change Act, proclaimed in March 2025, establishes the legal foundation for a coordinated national response to climate change. While sector-specific emissions targets and enforcement mechanisms are still being finalised, the Act already places clear obligations on provincial and municipal authorities to integrate climate adaptation into planning and decision-making processes.

Regulatory impact is expected to intensify as sectoral emissions targets are gazetted. National Treasury has indicated that future carbon budgets may carry material financial consequences, including penalties of up to R640 per tonne for emissions exceeding allowable limits — materially increasing transition risk for high-emitting sectors.

Carbon Tax Phase 2: Higher prices, continued relief

Carbon Tax Phase 2 took effect on 1 January 2026, with the headline carbon price rising to R308 per tonne of CO₂e — a 30.5% increase from 2025 levels. This strengthens South Africa’s alignment with international climate commitments and reduces exposure to external measures such as the EU’s Carbon Border Adjustment Mechanism.

However, the 2025 National Budget softened previously proposed tightening. The 60% basic tax-free allowance was extended to at least 2030, and earlier proposals to raise trade-exposure thresholds were abandoned.

As a result, while carbon costs are rising, the overall regime remains relatively accommodative, with offsets expected to remain a key tool for managing liabilities.

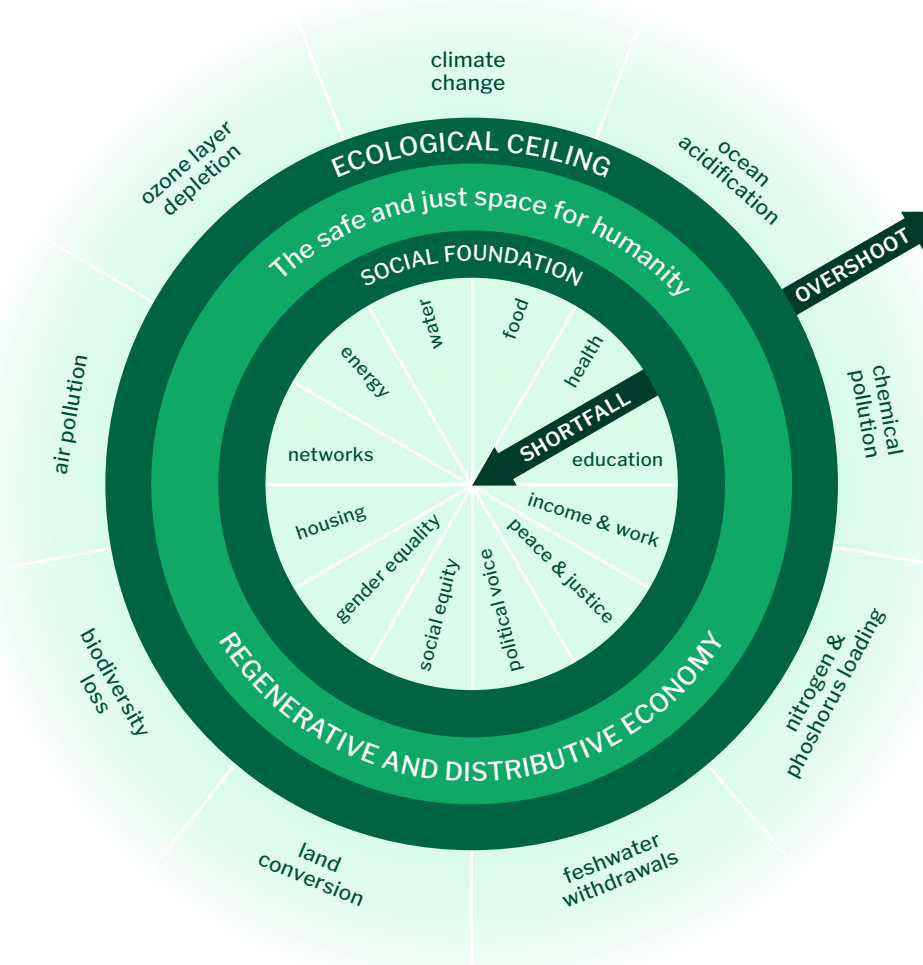
Investment implications: managing transition risk and opportunity

The evolving climate policy landscape has direct implications for investment risk, capital allocation and stewardship priorities. Rising carbon prices, the prospect of enforceable carbon budgets, and potential penalties for non-compliance are likely to increase cost pressures and valuation risks for emissions-intensive sectors.

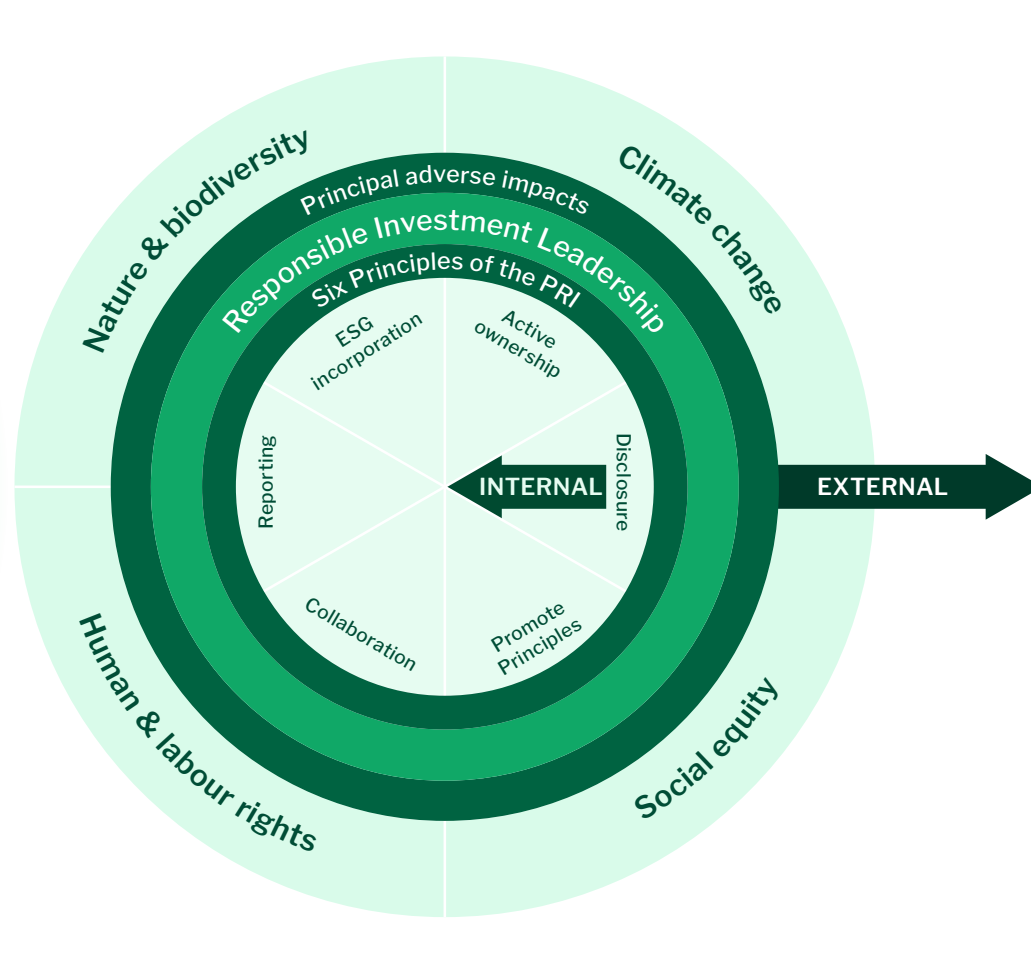
At the same time, the availability of allowances and offsets underscores the importance of credible, long-term transition plans rather than short-term emissions management.

From an investment perspective, this reinforces the need to distinguish between companies proactively aligning strategy, capital investment and governance with a lower-carbon economy, and those facing escalating regulatory and financial risk — shaping both portfolio decisions and stewardship activity.

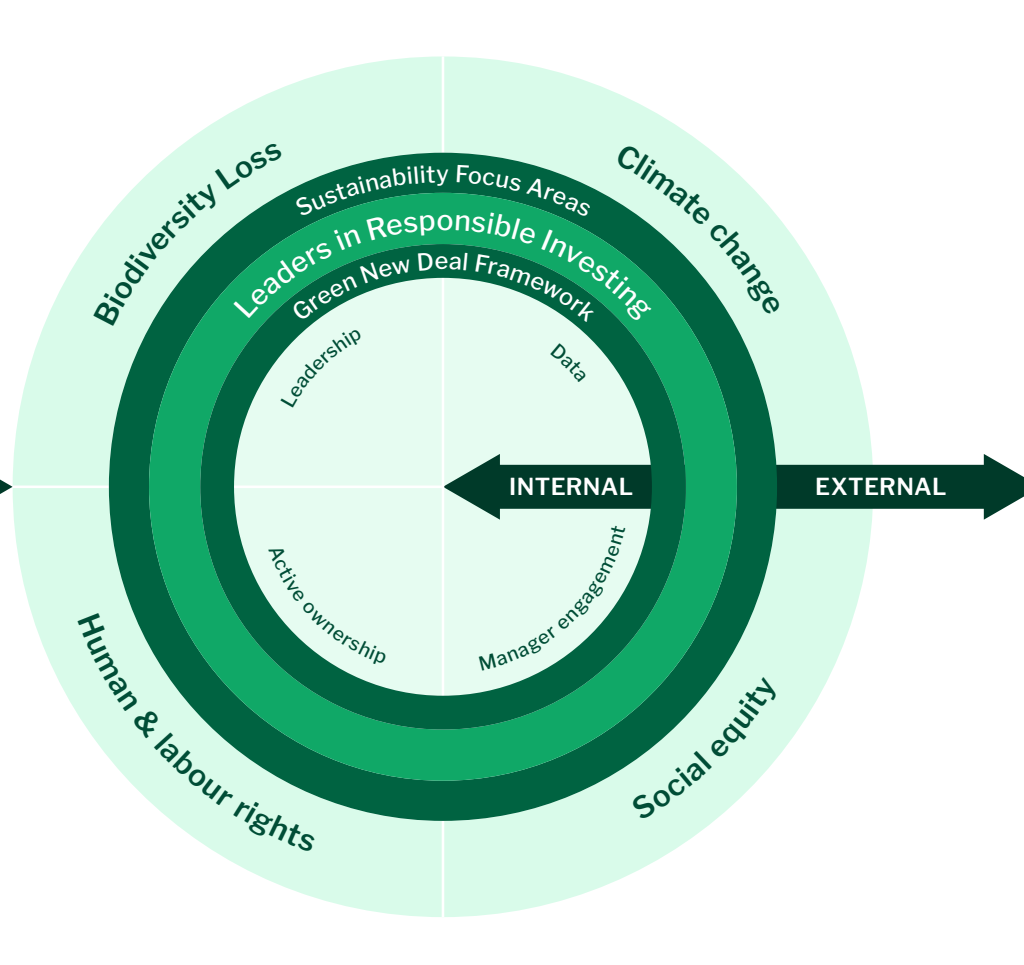
Raworth’s Doughnut of social and planetary boundaries



Getting inside the doughnut using the six principles of the PRI



What getting inside the doughnut looks like for Nedgroup Investments



Source: Kate Raworth (2017), Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist, Nedgroup Investments



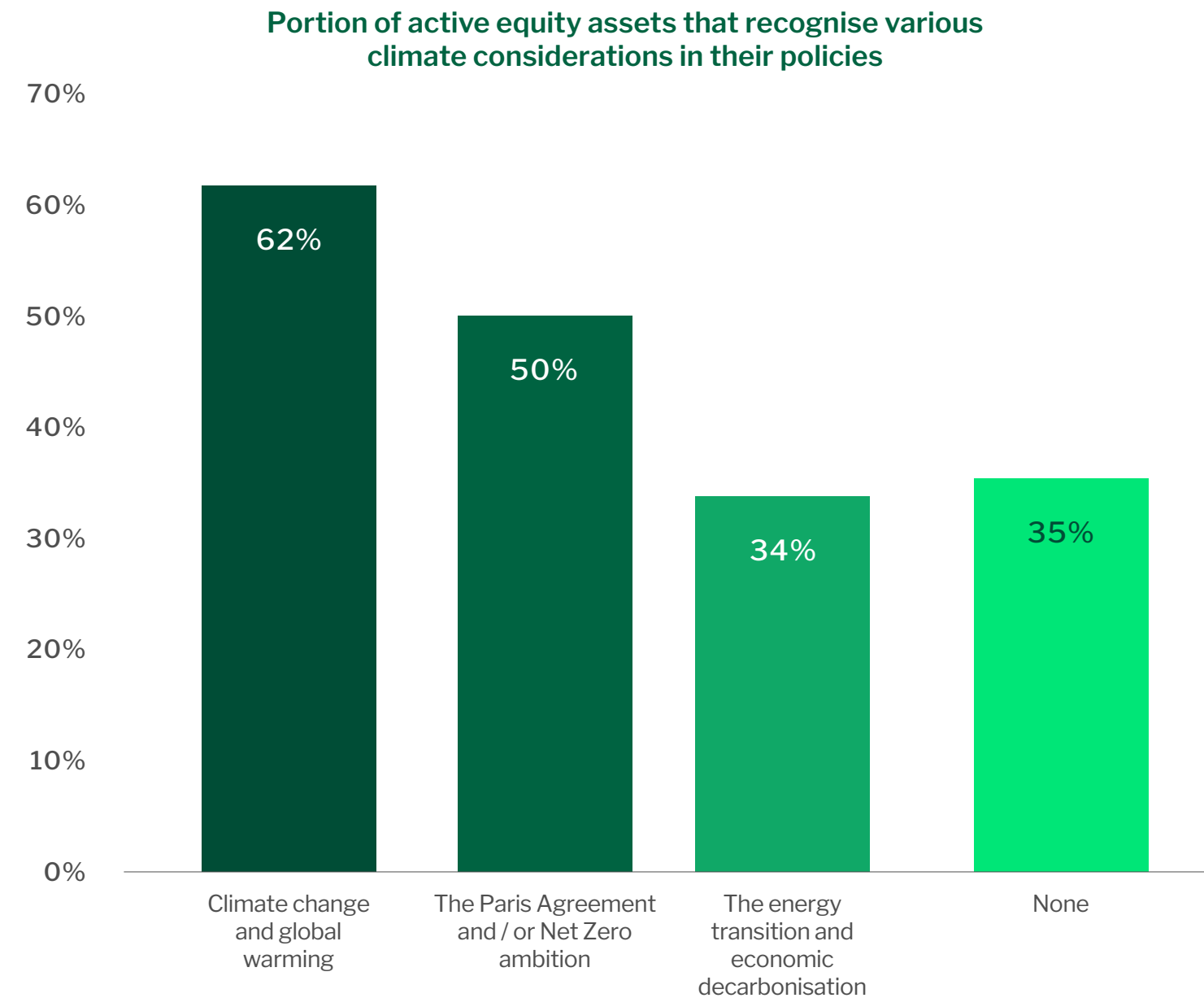
Climate adoption in asset management

Incorporating climate considerations into portfolio management is increasingly central to the effective assessment of long-term risk and return. Climate change introduces both physical risks — such as extreme weather events, water stress and supply-chain disruption — and transition risks, arising from policy shifts, technological change and evolving consumer preferences. These risks are already influencing asset valuations, cost of capital and corporate competitiveness across sectors and regions. For investors with long-dated liabilities, understanding how climate risks are embedded within portfolios is therefore critical not only to preserving value, but also to ensuring that capital allocation decisions are aligned with a transitioning real economy. Importantly, climate considerations are not static; they evolve as regulation tightens, technologies scale, and corporate strategies diverge, reinforcing the need for ongoing, forward-looking analysis within portfolio construction and risk management.

Against this backdrop, our annual fund manager climate survey is designed to deepen our understanding of how climate risks and opportunities are being measured, managed and integrated at both the issuer and portfolio level. A core focus of the survey is identifying which emission factors managers are measuring and tracking — including Scope 1, 2 and, where feasible, Scope 3 emissions — as robust, decision-useful data is foundational to assessing exposure, comparing issuers and monitoring progress over time. Granular emissions data enables investors to move beyond headline carbon metrics toward a clearer view of portfolio-level emissions trajectories, emissions intensity and alignment with credible decarbonisation pathways.

Policy statements are a public declaration of ambition and intent, and are a key component of the PRI's assessment as it applies to the commitment of signatories. The right-hand chart shows the proportion of our partner managers whose ESG-related policies explicitly recognise climate considerations. It indicates that climate change and global warming are the most commonly acknowledged themes, followed closely by references to the Paris Agreement or net-zero ambitions, suggesting growing alignment with international climate frameworks. Taken together, the data highlights clear progress in policy acknowledgement, but also underscores an important opportunity to move from broad climate recognition towards more specific, investment-relevant commitments linked to transition pathways and decarbonisation outcomes. In her section titled 'Building climate resilience', my colleague Keletso Mphomane has illustrated what this means in practice.

“ Climate change introduces both physical risks — such as extreme weather events, water stress and supply-chain disruption — and transition risks, arising from policy shifts, technological change and evolving consumer preferences. These risks are already influencing asset valuations, cost of capital and corporate competitiveness across sectors and regions.



Source: Nedgroup Investments, December 2025

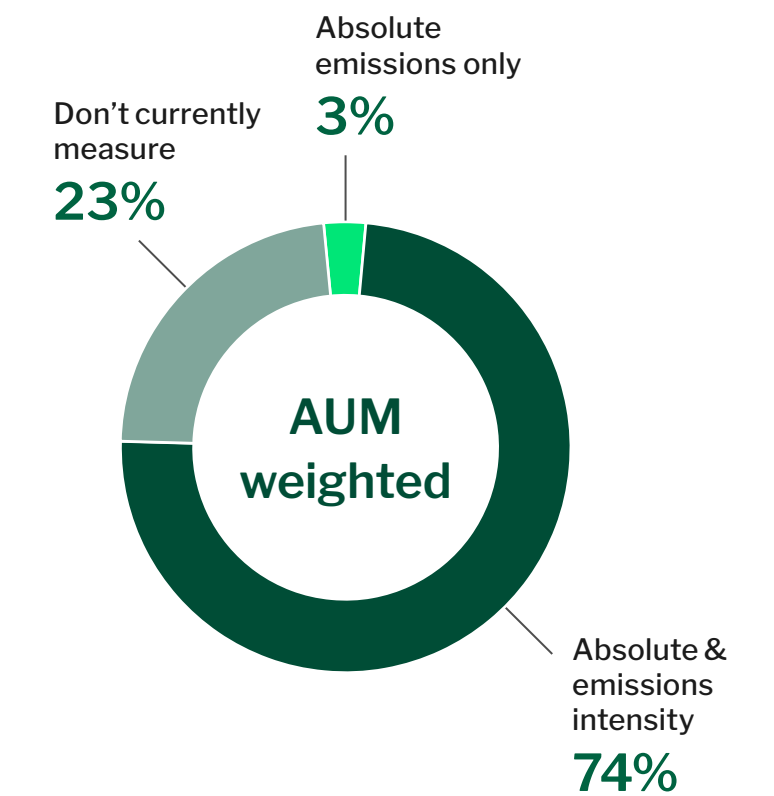
The survey goes on to examine whether managers have incorporated emission reduction targets and transition objectives into their investment strategies, recognising that targets provide an important signal of intent, accountability, and strategic coherence. In addition, we assess the extent to which managers are using climate transition scenario analysis to stress-test portfolios under different policy, temperature and technology outcomes. Scenario analysis is a valuable tool for understanding how assets may perform as the transition accelerates, highlighting potential areas of vulnerability as well as opportunity. Collectively, these insights allow us to evaluate not only how climate risks are currently being managed, but how well portfolios are positioned for a range of plausible future outcomes — informing engagement priorities, stewardship activity and long-term capital allocation decisions.

“ Scenario analysis is a valuable tool for understanding how assets may perform as the transition accelerates, highlighting potential areas of vulnerability as well as opportunity.

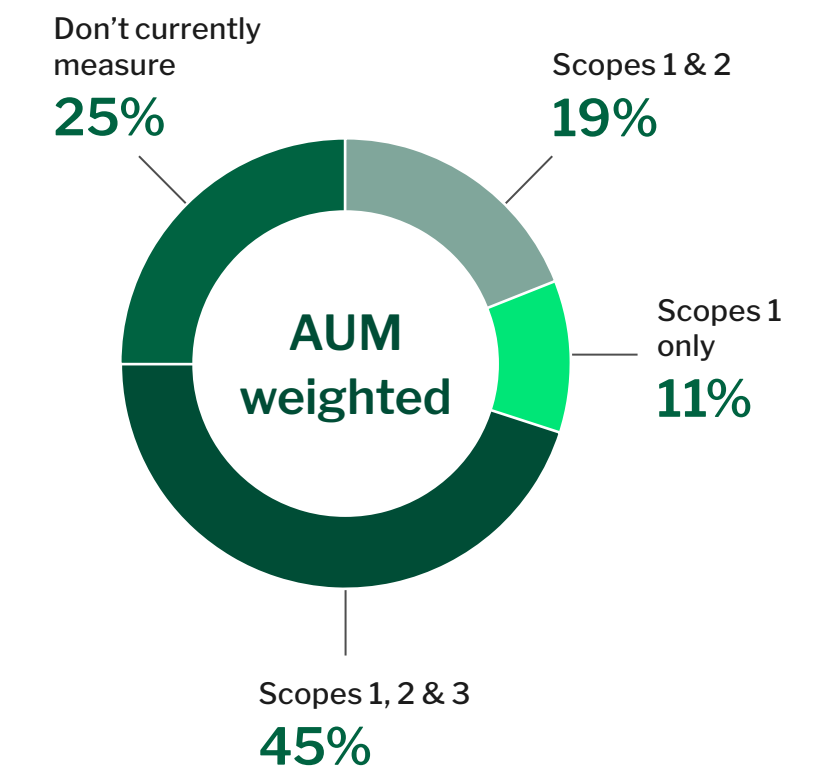
The two charts below illustrate the current state of climate measurement and target-setting practices across our network of fund managers. The pie charts suggest that a majority of assets are now covered by some form of greenhouse gas measurement and portfolio carbon footprinting, yet work remains to incorporate the remaining quarter of our assets.

Asset Management 2025 Climate Survey

Do you measure greenhouse gas emissions of investee companies?



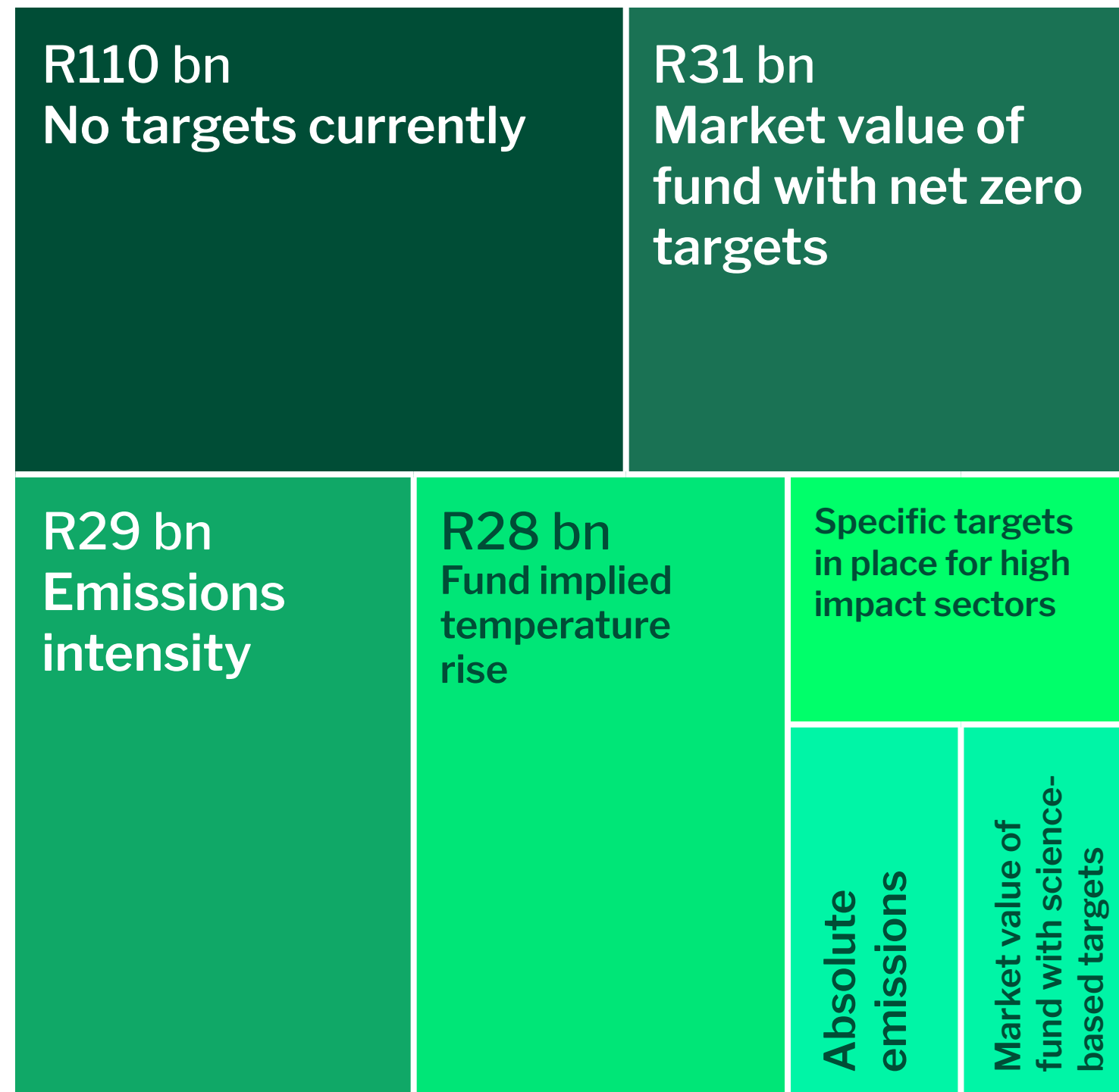
Do you measure the carbon footprint of your portfolios?



Source: Nedgroup Investments, December 2025



Do you have any climate-related targets at a portfolio level?

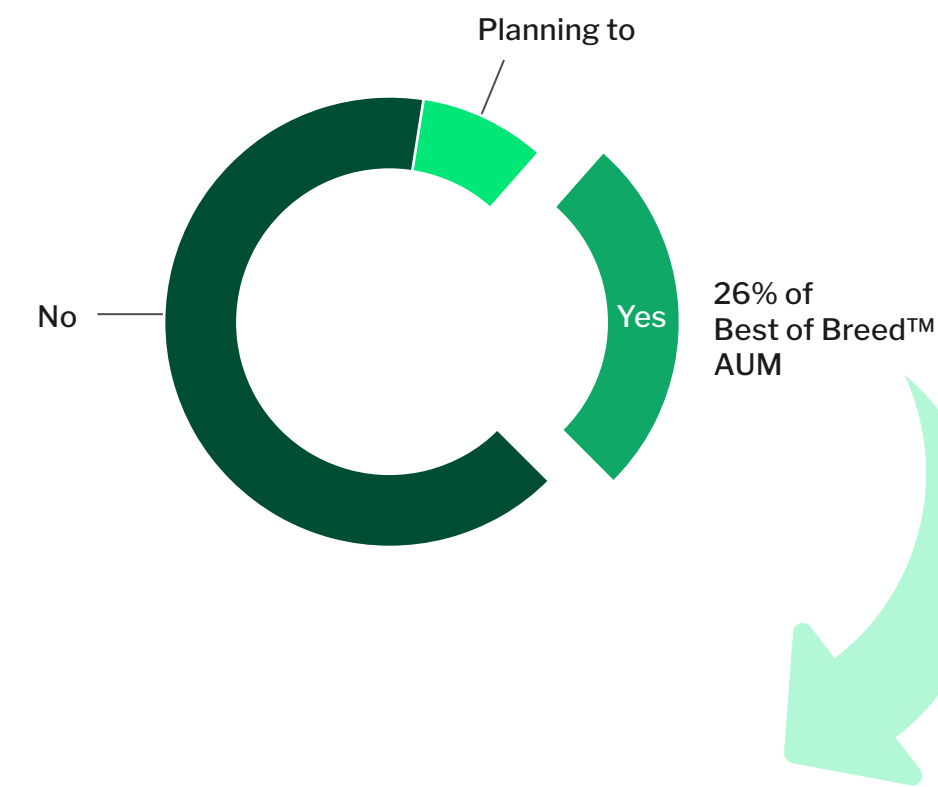


Source: Nedgroup Investments, December 2025

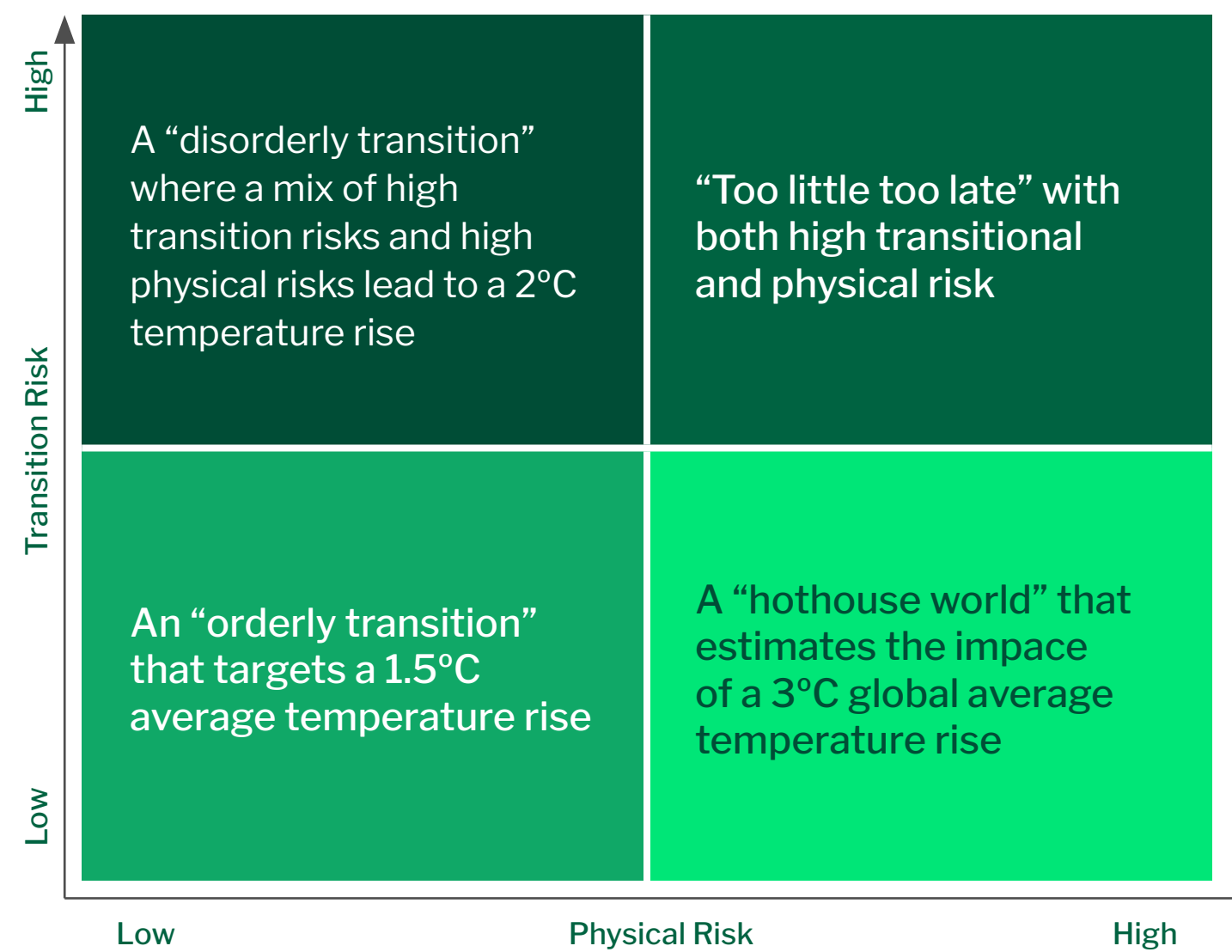
The area chart reinforces this picture by highlighting a clear gap between measurement and action: a significant proportion of actively managed assets are managed without any portfolio-level climate targets, with only a smaller subset aligned to net-zero or explicit emissions-reduction objectives. Taken together, the data suggests that while climate data availability and disclosure have improved materially, these insights are not yet consistently translated into forward-looking targets or portfolio constraints.

These results are not unique to our survey and are a reflexion of the global market. Many local and global managers have highlighted the complexity with setting targets that meet ambition, pragmatism, and agility, while taking into consideration sector and regional context. What the results do point to is the need for the industry to better apply its mind in this regard, as the absence of clear targets risks limiting accountability, reducing decision-usefulness, and slowing the integration of climate considerations into investment and stewardship outcomes.

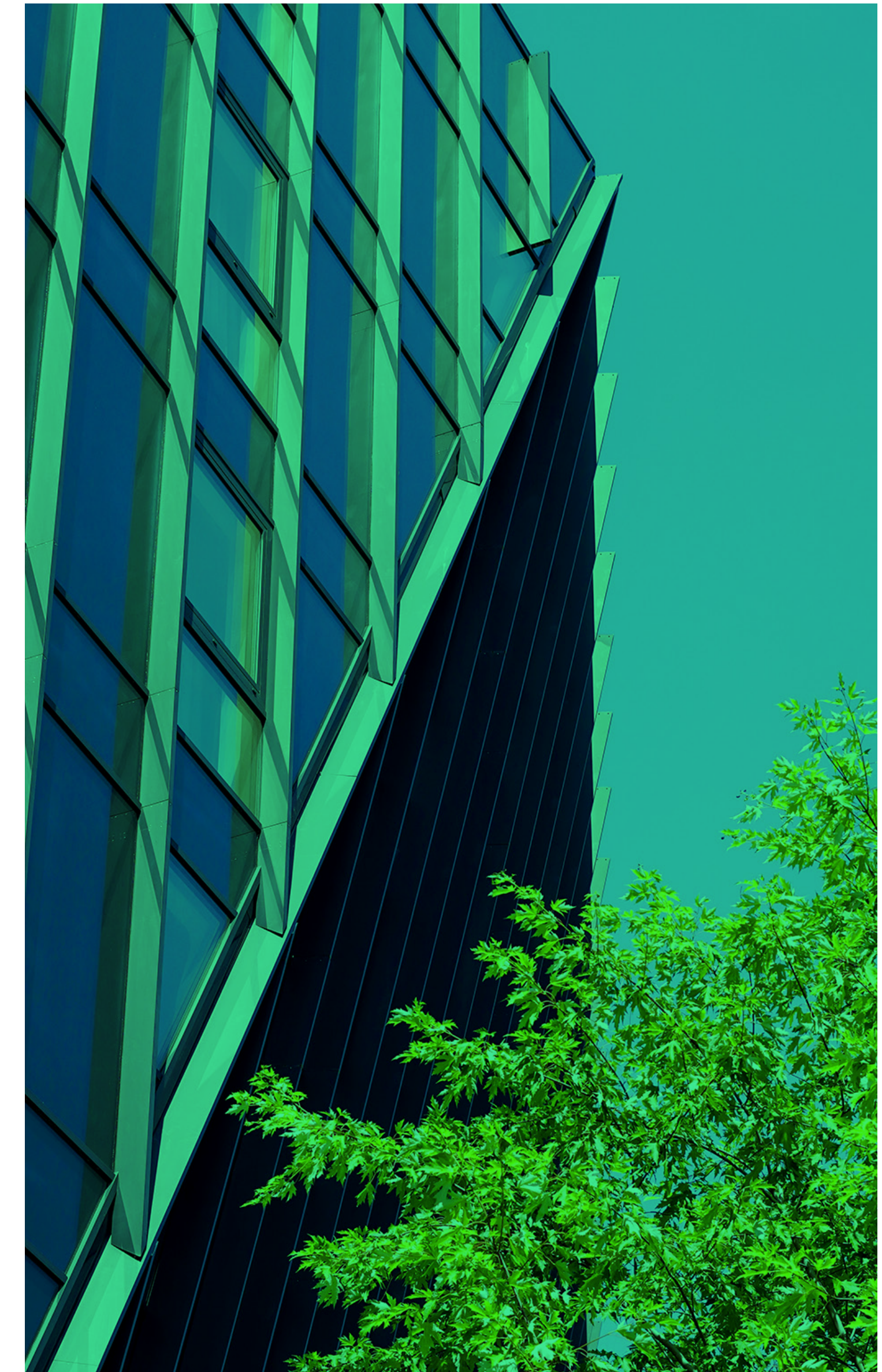
Do you conduct climate scenario analysis for your portfolios?



Network for Greening the Financial System scenarios



Source: Nedgroup Investments, December 2025





Nedgroup Investments emissions profile

Financed emissions have emerged as a critical lens through which investors can assess their true exposure to climate risk and their contribution to real-world emissions outcomes. Unlike operational emissions, which reflect the footprint of an asset manager’s own activities, financed emissions capture the greenhouse gas emissions associated with the companies and assets in which capital is deployed. As the below chart suggests, financed emissions refers to the tonnage of carbon dioxide attributed to a \$1million worth of investment. This perspective is increasingly important as it aligns investment analysis with the drivers of climate transition risk, recognising that long-term portfolio performance is influenced by how investee companies adapt to decarbonisation pressures over time.

Reflecting this shift, emerging international reporting standards — including the IFRS sustainability disclosure framework — are placing greater emphasis on the measurement, disclosure and use of financed emissions data. By bringing funded emissions into the core of climate reporting, IFRS is reinforcing the expectation that investors move beyond high-level commitments and demonstrate how climate considerations are embedded within investment decision-making, risk management and stewardship.

Implied Temperature Rise (ITR) is a forward-looking metric that translates a portfolio’s current and projected emissions profile into an estimated global temperature outcome, based on the alignment of underlying holdings with climate pathways. Rather than measuring emissions in isolation, ITR provides a forward-looking view of whether portfolio companies are on track to meet decarbonisation trajectories consistent with internationally agreed climate goals.

In a portfolio management context, this enables investors to assess transition alignment across assets, identify areas of heightened risk, and compare portfolios on a like-for-like basis. Lowering a portfolio’s implied temperature over time is typically achieved through a combination of levers: engaging with investee companies to strengthen transition strategies and emissions targets, reallocating capital towards more resilient and transition-aligned businesses, and integrating climate transition considerations into portfolio construction and monitoring. Used consistently, ITR becomes a practical tool for tracking progress, informing engagement priorities and demonstrating how portfolios are evolving in line with a transitioning real economy.

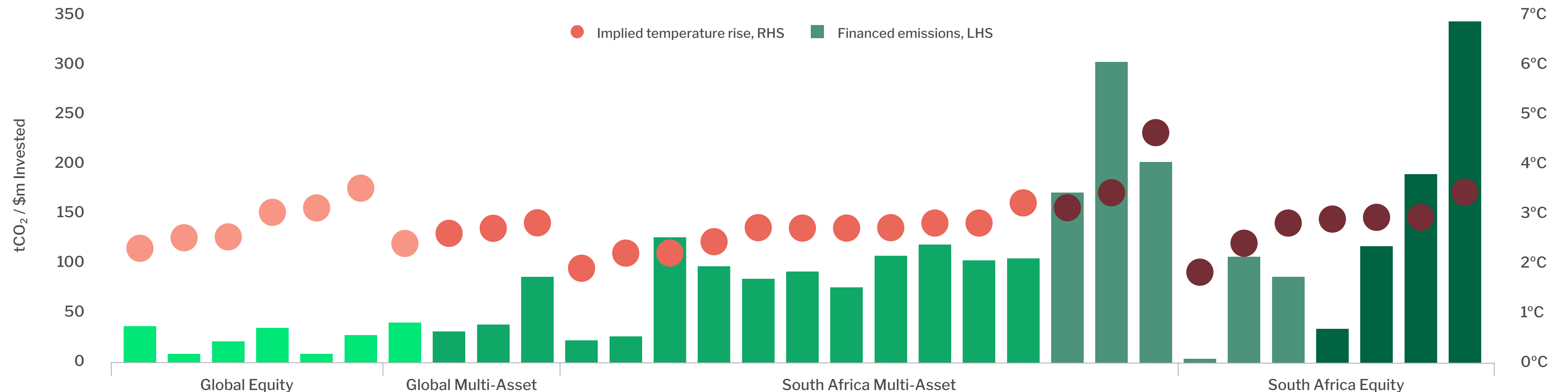
Conclusion

My hope is that you find this report both insightful and informative, in that it gives you a good insight into how we at Nedgroup Investments think about Sustainability, Stewardship, and Responsible Investing. My colleague Keletso has showcased how portfolios can build in resilience, which Tumisho has built on in her segment on how asset management can achieve purpose at scale. Leonard sits on our proxy voting decision committee and has wonderfully articulated the role that voting plays within his passive investing business. Madhushree considers deeply and philosophically about the arms manufacturing sector and how this is an increasingly delicate terrain into today’s geopolitical landscape.

As per the past few years, we end our report by inviting you to read through some of the case studies and corporate engagements that our partner managers have enacted over the course of 2025.

Although nothing beats a face-to-face conversation, by disclosing this information and being transparent in our work, we hope our clients and stakeholders are armed with a decent amount of information to engage with the topic and challenge us on these important areas. In falling prey to the old adage, I firmly believe that responsible investing is one of those spaces where a rising tide does indeed lift all boats.

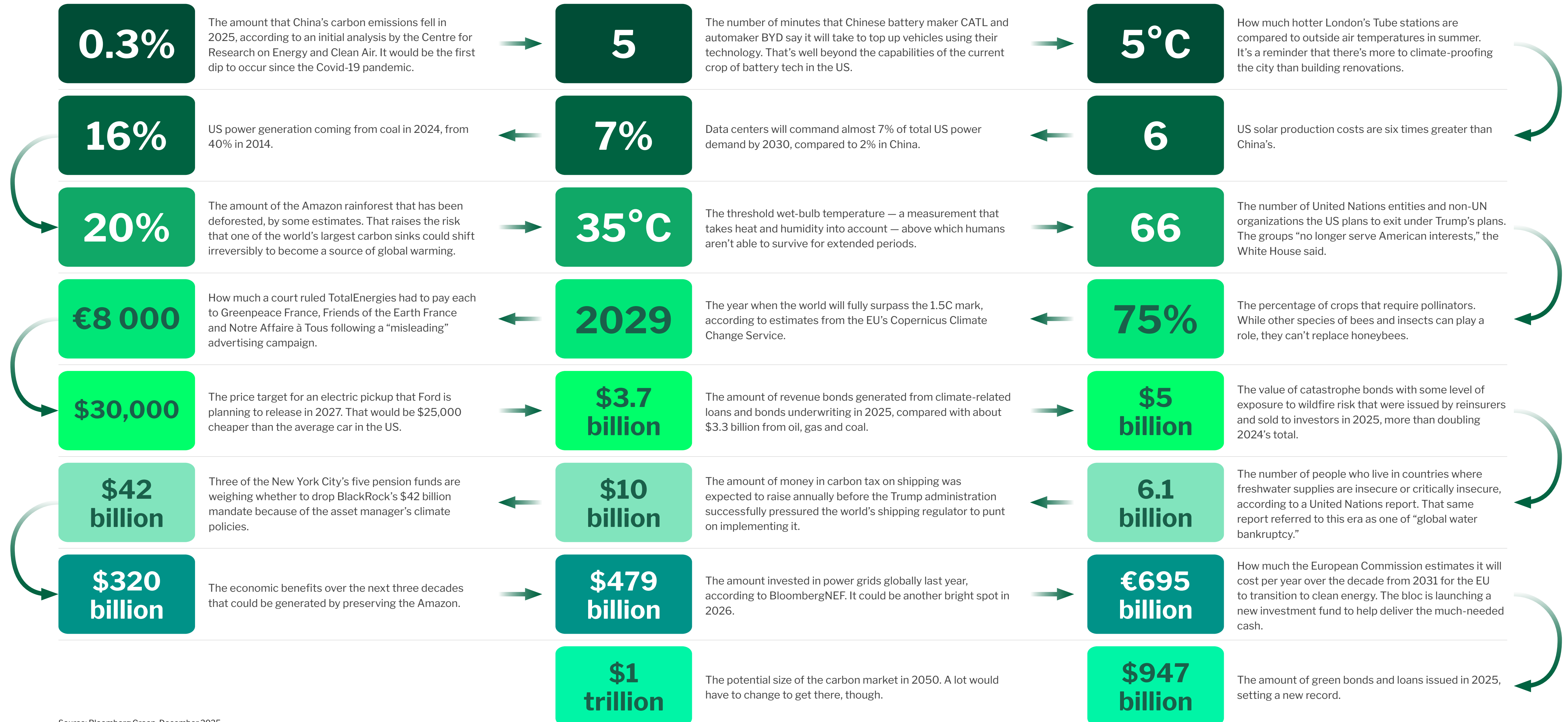
Nedgroup Investments fund range climate snapshot



Source: MSCI data, Nedgroup Investments, December 2025



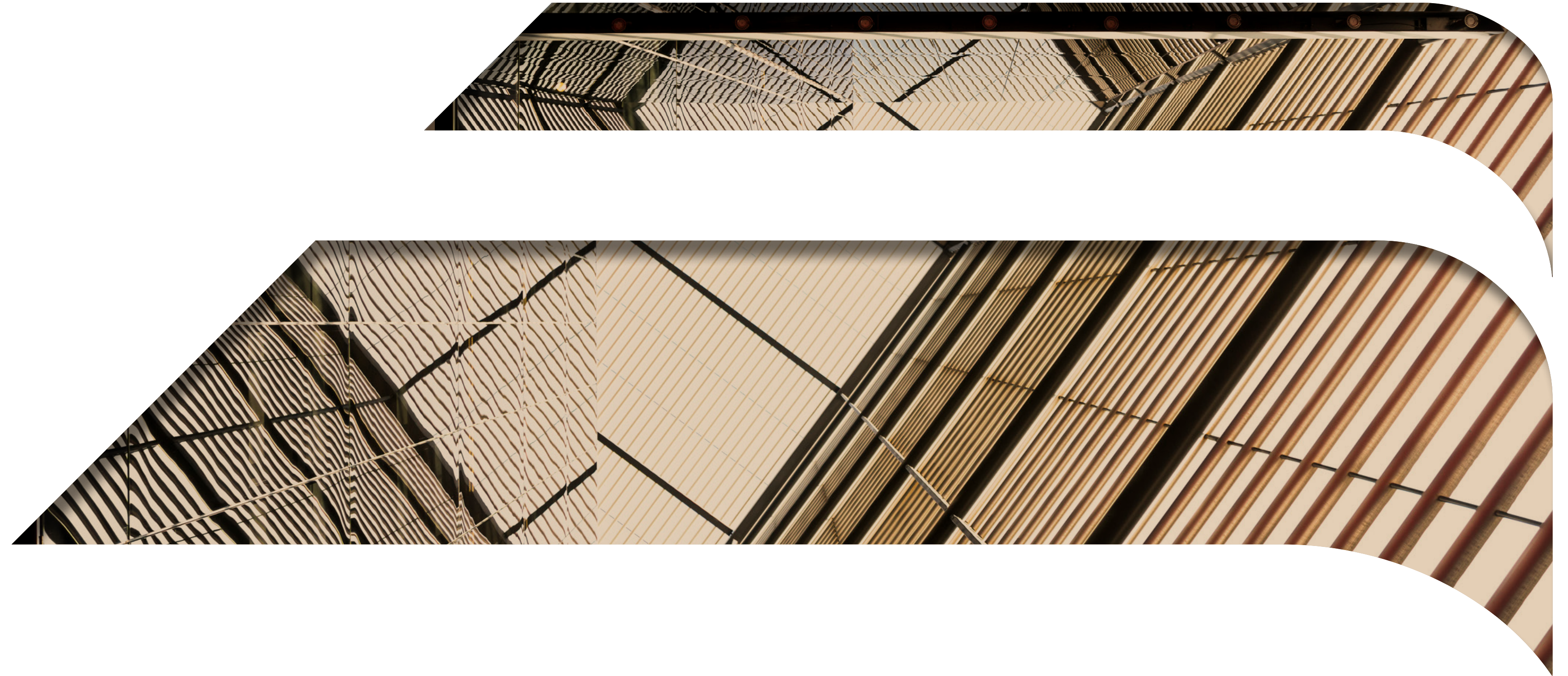
2025: A world in numbers



Source: Bloomberg Green, December 2025



Specialist Contributions





Proxy voting in passive investing

A cornerstone of responsible investment and effective stewardship

Leonard Mamogobo

Investment Analyst: Nedgroup Investments



The rapid growth of passive investing has reshaped global capital markets. Index-tracking funds now account for a substantial share of equity ownership in many listed companies, making passive investors among the largest and most stable shareholders worldwide. Passive strategies can't sell. So what's their real power lever? One vote. Index funds may track benchmarks, but they don't track governance. When passive investors vote, they can influence corporate behaviour, uphold fiduciary responsibilities, and climate accountability - and because they often hold companies for as long as they remain in an index, that influence compounds over time.

“ While passive strategies are often characterised by limited portfolio turnover and an absence of stock selection, they nonetheless carry powerful ownership rights. Chief among these is proxy voting, which has emerged as a critical mechanism through which passive investors influence corporate behaviour, uphold fiduciary responsibilities, and give substance to responsible investment commitments.

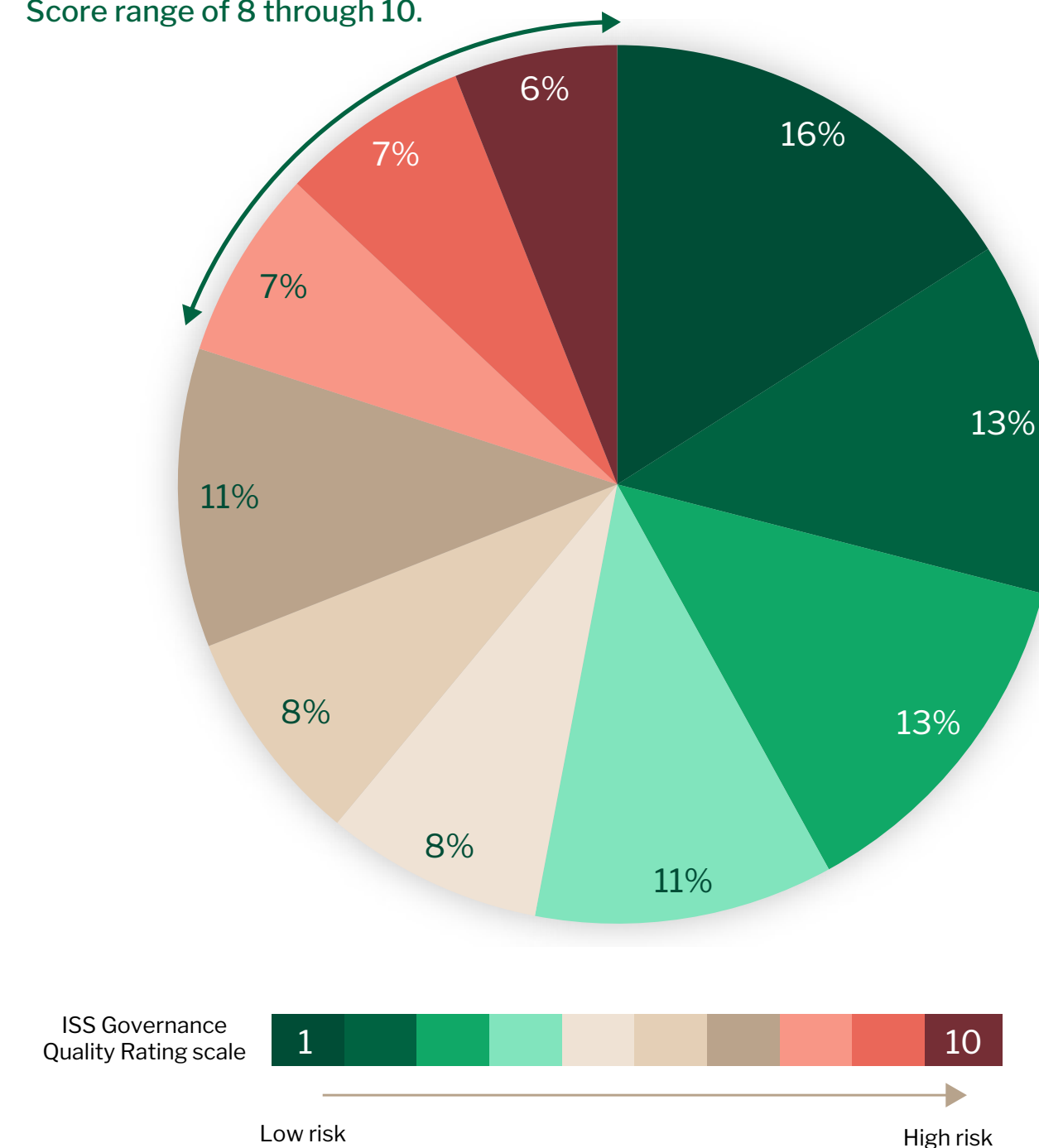
Passive ownership does not mean passive stewardship

A common misconception is that passive investing equates to a hands-off approach to corporate governance. In reality, the structural features of passive strategies – broad market exposure, long-term holding periods, and limited ability to divest – arguably strengthen the case for robust stewardship. Passive investors are effectively “universal owners”, exposed to economy-wide risks such as climate change, social instability, and governance failures that can undermine long-term market returns. If you own “the market,” you inherit systemic risk, and you can't diversify away from it. So what does this mean in practice? It means engagement and voting are not optional extras, but essential tools for protecting and enhancing long-term value across portfolios when you can't exit the position.

Proxy voting provides the formal channel through which passive investors exercise these ownership rights. Through votes on director elections, executive remuneration, capital allocation, and shareholder resolutions, asset managers can signal expectations around governance standards, sustainability performance, and risk oversight. In many cases, voting is the clearest and most visible expression of stewardship, particularly when engagement alone has failed to drive progress.

Passive funds' portfolio companies by ISS Governance Quality Score

20% of the companies within our SA passive range are considered high risk, falling within the ISS Governance Quality Score range of 8 through 10.



Source: ISS, Nedgroup Investments, December 2025

Enacting responsible investment through voting

Responsible investment frameworks emphasise the integration of environmental, social, and governance (ESG) considerations into investment analysis, ownership practices, and decision making. For passive investors, proxy voting is the primary means of translating these principles into action. While index trackers do not tilt portfolios based on ESG scores, they can – and increasingly do – use voting to promote better disclosure, stronger governance, and improved management of material sustainability risks.

Votes on climate transition plans, board diversity, supply chain standards, and shareholder rights have become central to how asset owners assess stewardship quality. Importantly, proxy voting allows passive managers to pursue market wide improvements rather than company specific exclusions, aligning with their mandate to track broad indices while still addressing systemic risks. In this sense, voting acts as a bridge between passive portfolio construction and active ownership responsibilities.

2025 meetings overview: Nedgroup Investments South African passive holdings		
Category	Number	Percent
Votable meetings (Annual, Extraordinary, Special)	144	100%
Meetings voted	144	100%
Meetings with 'Against' management votes	67	47%
Total proposals voted on	2 890	100%
Proposals voted 'For'	2 741	94.8%
Proposals voted 'Against'	146	5.1%
Proposals voted 'Abstain'	3	0.1%

Source: ISS, Nedgroup Investments, December 2025

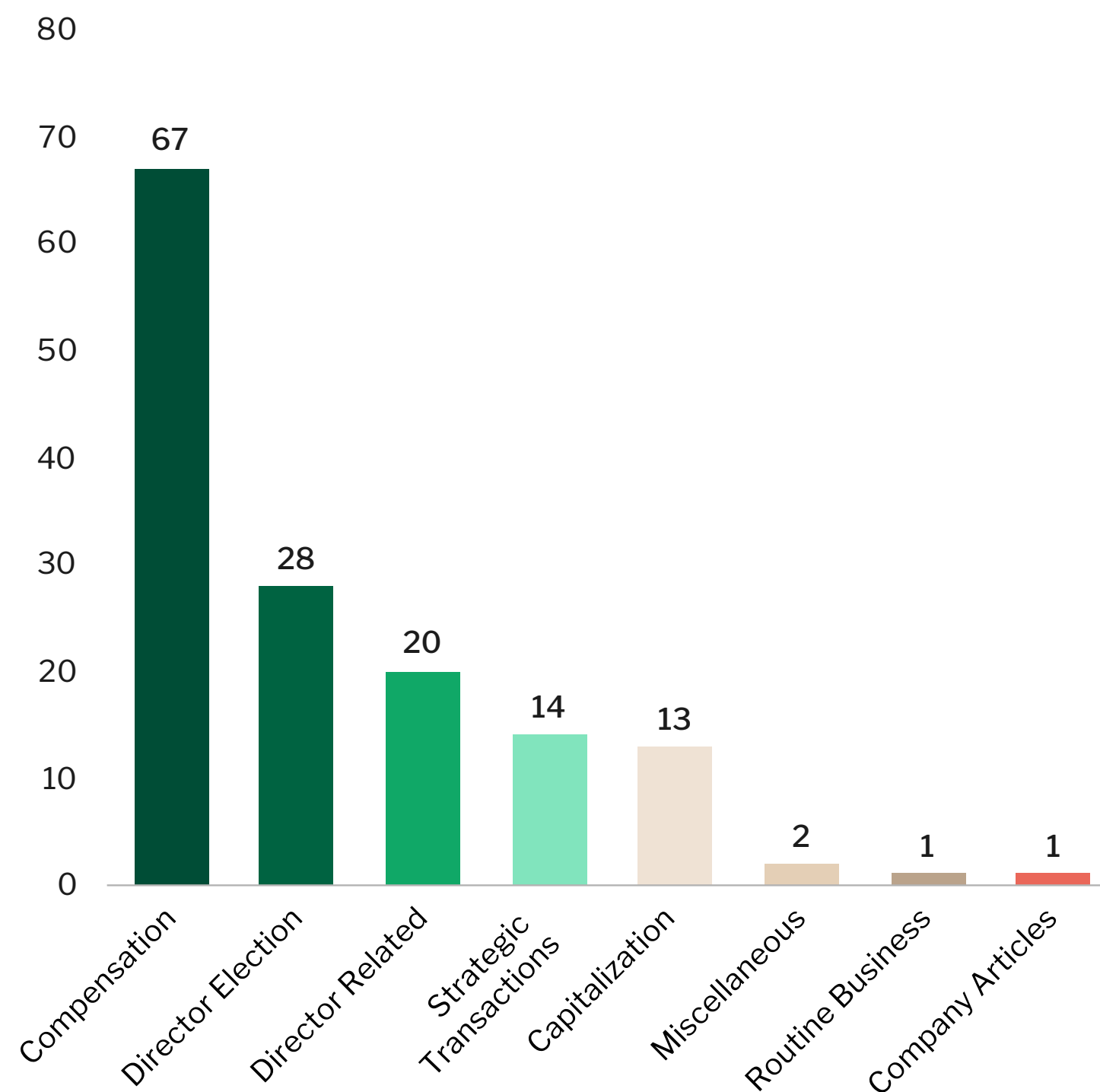


Why proxy voting matters more in passive than active strategies

The importance of proxy voting is amplified in passive strategies precisely because exit is not a credible tool. Active managers may respond to poor governance or weak ESG performance by reducing or selling a holding. Passive managers, by contrast, remain invested for as long as a company is included in the index. Voting — particularly when combined with sustained engagement — becomes the primary lever for influencing outcomes.

Moreover, the scale of passive ownership means that voting decisions by large index managers can materially affect shareholder outcomes. Support or opposition from major passive holders often determines whether resolutions pass, whether directors are re-elected, and how boards interpret investor expectations. With that influence comes heightened responsibility: passive stewardship has real-world consequences.

Summary of 'against' votes, by category



Source: ISS, Nedgroup Investments, December 2025

Accountability, alignment, and transparency

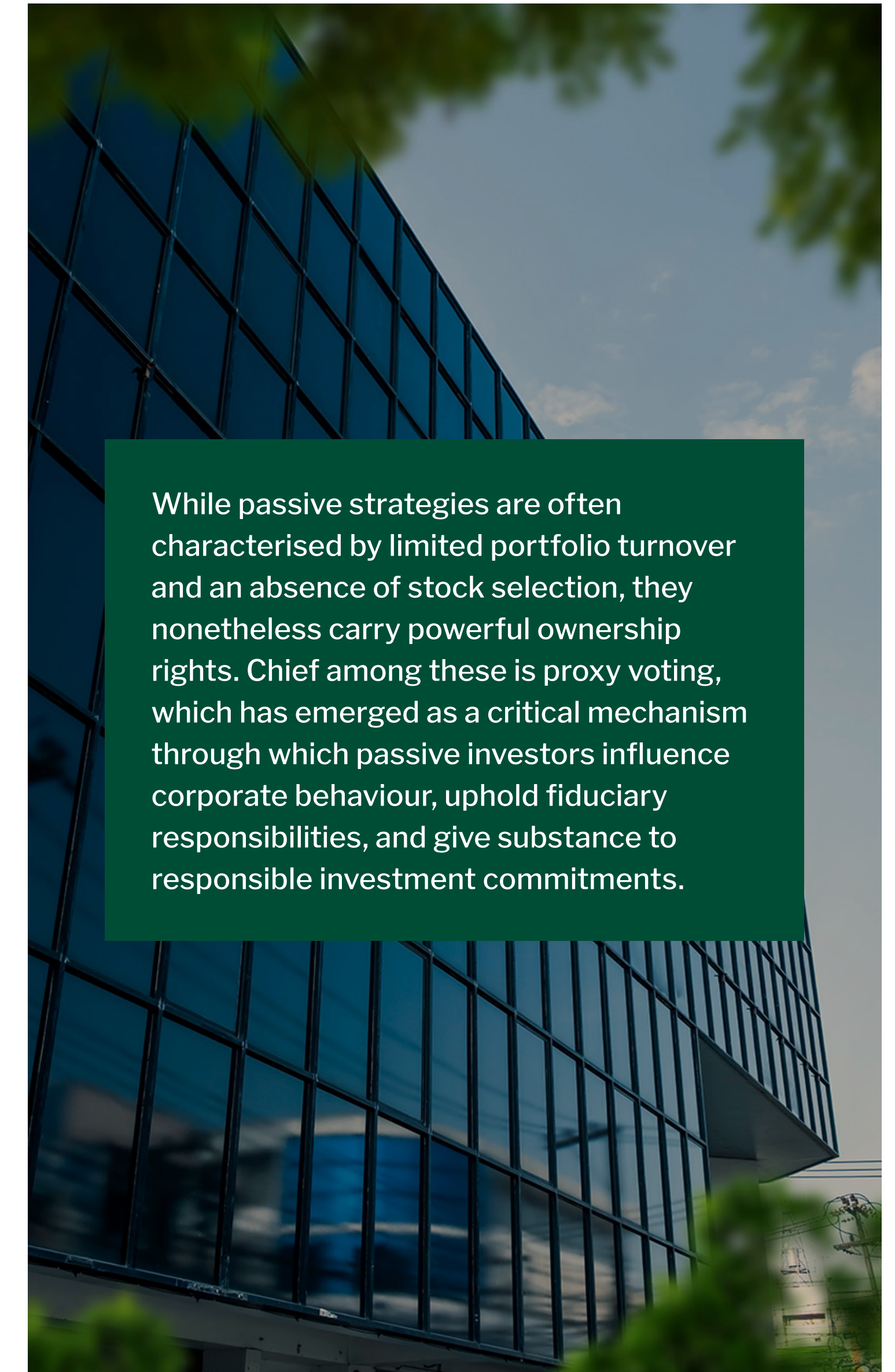
As scrutiny of stewardship practices has intensified, asset owners and beneficiaries increasingly expect clear evidence that proxy voting is aligned with stated responsible investment policies. Disclosure of voting records, rationales for key decisions, and escalation frameworks has become a baseline expectation. Misalignment between voting behaviour and public commitments — particularly on climate and governance issues — can undermine credibility and trust.

Recent developments such as pass through or client directed voting reflect growing demand for greater alignment between asset owners' preferences and how votes are cast on their behalf. Operationally complex or not, the trend reinforces the central point: voting connects end investors to real-world corporate outcomes.

Proxy voting as a foundation of effective stewardship

Ultimately, proxy voting is not a box ticking exercise, nor a substitute for engagement. It is most effective when embedded within a broader stewardship framework that includes ongoing dialogue, clear escalation pathways, and collaboration with other investors. For passive managers, voting reinforces engagement by adding accountability and consequences — particularly when votes against management signal dissatisfaction with progress on material risks.

In an investment landscape increasingly shaped by passive strategies, proxy voting has become one of the most powerful tools for influencing how companies are governed and how they respond to long-term sustainability challenges. Far from being passive actors, index investors play a defining role in shaping corporate behaviour across markets. Exercised thoughtfully and transparently, proxy voting ensures that passive investing remains compatible with responsible investment objectives and effective stewardship — helping safeguard value not just for individual portfolios, but for the financial system as a whole.



While passive strategies are often characterised by limited portfolio turnover and an absence of stock selection, they nonetheless carry powerful ownership rights. Chief among these is proxy voting, which has emerged as a critical mechanism through which passive investors influence corporate behaviour, uphold fiduciary responsibilities, and give substance to responsible investment commitments.



Global property

Building climate resilience

Keletso Mphomane

Investment Analyst: Nedgroup Investments



The global real estate sector sits at the centre of the climate challenge, accounting for 32% of global energy consumption and 34% of carbon dioxide emissions, according to the Global Status Report¹ published by the United Nations Environment Programme (UNEP). In this context, rigorous sustainability evaluation is not optional; it is an operational imperative for investors seeking resilience, transparency, and long term value creation.

Against that backdrop, our partner fund manager, Resolution Capital, focuses on how progress is measured, evidenced, and accelerated within the Nedgroup Investments Global Property Fund (portfolio). The portfolio relies on three complementary lenses to evaluate performance and transition readiness: Global Real Estate Sustainability Benchmark (GRESB) scores², the Net Zero Investment Framework (NZIF)³, and detailed carbon metrics. GRESB is the industry’s most recognised Environmental, Social and Governance (ESG) benchmark for property, assessing companies on a 0–100 scale across ESG pillars, while also evaluating disclosure quality and benchmark coverage. These features allow for consistent cross-market comparisons and help explain differences where reporting adoption is still developing.

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GRESB: Demonstrating strong ESG fundamentals across the portfolio

Within this framework, the portfolio’s weighted-average GRESB score reached 79.4 at 31 December 2025, compared with the benchmark’s 77.8, extending the advantage maintained since 2024. The portfolio’s Public Disclosure Score of 92.3 also exceeded the index’s 89.4, indicating stronger transparency and data quality across our holdings. These results reflect broad-based strength across the ESG pillars rather than reliance on a single factor.

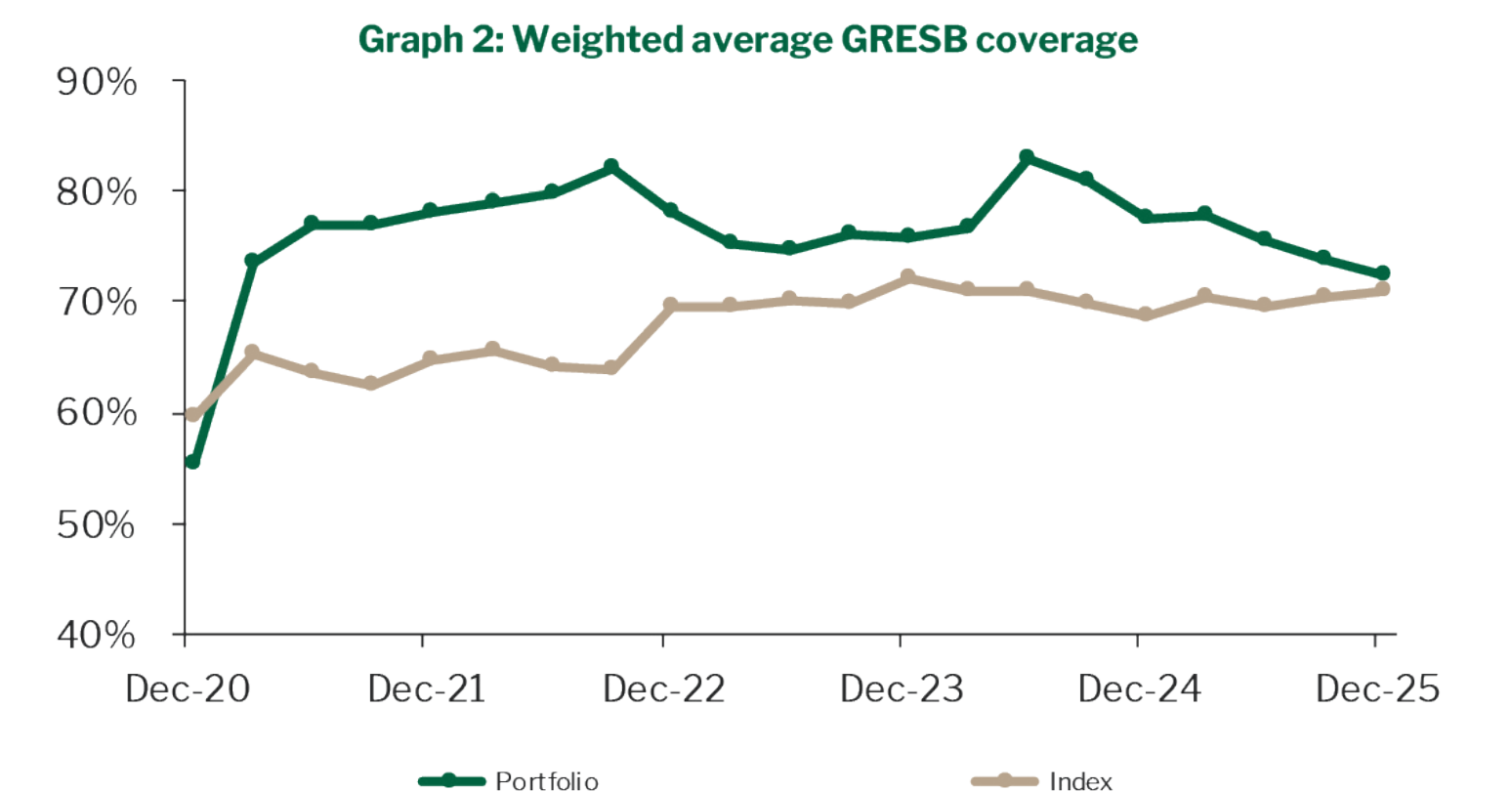
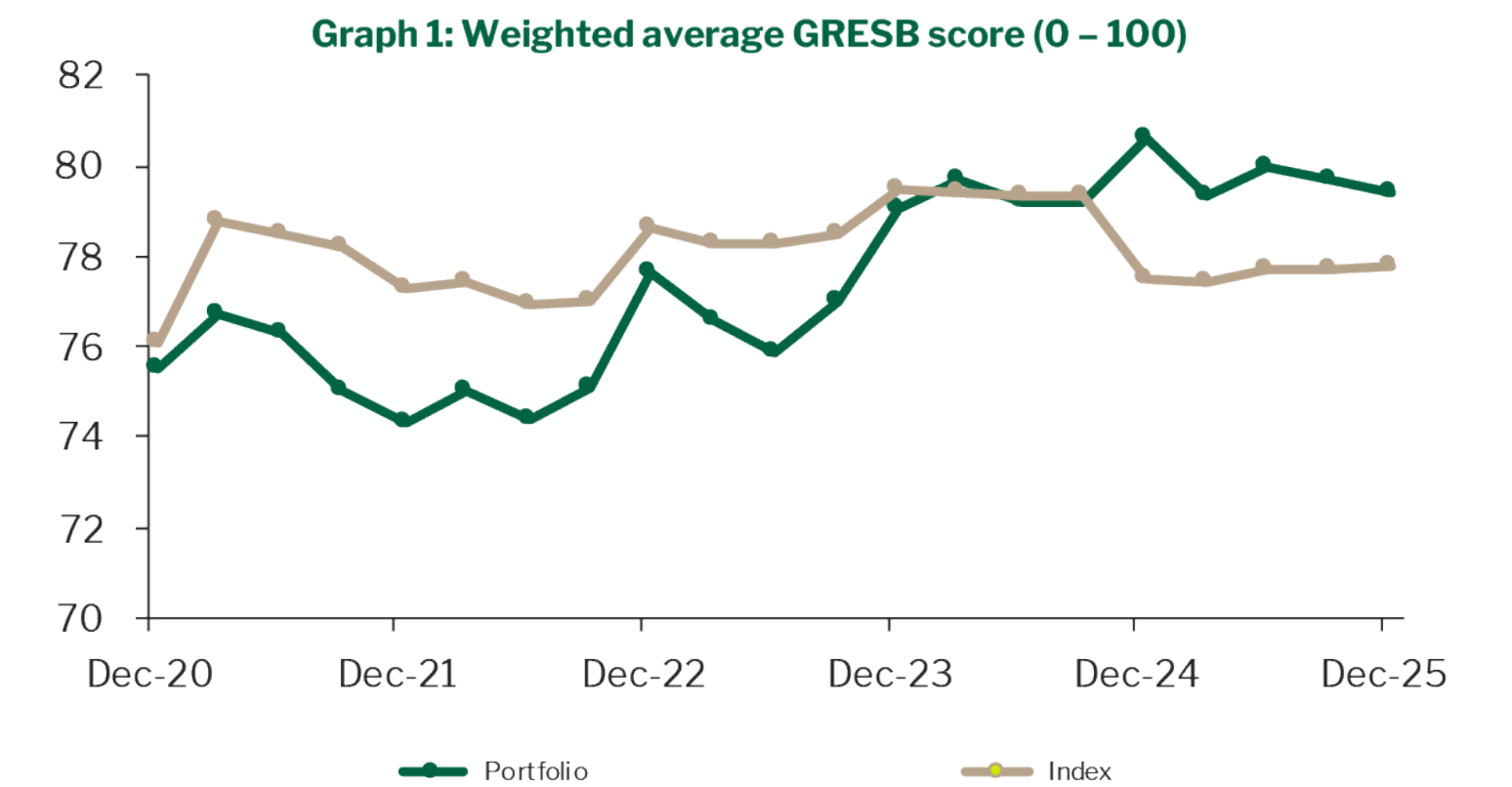
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Table 1: Period Ending 31 December 2025

	GRESB Score Dec'24	GRESB Score Dec '25	Environmental	Social	Governance	Public Disclosure Score
Portfolio	78.2	79.4	69.6	95.9	94.6	92.3
Index	77.5	77.8	67.4	95.0	94.4	89.4
Difference	0.7	1.6	2.3	0.8	0.2	2.9

Source: Resolution Capital, GRESB, 31 December 2025

Coverage remains important for decision usefulness. With 72.4% of portfolio holdings reporting into GRESB, above the index’s 70.9%, the portfolio benefits from a richer evidentiary base. Higher coverage provides more reliable insights into environmental performance. Resolution Capital continues to prioritise engagement with holdings that do not yet report to GRESB, encouraging adoption of the benchmark as an industry standard for ESG assessment.



Source: Resolution Capital, GRESB, 31 December 2025

¹Global Status Report for Buildings and Construction Report is published by the UN Environment Programme (UNEP) and the Global Alliance for Buildings and Construction.

²GRESB provides a rigorous methodology and consistent framework to measure the ESG performance of individual Real Estate assets and portfolios based on self-reported data, guided by what real estate investors and industry consider to be material issues.

³The Net Zero Investment Framework (NZIF), developed by the Institutional Investor Group on Climate Change in 2021, has a robust framework for determining a company’s alignment with these requirements.



Portfolio-level leadership is reinforced by company-specific improvements observed during the assessment cycle. Big Yellow Group, Simon Property Group, and Urban Edge each increased their GRESB scores by more than five per cent during the year, driven by expanded green-building certification coverage. With Big Yellow Group and Simon Property Group also enhancing their data monitoring, as well as energy, water and waste intensities. These operational improvements translate directly into higher, independently assessed scores and demonstrate meaningful transition momentum at the asset and platform levels.

Net zero investment framework: Evaluating climate alignment and transition readiness

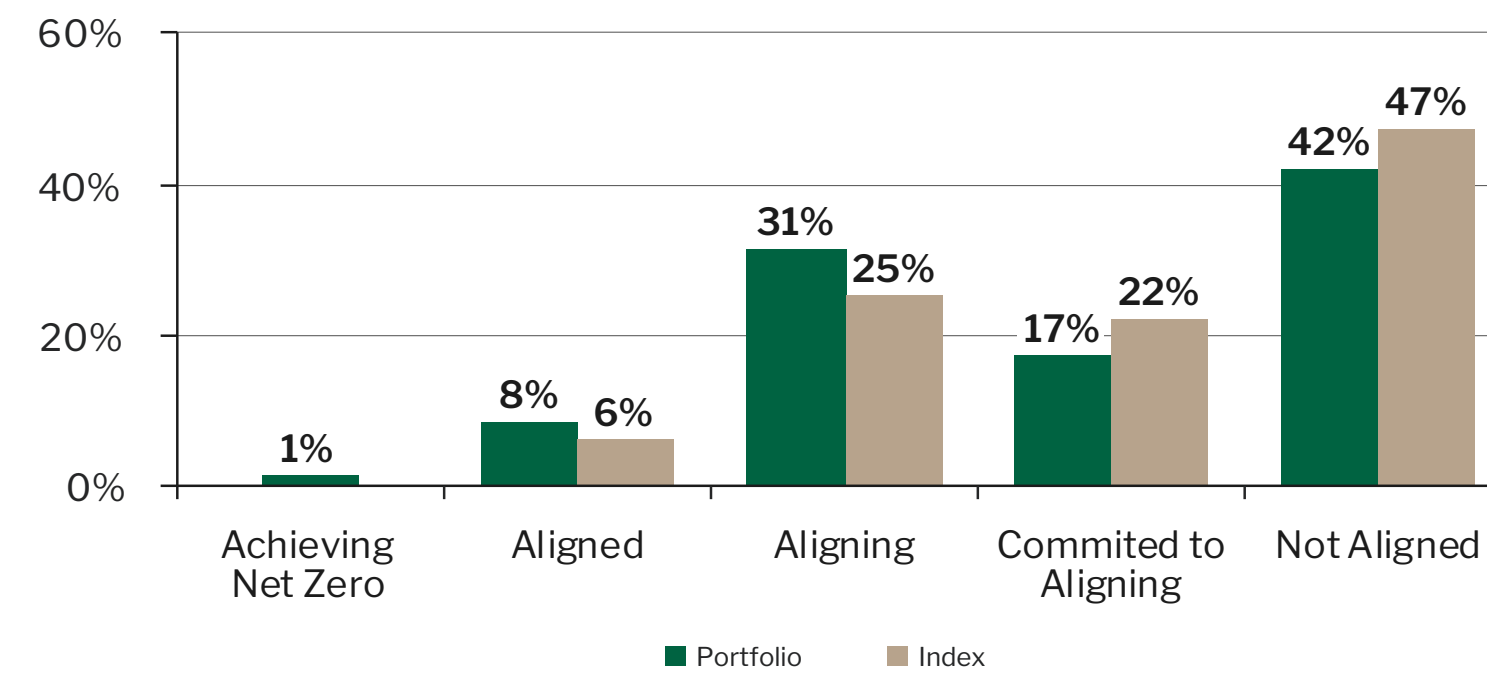
Where GRESB reflects current ESG quality, the NZIF offers a forward-looking assessment of climate alignment and transition readiness. The NZIF evaluates six elements:

1. A commitment to being net-zero carbon emissions by 2050
2. A short- or medium- term carbon reduction target in line with the Paris Agreement, i.e. targets that are in line with a 50% reduction in carbon emissions by 2030
3. Actual carbon emissions reductions in line with this target over a rolling five-year period
4. Disclosure of Scope 1, 2 and 3 emissions
5. Publicly disclosed decarbonisation strategy
6. A capital allocation plan that shows how a net zero target will be resourced and achieved

Based on these criteria, companies are classified into categories ranging from Not Aligned to Achieving Net Zero. As of 31 December 2025, our portfolio shows a stronger NZIF alignment profile than the index, with higher representation in the Aligning and Aligned categories, and a small exposure to Achieving Net Zero that the benchmark lacks. This distribution supports the view that our holdings are better positioned for policy tightening, evolving customer expectations, and emerging technologies that will shape the real estate sector over the next decade. These classifications also guide our engagement priorities, focusing on companies at earlier stages of alignment to support progress toward achieving net zero emissions by 2050.

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Graph 3: Net Zero Investment Framework categorisations for our portfolio compared to the index, as of 31 December 2025



Source: MSCI ESG Research, Resolution Capital, Corporate Disclosures, 31 December 2025
Index: FTSE EPRA NAREIT Developed Index

Carbon emissions: Understanding efficiency in an energy intensive sector

Carbon performance remains central in an energy-intensive sector. Resolution Capital therefore measures emissions in the portfolio through two complementary indicators to capture both economic and physical efficiency: emissions per unit of revenue (tons CO₂ per US\$1 million of revenue) and emissions per square metre of building area (kg CO₂/m²). This dual lens helps distinguish between companies that generate stronger economic returns per unit of emissions and those that operate their buildings more efficiently.

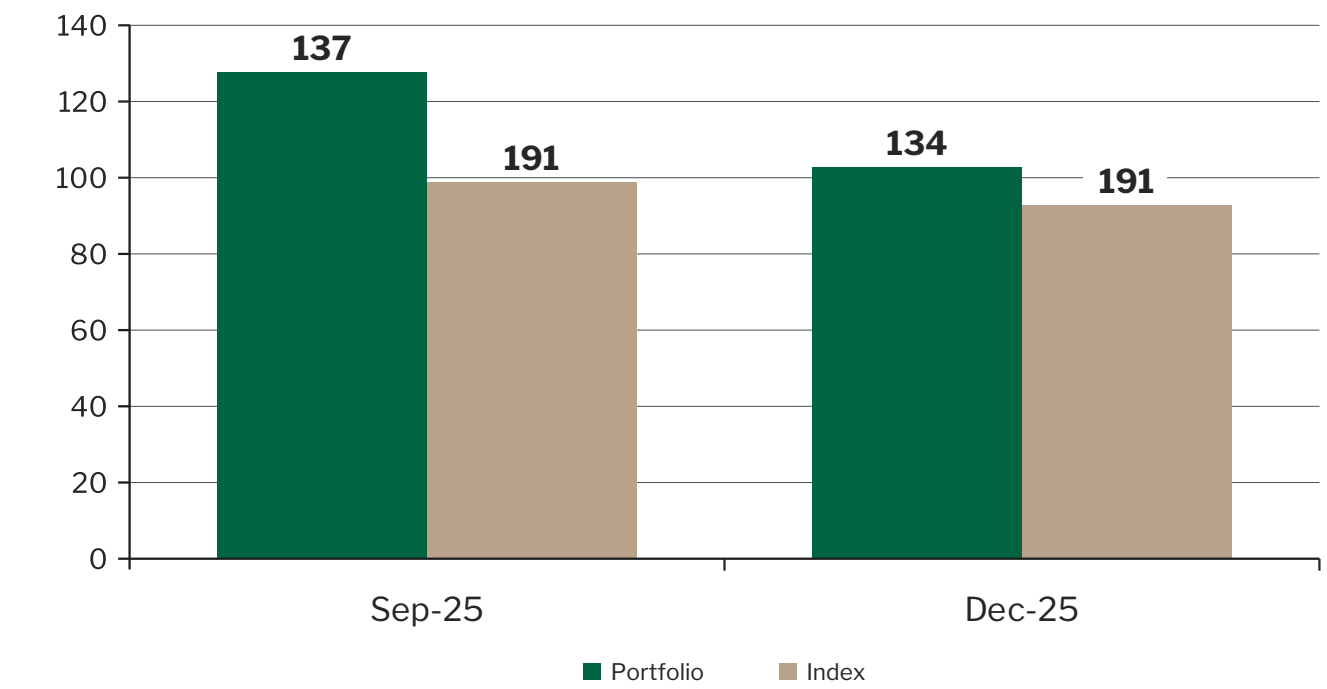
1. Revenue-based carbon intensity

As at December 2025, the portfolio produced fewer tons of CO₂ per US\$1 million in revenue than the benchmark, and its intensity declined from 137 to 134 over the quarter, while the index remained unchanged at 191. While the portfolio's carbon intensity on a revenue basis remains below that of the index, the area-based carbon intensity of the portfolio continues to be above that of the index (see graph 4).

2. Area-based carbon intensity

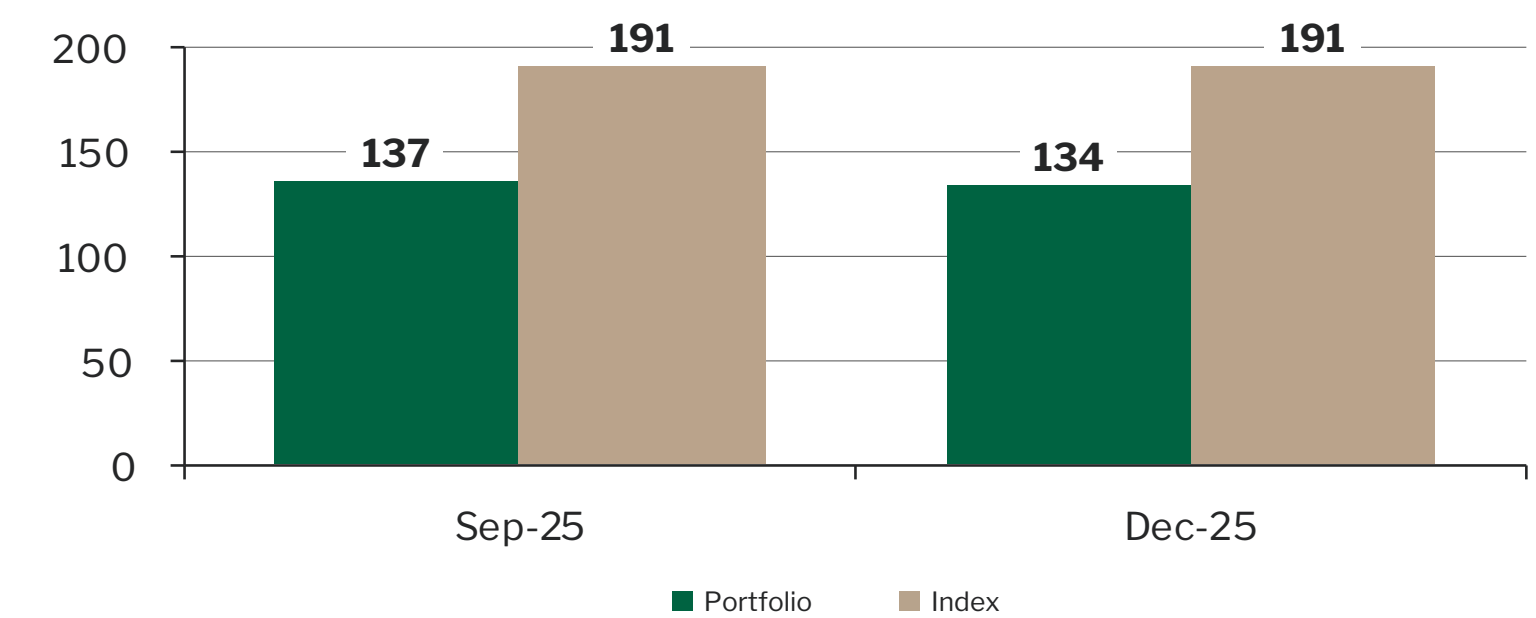
Area based intensity reflects sector composition as well as operations. Data Centres & Towers are among the most carbon intensive property types in our dataset, with emissions almost doubling from 564 kg CO₂/m² in December 2024 to 1,099 kg CO₂/m² in December 2025, while other sectors are materially lower, Retail at 77, Healthcare at 50, Industrial at 21 and Self-Storage at 4. Our portfolio maintains overweights in lower intensity sectors such as healthcare and retail, and adjustments through 2025, including increased positions in Prologis, Terreno and Big Yellow Group and new positions in Segro, Avalon Bay and Macerich, supported improvement in overall carbon performance during the year (see graph 5).

Graph 4: Carbon intensity (Ton/US\$1m Rev)



Source: Resolution Capital, GRESB, Bloomberg, company disclosure, 31 December 2025
Index: FTSE EPRA NAREIT Developed Index

Graph 5: Carbon intensity (kg/m²)



Source: Resolution Capital, GRESB, Bloomberg, company disclosure, 31 December 2025
Index: FTSE EPRA NAREIT Developed Index

Looking ahead

Nedgroup Investments, together with our partner fund manager, Resolution Capital, will continue to monitor global policy and construction developments that support the transition already evident across the portfolio, including UNEP's emphasis on stronger building energy codes. These remain uneven worldwide and reinforce the value of advanced disclosure standards and rising GRESB performance visible in the holdings. Progress in low-carbon and circular construction materials will also be tracked, an area aligned with NZIF expectations and increasingly reflected in company reporting, alongside emerging design approaches that reduce operational and embodied emissions across global supply chains. Finally, growing investment momentum behind efficient and climate-resilient buildings will continue to be followed, supporting stronger disclosure quality, wider GRESB coverage, improving carbon efficiency and increasing NZIF alignment, and ensuring the portfolio remains positioned for long-term value creation in a sector undergoing structural decarbonisation.



Are weapons sustainable?

Navigating ESG's most difficult question

Madhushree Agarwal

Portfolio Manager: Nedgroup Investments UK



Sustainability investing has evolved significantly over the past decade. What began as a process of excluding obvious “sin sectors” has become a more reflective exercise in balancing principles with reality. Today, the conversation is less about drawing hard lines and more about understanding where those lines should sit in a changing world.

Few topics test that evolution more than defence.

At first glance, the question feels straightforward. Weapons are designed to harm, and for many years they sat firmly in the excluded category of most ESG frameworks. But a more unstable geopolitical backdrop has forced investors to revisit long-held assumptions. As global tensions have risen, the debate has moved from theory into practice.

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From clarity to complexity

Historically, ESG investing treated defence in relatively binary terms. Controversial weapons - such as cluster munitions, landmines, and chemical or biological agents - remain widely excluded under international conventions. Here, there is broad and enduring consensus.

Beyond those categories, however, the picture becomes less clear.

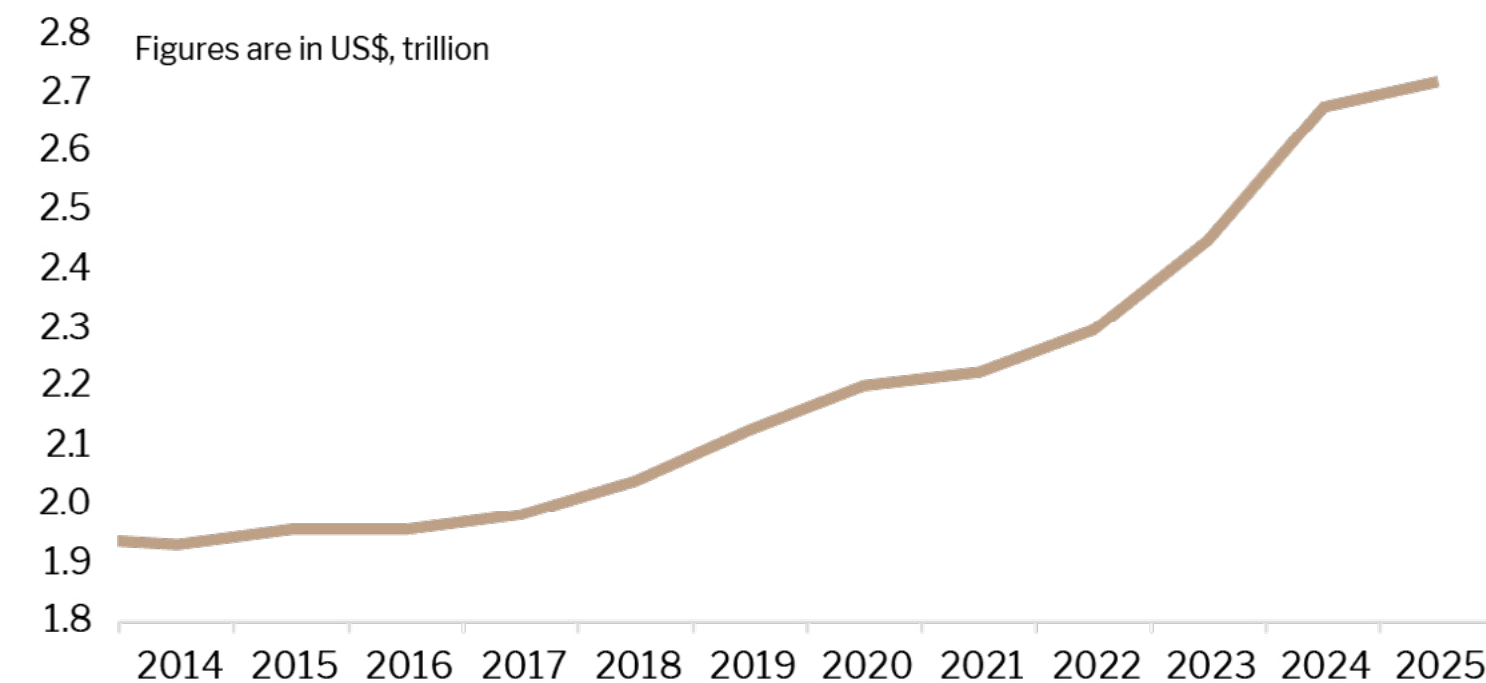
Modern defence companies produce equipment used for deterrence, protection, and peacekeeping. This creates an uncomfortable question: can tools intended to preserve stability be separated from the harm they may ultimately enable?

Part of the challenge lies in definitions. There is no universal standard for what qualifies as “controversial,” and different frameworks - from EU regulations to index providers and international conventions draw boundaries in different places. ESG, in practice, has always been shaped as much by philosophy as by rules.

A turning point

The invasion of Ukraine marked a meaningful shift in how many investors think about defence exposure. In parts of Europe, the discussion moved from whether defence should be excluded to whether it might, in some contexts, be necessary for preserving peace.

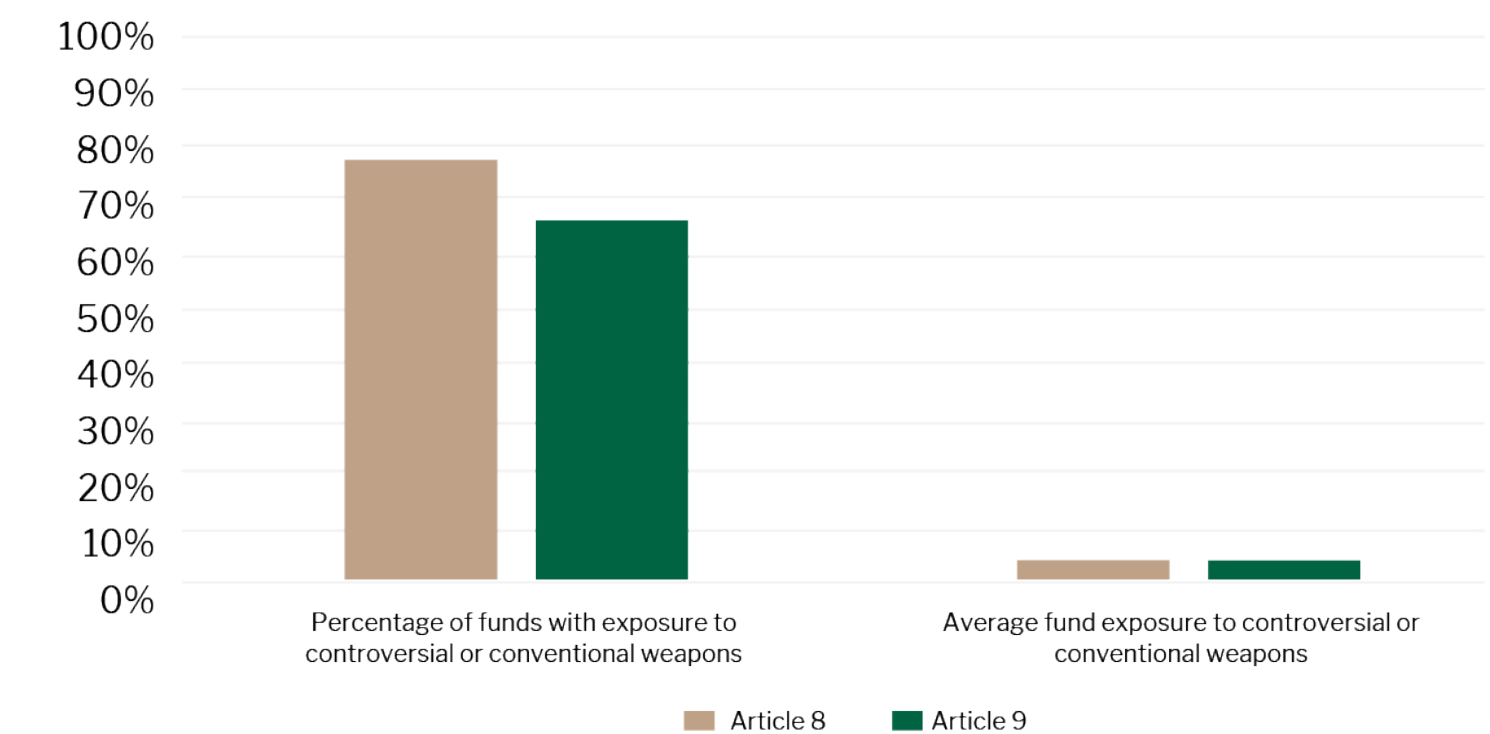
World military expenditure has accelerated post-2022



Source: SIPRI Military Expenditure Database, 2025

This shift has unfolded alongside rising conflict levels, increased defence spending, and a more fragile sense of geopolitical stability. For many investors, this was the moment sustainability debates became less abstract. As scrutiny has grown, data has revealed a more nuanced reality. Research suggests that many sustainability-labelled funds already hold some exposure to defence-related companies. MSCI analysis, for example, found that roughly 77% of Article 8 funds and 66% of Article 9 funds have some exposure to weapons-linked businesses - typically at modest levels of around 3–4%. This remains below broad market benchmarks (for context, defence exposure is roughly 6.9% in the MSCI ACWI and about 10.2% in MSCI Europe), highlighting the gap between simplified labels and real-world implementation.

Defense exposure in Article 8 and 9 funds



Data as of May 31, 2025. Analysis based on Article 8 and 9 funds, as defined by the SFDR, within MSCI's coverage universe. Based on funds with an exposure greater than zero.

Source: MSCI ESG Research, May 2025

Perhaps the most uncomfortable realisation is that sustainability and security are not opposing forces - they are increasingly intertwined.

The underlying logic is uncomfortable but increasingly acknowledged: without security, progress on climate, biodiversity, and social development becomes harder to sustain.

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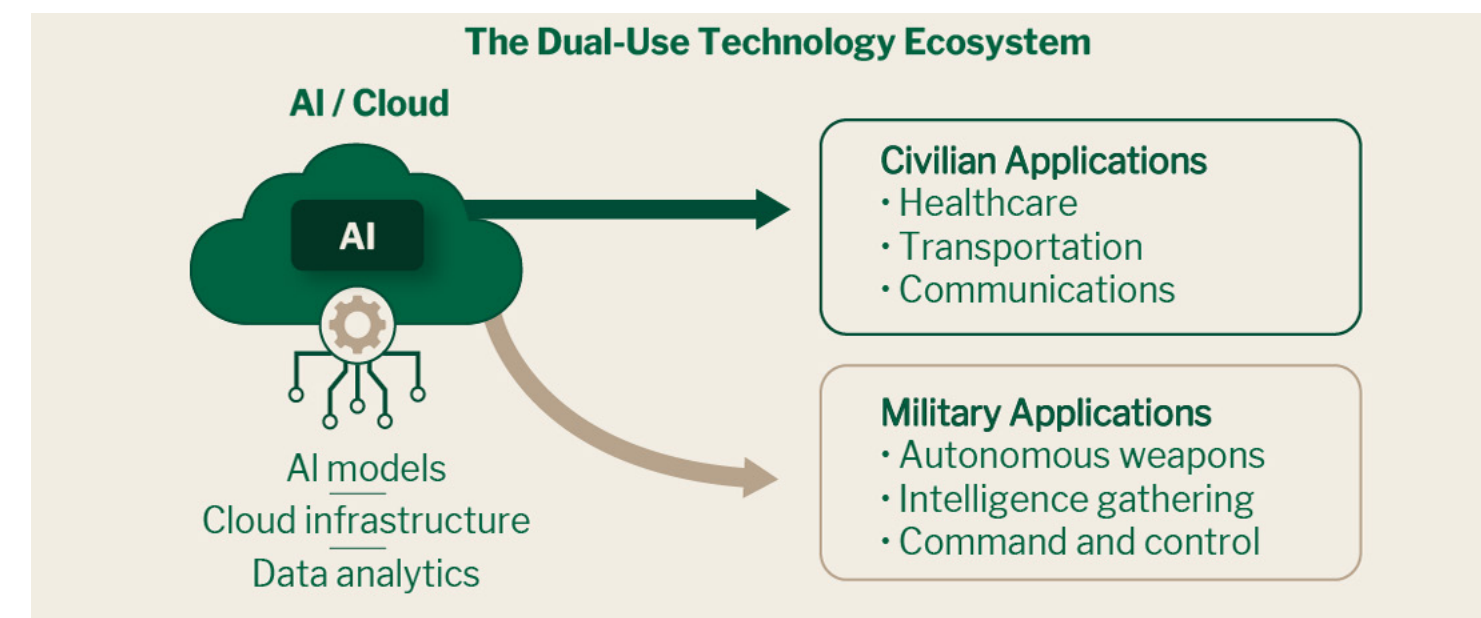
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When definitions begin to move

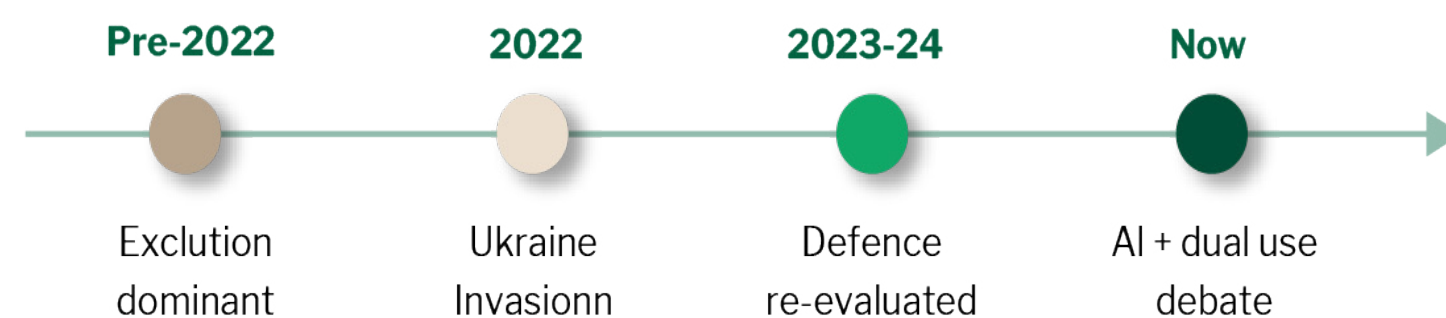
At the same time, the boundaries themselves are evolving.

Advances in technology are reshaping how defence capability is built and delivered. Artificial intelligence, cloud infrastructure, and advanced data systems are now embedded in modern warfare - often developed by companies not traditionally seen as defence contractors. For example, Microsoft, Google, and Amazon have developed advanced AI and cloud capabilities that can serve both civilian and military purposes. More recently, debates within the AI industry itself have brought this tension into sharper focus. Anthropic, the developer of the Claude AI model, has publicly grappled with whether and how its systems should be deployed in national security contexts, reflecting broader industry concerns around autonomous weapons and surveillance. The episode underscores how the boundaries between commercial innovation and defence capability are no longer theoretical, but actively being contested in real time.



This dual-use reality challenges existing ESG frameworks. When the same technologies support healthcare innovation, logistics networks, and military systems, classification becomes less straightforward. The definition of what counts as “controversial” begins to shift, not because principles have changed, but because the world has.

The evolution of the ESG defence debate



Intent and outcome

A central tension in this debate is the gap between intent and outcome.

From an intent perspective, defence spending is typically framed as protective - safeguarding borders, preserving democratic institutions, and maintaining stability. Governments remain the primary buyers, and national security is their mandate.

Yet outcomes are inherently uncertain. Weapons can be misused, diverted, or deployed in ways that conflict with humanitarian values. Supply chains are complex, and end-use visibility is often limited. This ambiguity is rarely present in other sustainability themes.

Unlike renewable energy or healthcare - where the link between capital and societal benefit is more direct - defence occupies a more ambiguous space. It is closer to insurance: something few would celebrate, but many recognise the value of when stability is tested.

Why investors diverge

Unsurprisingly, investors reach different conclusions.

Some draw firm red lines, viewing any exposure to weapons as incompatible with sustainability. Others take a more contextual approach, distinguishing between categories of defence or focusing on governance and accountability.

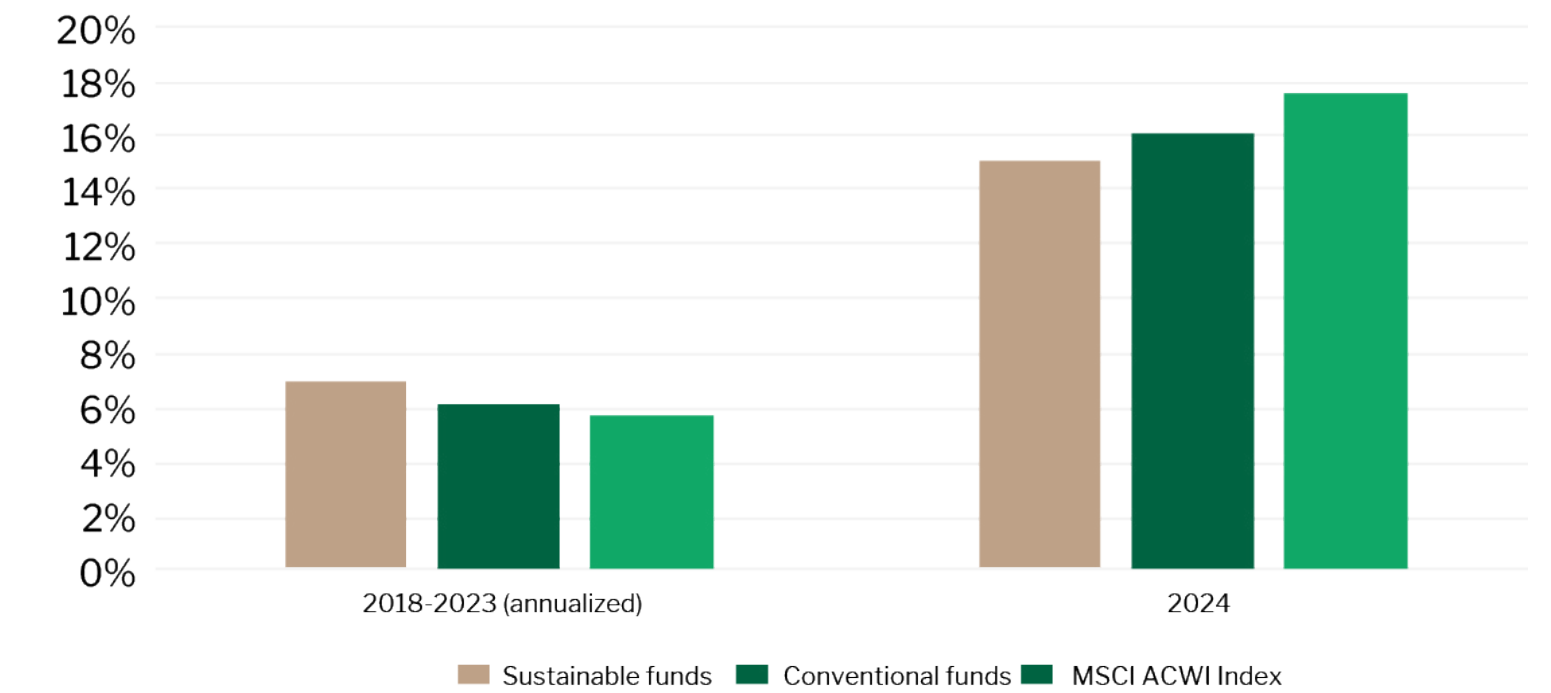
This divergence reflects a broader truth: sustainability sits at the intersection of data, values, and lived experience. Different starting points naturally lead to different answers.

The balancing act

The debate is further shaped by fiduciary considerations. Defence companies have, at times, delivered strong financial performance, particularly during periods of geopolitical stress. Excluding an entire sector therefore introduces real trade-offs.

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Global-large-cap performance: Sustainable funds, conventional funds and index



Data as of May 31, 2025. Includes European-domiciled mutual funds and ETFs with a global-equity large-cap focus and accompanying asset-flow data (878 sustainable funds and 522 conventional funds). Sustainable funds are categorized based on prospectus disclosures.

Source: MSCI ESG Research, May 2025

When performance complicates the picture - In 2024, heightened geopolitical tensions and increased defence spending contributed to strong performance in defence-related sectors, influencing relative outcomes between sustainable and broad market strategies.

At the same time, sustainable investing has never been solely about returns. It is also about aligning capital with long-term outcomes and client values. Navigating both objectives requires judgement rather than formula - a balance familiar to most long-term investors.

Beyond binary answers

There is a natural tendency in ESG discussions to search for definitive labels - sustainable or not, acceptable or not. But complex systems rarely fit neatly into binary categories.

Defence is a reminder that sustainability is not about certainty. It is about engaging honestly with difficult trade-offs in a world where security, ethics, and stability are deeply interconnected.

Instead, the focus should shift towards better questions. What safeguards exist around controversial weapons? How robust are governance standards? How transparent are supply chains? And importantly, how do these exposures align with investor values?

If there is one takeaway from this debate, it is that sustainability investing is growing up. The easy questions have largely been answered. What remain are the difficult ones - the ones without universal answers.

Perhaps the real lesson is this: sustainability was never meant to eliminate hard questions. It was meant to help us approach them with greater clarity and care.

And in an increasingly uncertain world, that may be its most important role.



Purpose at scale

Using SDG-aligned equities to build retirement resilience

Tumisho Grater

Multi-Manager Investment Analyst: Nedgroup Investments



South Africa’s responsible investing conversation has evolved. The debate is no longer about whether ESG, transformation or sustainability should be considered, but about how investment intent is translated into repeatable, investable systems that support long term retirement outcomes while contributing to real world progress.

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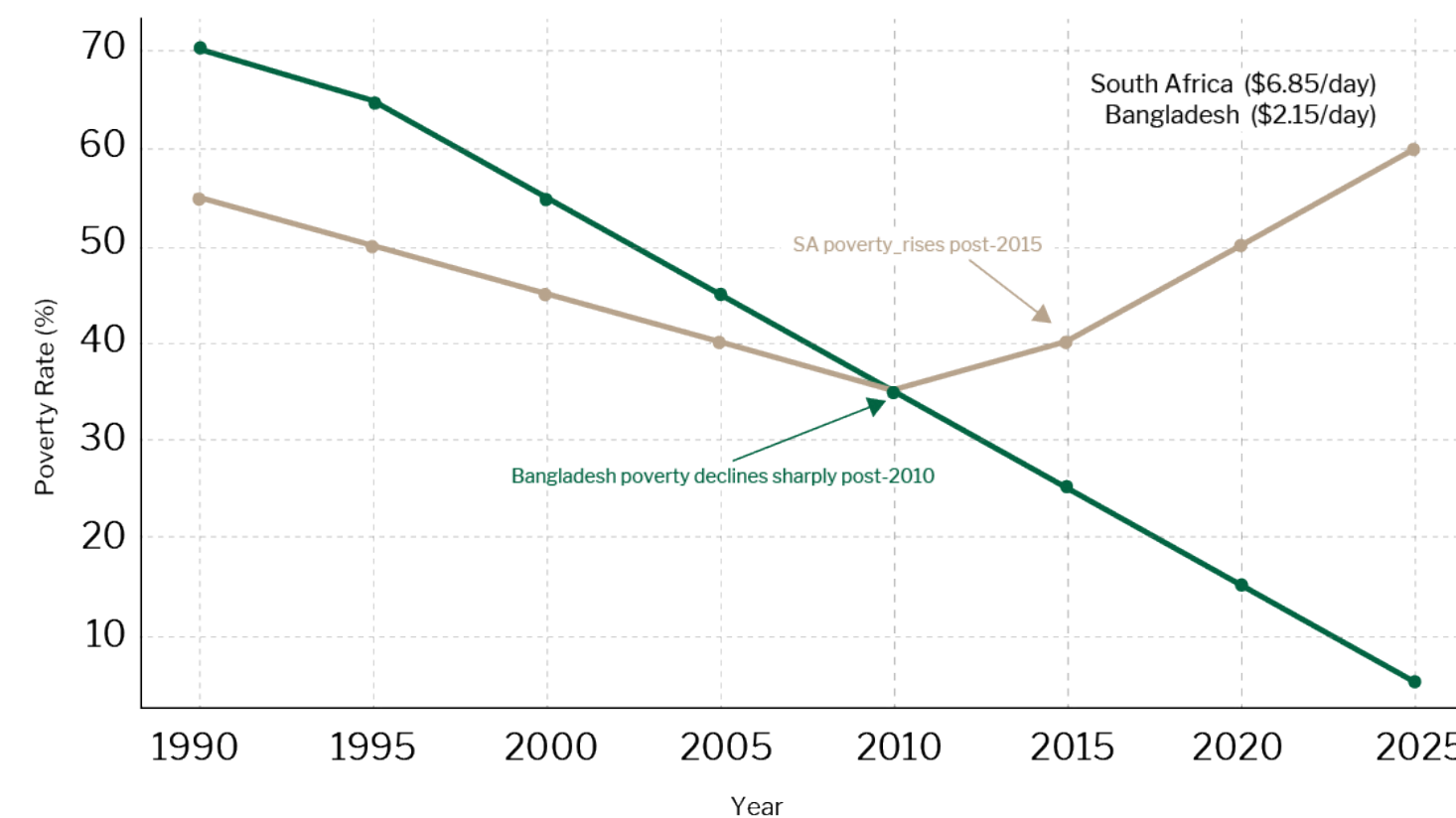
Aligned with Regulation 28 and FSCA guidance, SDG aligned investing focuses on integrating financially material environmental, social and governance risks into long term investment decision making. When embedded within an Investment Policy Statement (IPS), this approach supports consistency across portfolios and manager mandates, while preserving diversification, liquidity and return objectives. The outcome is not values based investing at the expense of performance, but improved portfolio resilience in the long term interests of members.

Shared challenges, different outcomes

South Africa faces persistent inequality, unemployment and structural poverty. These are challenges shared by many developing economies. Yet international experience shows that capital allocation choices matter. Bangladesh’s development trajectory illustrates how purpose driven financial innovation, notably through micro finance, of which Grameen Bank are a leader, expanded access to opportunity and helped lift millions out of poverty. While often framed as a social intervention, the innovation was fundamentally financial: redefining “bankability” to unlock entrepreneurship at scale, particularly for women.

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Purpose-Led Progress: Poverty Trends in Bangladesh vs South Africa (1990-2025)



Source: World Bank Poverty and Equity Data Portal, Bangladesh Bureau of Statistics (BBS), Statistics South Africa, UNDP Bangladesh Human Development Report, 2025

South Africa’s pension fund industry, with assets of approximately R4.6 trillion, represents a far larger pool of capital and therefore a proportionately larger opportunity. The question is how this capital can be mobilised systematically and at scale, without compromising fiduciary obligations.

Purpose at scale through listed equities

Purpose led investing is often associated with private markets or concessionary capital. However, listed equities remain one of the most scalable tools available to long term investors. They offer liquidity and transparency, support effective governance and stewardship, and allow portfolios to adapt as risks and opportunities evolve.

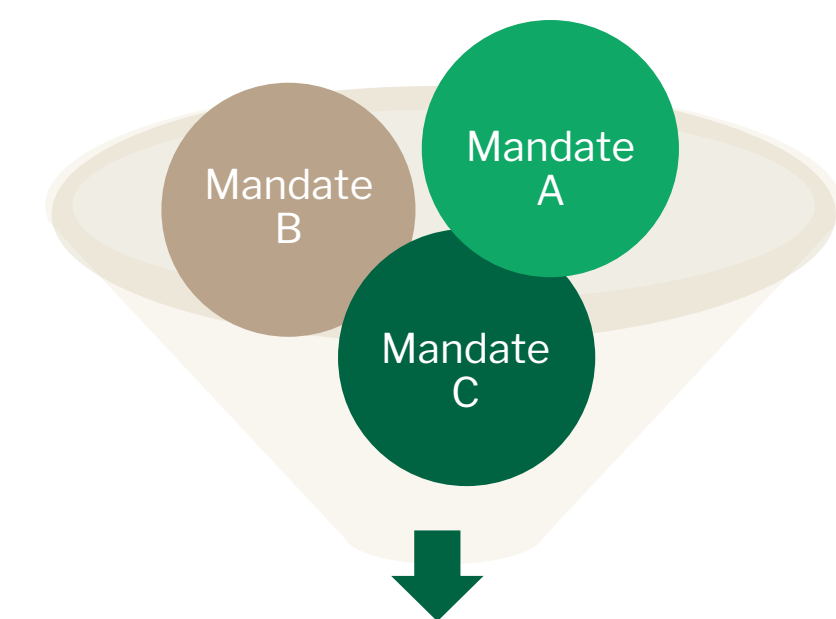
South Africa’s informal economy accounts for an estimated 8% of GDP and remains under served by formal finance. Listed equities can play a meaningful bridging role: banks financing micro entrepreneurs, telecoms enabling digital inclusion, and supply chains supporting

township and informal retail ecosystems. Purpose led investing does not require every rand to be impact labelled; it often means investing in listed enablers of inclusive economic participation and tracking that enablement through better data and engagement.

A practical application: Future focused equity investing

A practical expression of this approach is the **Nedgroup Investments Multi-Managed Future Focus Equity Fund**. The strategy combines style diversification, valuation discipline and explicit transition risk pricing within a single South African equity portfolio.

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Future Focus Equity Fund (single unit trust)

3 specialist mandates → 1 Integrated portfolio

Source: Nedgroup Investments, 2025



Rather than relying on blanket exclusions, the fund engages across the opportunity set, including companies on credible sustainability improvement pathways. In a concentrated market such as South Africa, this approach recognises that transition often delivers better real economy outcomes than divestment.

Purpose is anchored through measurable pillars, notably social equity and climate change. These are linked explicitly to the UN Sustainable Development Goals most relevant to the South African context.

The fund's stated SDG emphasis includes Gender Equality (SDG 5), Reduced Inequality (SDG 10) and Climate Action (SDG 13).

How alignment is determined

The percentage of the portfolio's market value exposed to companies that are positively aligned with each SDG, based on the nature of their products and services, and their operational alignment to the goal.

- 

5 Gender equality and empowering women & girls
Key component: Ensuring equal opportunities for leadership at all levels.
- 

10 Reduce inequality within and among countries
Key component: Eliminating discriminatory laws and practices. Enforcing fiscal, wage, and social protection policies.
- 

13 Combat climate change
Key component: Integrating climate measures into policies and strategies, improving awareness and capacity for climate action.

Source: United Nations Sustainable Development Goals, Nedgroup Investments, 2025

Why climate and inequality are retirement risks

- Climate risk is financial risk**
 Climate shocks feed into inflation, insurance costs, food prices and fiscal stress. Therefore, directly affecting long term purchasing power.
- Inequality constrains growth**
 High inequality undermines demand, social stability and long term economic growth, weakening the investment environment.
- SDG aligned equities support resilience**
 By aligning capital with the conditions required for sustainable growth, portfolios are better positioned to deliver durable, long term retirement outcomes.

From narrative to evidence

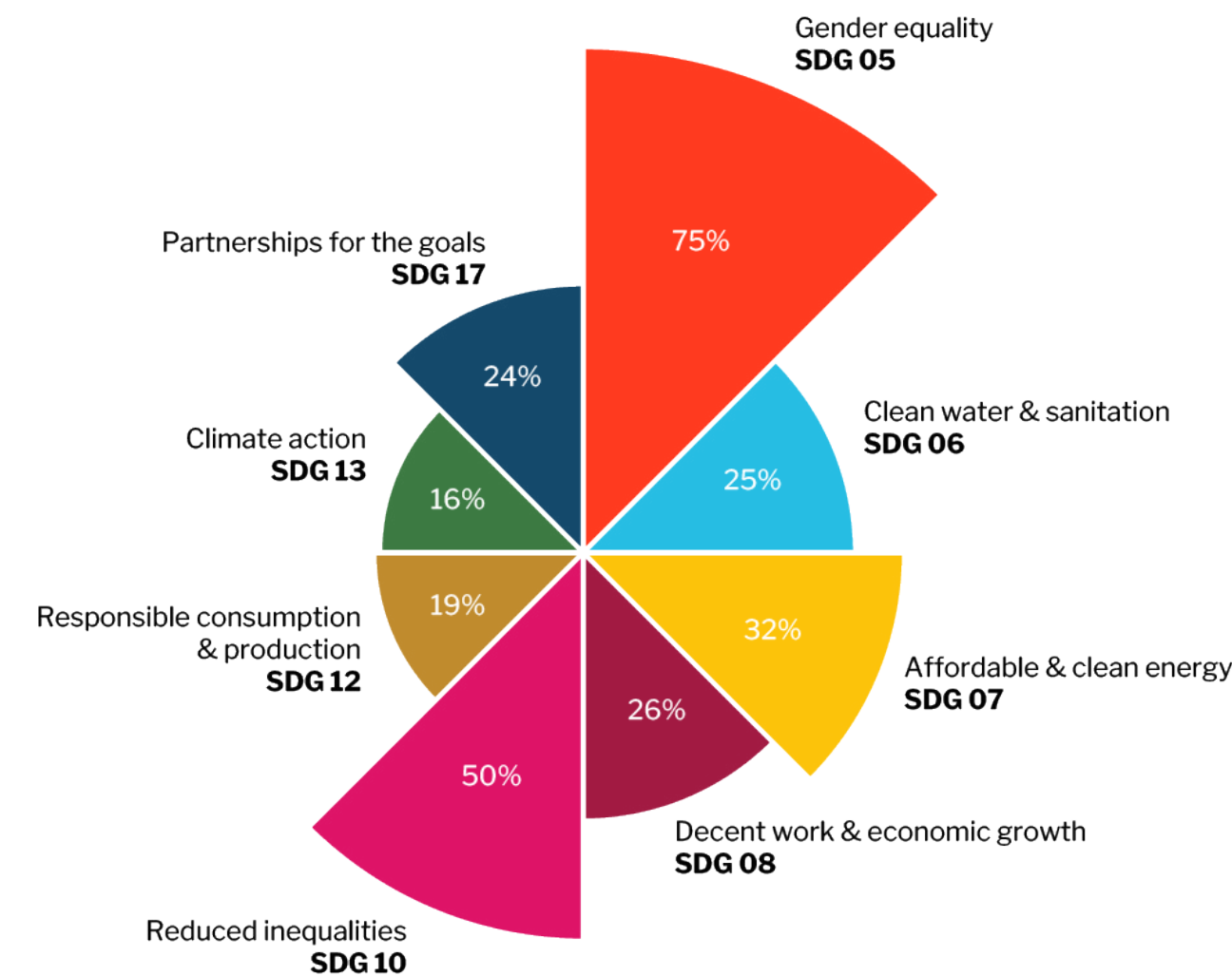
A recurring challenge in responsible investing is credibility. Clients and trustees increasingly expect alignment claims to be measurable, comparable and repeatable. SDG aligned equity analysis shifts the discussion from intent to exposure, using data to show how portfolio holdings contribute through products, services and operational practices.

This approach allows trustees to assess not only whether portfolios align with stated objectives, but how that alignment evolves over time and how it strengthens accountability and reporting quality.

What do we mean by SDG alignment?

The diagram below illustrates the percentage of the portfolio's market value exposed to companies that are positively aligned with each SDG, based on products/services and operational alignment. This is important because it shifts the discussion from intent to exposure and evidence.


Therefore, using the SDG alignment snapshot (using MSCI ESG data) provides a tangible view of how that purpose expresses itself in the portfolio. For example, strong reported alignment to SDG 5 (Gender Equality) and meaningful exposures to SDG 10 (Reduced Inequalities) and SDG 13 (Climate Action), among others.




Source: MSCI data, Nedgroup Investments, 2025

Below illustrates how this shows up at holding level:


Select aligned holdings

- 

SDG 5

 - Over 30% women on its board of directors
 - Diversity policy for its workforce & programs to facilitate workforce diversity
 - At least 20% women in executive management & at least 20% women in its total workforce
 - Operations overall positively impacted
- 

SDG 10

 - Generated c.8% of revenues from solutions enhancing connectivity, educational products or financing for small and medium enterprises
 - Committed to ethics, anti-corruption mandates, and external mandates protecting human rights
 - Diversity policy for its workforce & programs to facilitate workforce diversity
 - UN Global Compact signatory and overall alignment with SDG 10
- 

SDG 13

 - Programs to reduce GHG emissions in its operations
 - Targets for carbon reduction or energy efficiency improvement
 - GHG emissions intensity decreased by over 5% in the last three reported years, intensity over the period was 10% lower than industry peers
 - Overall operations were Aligned with SDG 13

Source: MSCI ESG data; Nedgroup Investments analysis, 2025

Key takeout

Therefore, the objective is not to trade returns for purpose, but to treat purpose as a multiplier of resilience: supporting long term, risk adjusted returns, stronger stewardship, measurable transformation and transparent reporting. Performance and purpose are not competing objectives. When implemented systematically, they reinforce one another.



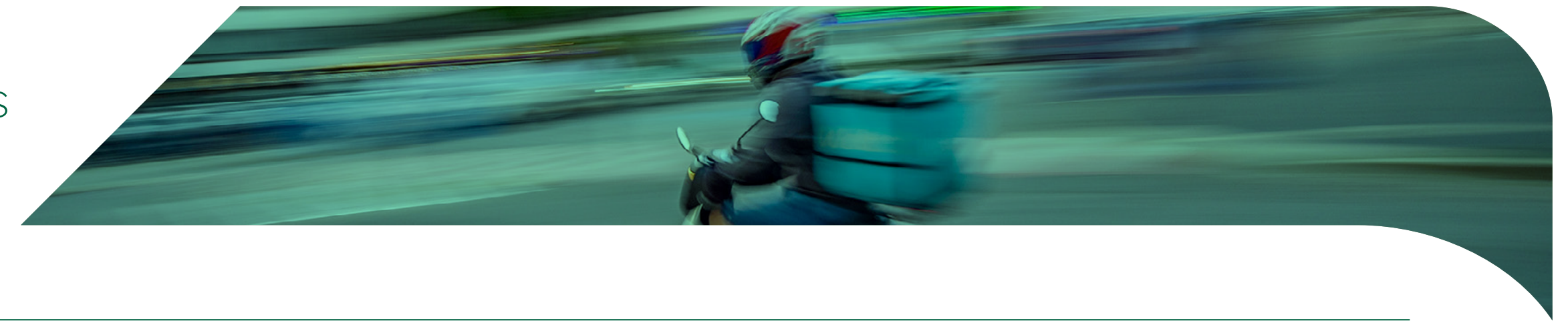
Engagement Case Studies





Safety beyond the app

The case for workplace safety disclosure across global delivery platforms



Company

Prosus

Sector

Internet Media & Services

Asset class

Listed Equity

ESG issue

Social (Labour and Human Rights) – health and safety of employees and contractors

Short description

Agitating online food delivery company to report on injury frequency and fatality rates of delivery riders (given the material scope of employment, deliveries made, pressure to deliver more and quicker, congested traffic conditions and inherent safety issues with motorcycles)

Prosus

Prosus is a global technology investment company. Their most material investments are their 21% holding in Tencent (more than 100% of the value of Prosus, but where they have no operational control) and substantial operating assets across the world, ranging from food delivery, e-commerce, online education to fintech.

In their latest annual report, Prosus defines the scope and boundaries of their Environmental, Social and Governance (ESG) reporting. These are limited to Scope 1-3 emissions (substantial delivery fleets across the world, but also the usual emissions from corporates), Data Privacy (as they operate substantial online ventures) and Ethics and Compliance, where they measure training completions and “substantial speak up cases” (the only real reference to the large delivery workforce).

Abax Investments have had material and ongoing engagements with Prosus management for many years about their refusal to measure workplace safety, more specifically that of their numerous delivery riders for food delivery and other e-commerce ventures where physical delivery is part of the operations. Due to the company’s roots as a technology investment firm, very few investors or rating agencies have focused on this omission in their ESG disclosure. We believe this to be as important (if not more) than any of their other ESG measures.

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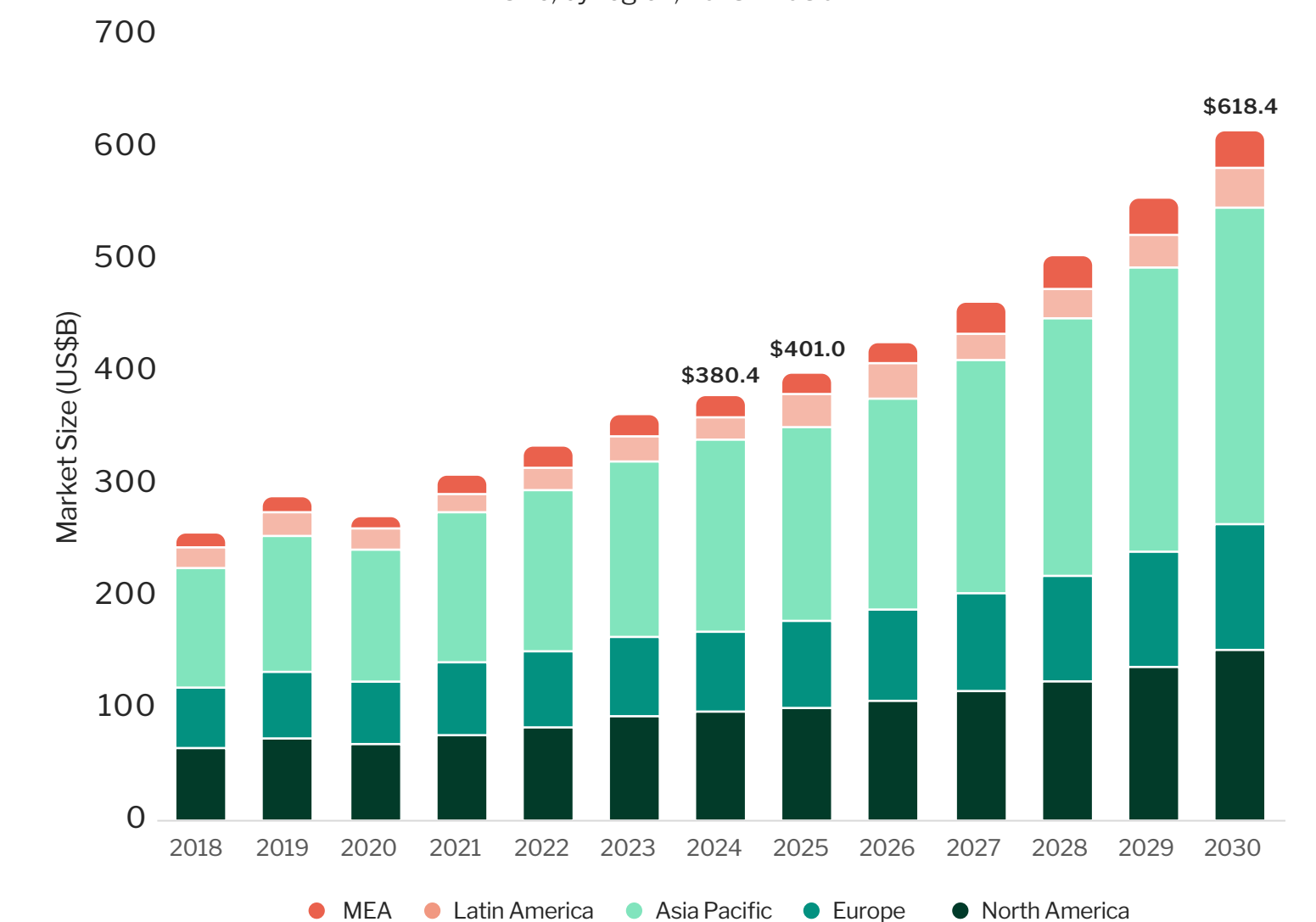
The South African mining industry has, for many decades, been seen as one of the more dangerous employers. This led to material and mandated workplace safety reporting, such as Lost-Time Injury Frequency Rate (LTIFR) measurement to show the frequency and materiality of injuries and fatalities per hours/shifts worked. We believe that the publication

and public focus on these measures have steered the mining industry to significantly reduce harm. Whereas the SA mining industry employment has declined in recent years, it is still noteworthy that overall safety improvements reflect a c90% reduction in fatalities since 1994 with the industry achieving a record low of 41 fatalities in 2025 (42 in 2024).

As global commerce evolved, the new high risk employment industry is food (and other) delivery. An explosion of online food delivery businesses around the world has led to the rapid employment of millions of motorcycle riders whose sole purpose is to deliver as many meals in as short as possible timeframe, mostly in congested cities. Whereas e-commerce and ride hailing businesses have also contributed to this growth, it employs far fewer and includes many more vehicles (not just motorcycles). In most businesses, these riders are contract employees, used as an excuse by the e-commerce companies for not having to report on their health and safety metrics.

Online food delivery services market

Size, by region, 2018 - 2030



Source: Grand View research, 2025



Abax Investments believes that our agitation for recognition of these delivery riders and the need to measure and report on these helped persuade the Shoprite group to start publishing these measures. They reported 17 fatalities in 2024 – contrast that to the 42 fatalities for the whole SA mining industry over the same period. That would make Shoprite (with their Sixty60 delivery service) the single most dangerous employer in South Africa – but they are the only SA company to report on the safety of their delivery riders and their reported safety interventions seem more genuine and potentially effective than anecdotal evidence of what the other delivery groups are doing. In the USA, Uber has been under similar pressure from investors and indeed started reporting injuries and fatalities in recent years.

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Prosus, through their wholly owned subsidiary iFood in Brazil, employ approximately 360,000 delivery riders, yet they do not measure or report on the safety aspects of these employees. They hide behind the “they are contract employees” excuse and “the EU does not require us to measure and report.” They also indirectly employ large numbers of delivery riders through the material investments in Delivery Hero, Swiggy and Just Eat Takeaway.

It is generally accepted that the food delivery model works in countries with high GINI coefficients - a wealthy part of the population who prefer to have their food delivered (for very little consideration) and large poor part of the population that is willing to do the delivery work for little compensation. The whole business model is dependent on a low cost, unregulated workforce – where this has been regulated, the businesses had no choice but to adapt (and mostly at lower margins).

There are limited statistics available on delivery rider safety in Brazil, but one published research piece (published 24 March 2025 in the Brazilian *Cadernos de Saude Publica / Research in Public Health*) found “occupational accidents” of 44-56% (depending on age group) amongst their sample pool of delivery riders (i.e. 1 in 2 riders had an accident in the past year). It must be noted that of the riders who admitted to regularly running red traffic lights, 51% had at least 1 accident (compared to 30% for those who did not). 46% of those who did not wear helmets had at least one accident, compared to 41% of those who did wear helmets. This suggests better “occupational” outcomes for the more safety minded riders but still points to a rather unsafe work environment.

Anecdotal newspaper articles report that in Sao Paulo alone the percentage of motorcycle riders of trauma patients have increased from 20% in 2016 to 80% in 2022. The same newspaper article reported 7 motorcycle fatalities per day (not specifically delivery riders). In Europe, a more regulated environment, a number of delivery rider regulations have been implemented in recent years, mostly covering minimum wage and acknowledgement of being formally employed (and hence also receiving other benefits).

A relevant and recent example of the associated business risks were underscored on 9 February 2026, when prosecutors in Milan placed Foodinho – the Italian subsidiary of Glovo (owned by Delivery Hero) – under judicial supervision, while also investigating Glovo’s CEO for “alleged worker exploitation.”

According to the judicial decree, although Foodinho’s riders were formally classified as self-employed, they were deemed in practice to operate as employees. Under the court-ordered supervision, a court-appointed administrator will oversee the company’s compliance with labour regulations, ensure that riders are granted the appropriate legal employment status, and monitor working conditions. The investigation further revealed that Foodinho riders were paid, on average, €2.50 (approximately \$3) per delivery, below the poverty threshold, with some riders earning more than 75% below that benchmark.

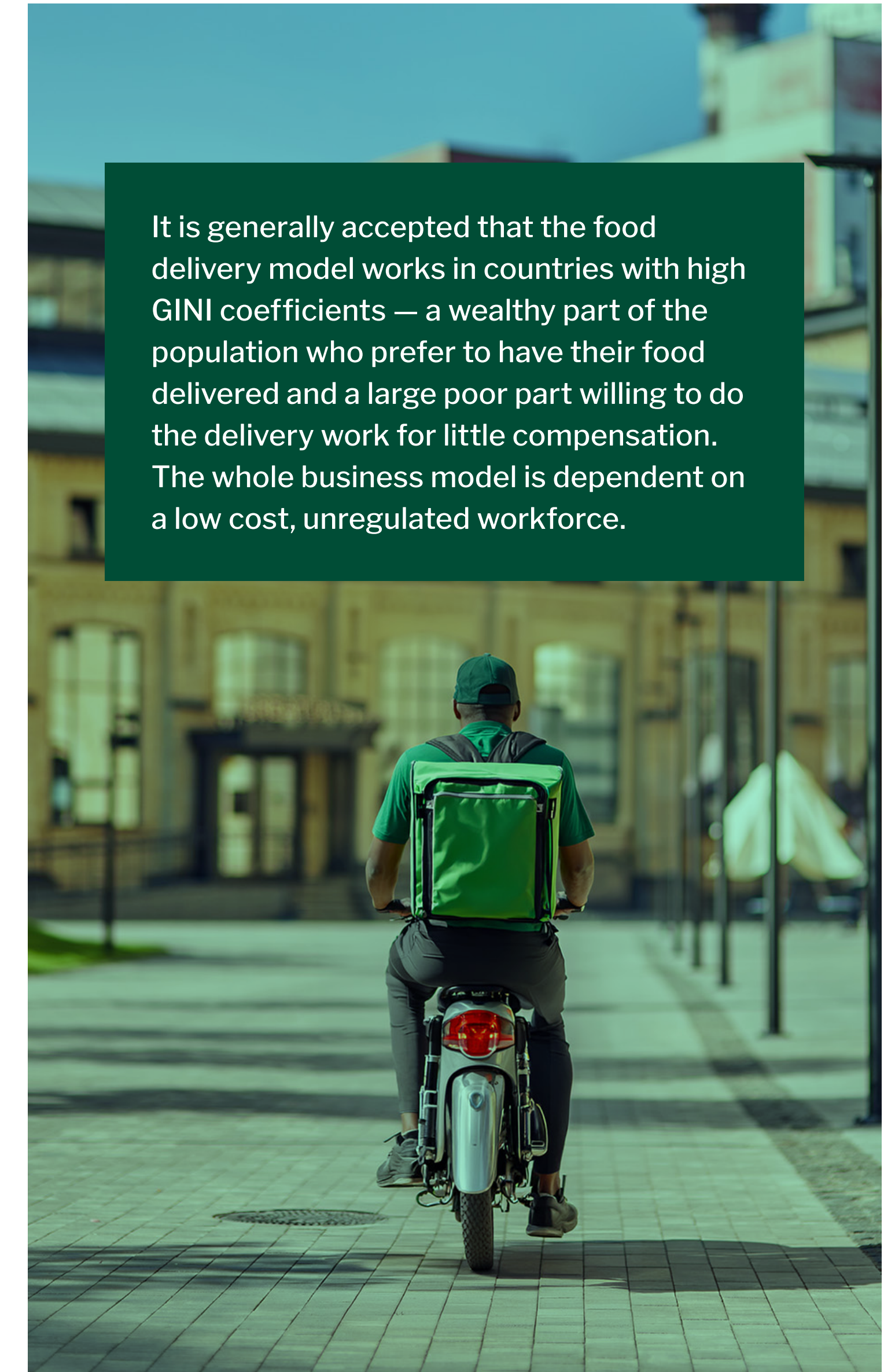
Prosus have a responsibility to respect human rights – it is an inherent part of good business practice, risk management and essential for long-term value creation. As such, we have had numerous engagements with Prosus management and board members (at least 3 interactions per year for the last number of years) to get them to measure and report. Only then can they demonstrate what policies and procedures are in place to reduce/limit harmful incidents and fatalities. In the past, these interactions unfortunately led to the mentioned poor excuses and inaction from management. More recently, our interaction with the recently appointed Financial Director (FD) seemed to have hit a more sympathetic ear. Whereas the FD verbally indicated that he will personally take up this call, we have not seen any reporting.

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We have specifically highlighted the Shoprite example of what can and is being done by listed companies in South Africa. Not only does Shoprite report relevant metrics, but also details the physical alterations being made to delivery motorcycles to improve rider safety, the extra protective gear to be worn and the extra employment benefits (e.g. health insurance). They are measuring, reporting, comparing and showing what they are doing to improve the situation.

Encouragingly, there seems to be a global push for far more to be done about these growing, contracted delivery forces. Over and above the health and safety (which has been our main focus), other areas include:

- Pay and benefits (not to exploit contractors by limiting benefits, insurance, etc.)
- Voice and Representation (contract workers appear to have very limited representation)
- Insurance gaps (relating to insurance claims after accidents)
- Global Standards (“Fair work” research focuses on standards across platforms)



It is generally accepted that the food delivery model works in countries with high GINI coefficients – a wealthy part of the population who prefer to have their food delivered and a large poor part willing to do the delivery work for little compensation. The whole business model is dependent on a low cost, unregulated workforce.



Our ESG philosophy

Why strong governance underpins long-term value



Our approach to Environmental, Social and Governance (ESG) integration is centred on identifying and appropriately pricing risk. This is fundamental to our investment objective of avoiding permanent capital loss and protecting against downside risk.

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We view ESG factors as potential positive or negative externalities arising from a company's operations. The impact of these factors ultimately manifests in financial outcomes through revenue sustainability, cost structures, regulatory exposure, capital allocation discipline and reputational effects. As such, ESG considerations are not treated as separate from financial analysis but rather as integral to understanding a company's intrinsic value, risk profile and long-term viability.

During the research, due diligence, valuation and portfolio construction process, we assess ESG risks and opportunities with the aim of identifying factors that may not yet be fully reflected in market pricing. Where relevant, these risks are incorporated into valuation assumptions and reflected in the margin of safety we require before investing. In this sense, we often describe our risk management as taking place upfront before we purchase an asset.

Emphasis on the ‘G’

While the materiality of ESG factors varies across companies and industries, governance tends to receive particular attention in our analysis. In our experience, weak governance can undermine progress in both environmental and social areas, whereas strong governance frameworks provide the foundation for responsible decision-making and sustainable long-term outcomes.

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Although it is not an exhaustive list, the governance factors we typically assess include board composition and independence, remuneration alignment, capital allocation discipline, risk-reward trade-offs, leadership stability, and the quality of financial oversight. These considerations help determine whether management decisions are aligned with the long-term interests of shareholders and other stakeholders.

Case study: AECl Limited

During 2025, we undertook a series of engagements with the board and management of AECl relating to governance considerations, primarily around leadership stability, financial oversight and executive remuneration.

Our engagement followed a period of increased management turnover within the company's senior leadership team. Towards the end of 2024, AECl announced that its Chief Financial Officer (CFO) would step down at the end of December that year, continuing a period of change within the finance function. In our view, changes within such a critical role increase the importance of maintaining strong governance oversight and continuity in financial leadership.

Leadership stability became a further area of focus later in the year. The company had previously appointed a new Chief Executive Officer (CEO) to address operational challenges within parts of the group and to lead a broader turnaround strategy. In October 2025, the CEO stepped down for personal and family-related reasons, with an interim CEO appointed while the board initiated a process to identify a permanent successor.

While leadership transitions can occur for a variety of reasons, changes during a period of operational restructuring can create uncertainty around the pace and execution of strategic initiatives. As long-term shareholders, we therefore engaged with management to better understand the circumstances surrounding these developments and to share our perspectives on governance priorities.

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In our discussions with management during the year, we emphasised the importance of leadership continuity, strong financial oversight and remuneration structures that remain aligned with long-term value creation.

Importantly, these engagements were constructive in nature. We recognise the steps the company has taken to strengthen the leadership team, including the appointment of a permanent CFO during the year. Our ongoing dialogue is aimed at supporting governance stability as the company continues to implement operational improvements and reposition the business for long-term growth.

Conclusion

Our engagement with AECl illustrates how governance considerations form an integral part of our investment process.

Leadership stability, strong financial oversight and well-aligned remuneration structures are essential elements of effective corporate governance. Periods of organisational change can present both risks and opportunities, making constructive engagement between shareholders and company boards particularly important.

By maintaining an active dialogue with investee companies, we aim to better understand evolving risks while encouraging governance practices that support sustainable long-term value creation. In this way, corporate engagement becomes a natural extension of our investment philosophy and our broader responsibility as stewards of client capital.



The Afrimat way

A practical approach to ESG in local mining



Afrimat holds more mining licenses than any other company in South Africa – spanning aggregates, industrial minerals, iron ore, anthracite and cement across eight provinces. Mining companies by their nature will always face Environmental, Social and Governance (ESG) challenges; what matters is how they respond. In the case of Afrimat, the response is a culture-led model - internally branded as ‘The Afrimat way’ - that embeds ESG into how the company allocates capital, integrates acquisitions and navigates adversity.

During 2024, Foord engaged directly with Afrimat’s senior management at the company’s annual investor day as part of its active ownership and stewardship programme. The discussion formed part of Foord’s ongoing assessment of how the company identifies, manages and integrates material environmental and social risks, and opportunities into its operational and strategic decision making.

The sections that follow examine the practical elements of this approach. While developed within Afrimat, ‘The Afrimat way’ provides a useful case study of how companies, particularly in resource-intensive industries, can address ESG challenges in a manner that is both operationally pragmatic and commercially sustainable.

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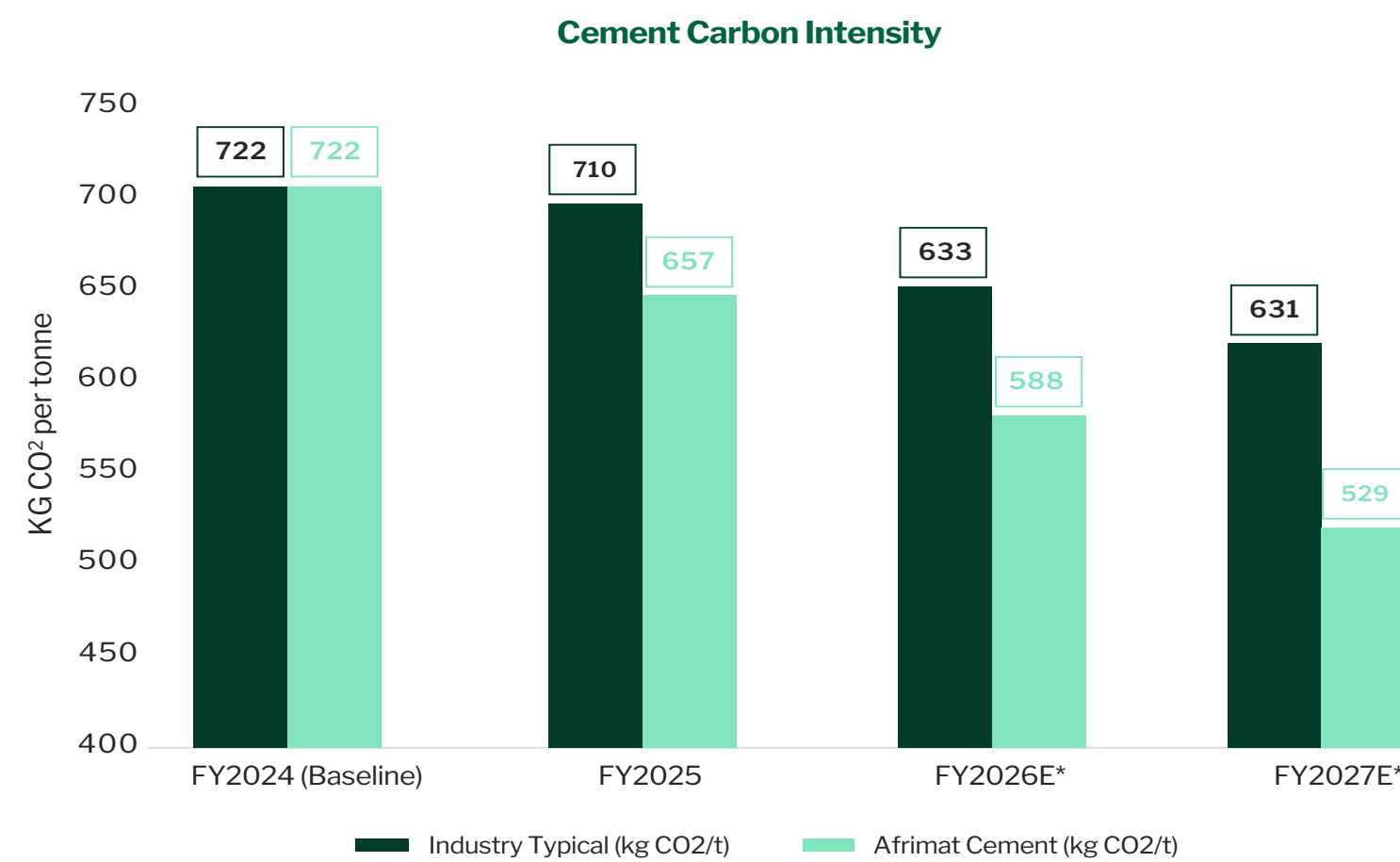
Reposition Lafarge: A low-carbon strategy

Cement is one of the hardest industrial sectors to decarbonise – accounting for ~7% of global CO2 emissions¹. The Global Cement and Concrete Association, and its members, have committed to net-zero by 2050 with leading global producers driving their carbon intensities to below 530kg CO2 per tonne – setting the benchmark for local producers.

In South Africa, the industry still averages north of 650kg CO2 per tonne – illustrating the need to find innovative new approaches. PPC, the largest local producer, has committed +R660m to decarbonisation with a target of 550kg CO2 per tonne by FY2030. Following its acquisition of Lafarge, Afrimat has entered the competitive cement market with a unique low-carbon approach. Their strategy centres on reducing clinker content, the most carbon-intensive input, through substitution with supplementary cementitious materials - including

fly-ash, ground granulated blast-furnace slag and limestone. This game-plan not only encompasses an entire product range built on low-carbon formulations but aims to drive carbon intensity to industry-leading levels. DuraBuild (32.5N) and BuildCrete (42.5N) use up to 50% and 30% less clinker than best-in-class competitors, respectively. RoadCem is a specialist binder for soil stabilisation in road construction, and FastCrete delivers high early-strength for brick and block manufacturers – enabling fast production cycles with lower energy input. By Afrimat’s measurement, their Cement Carbon Intensity fell from 722kg at acquisition to 657kg in FY2025, with management ambitiously targeting below 530kg by FY2027.

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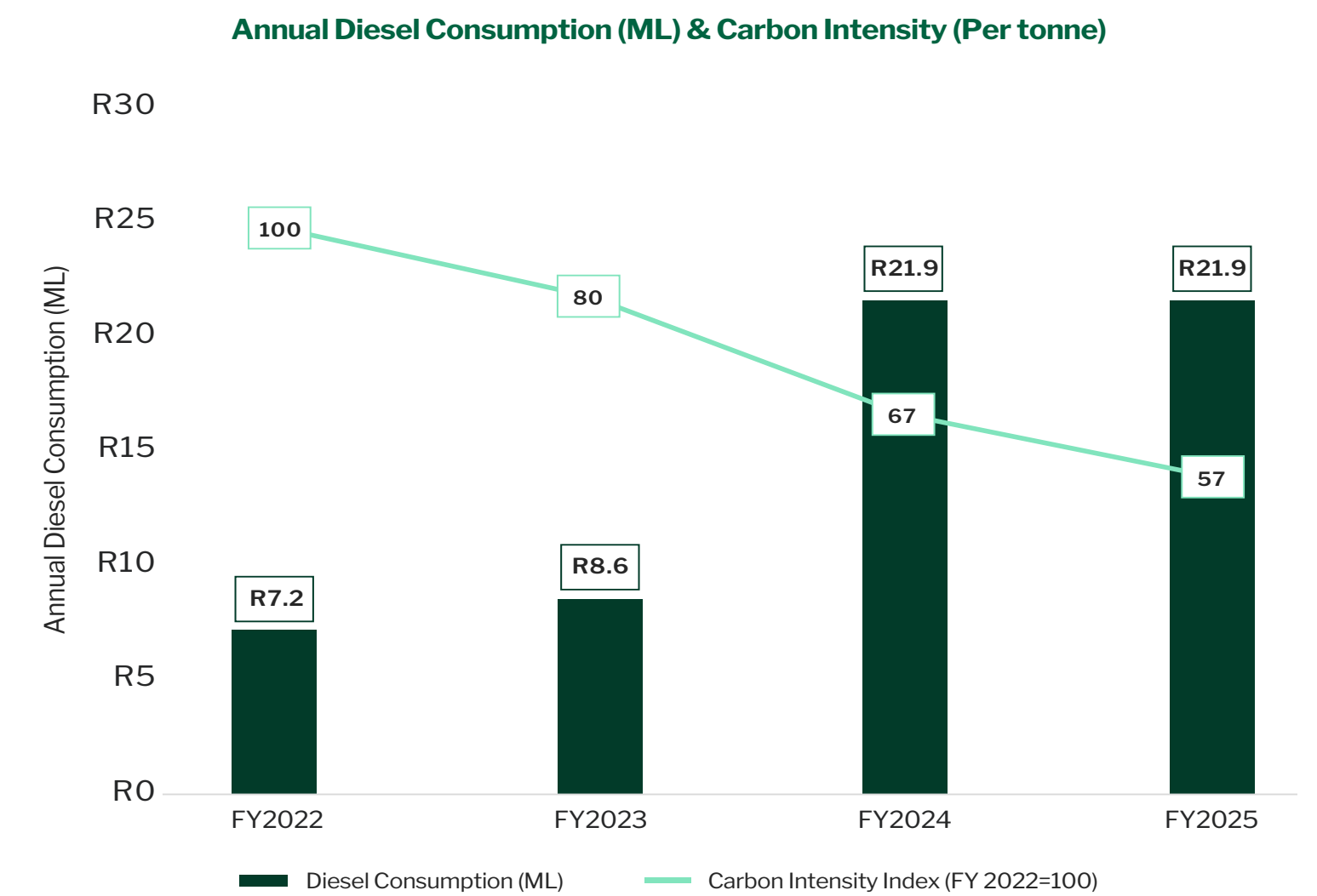
*Forward estimates are merely indicative guides

Source: Afrimat company data, December 2025

The Lafarge acquisition also brought-in Ash Resources, South Africa’s once leading fly-ash processor, a business that converts coal-fired power station waste into cementitious materials - diverting industrial by-product from landfill. With +800 employees transferring under a three-year retrenchment moratorium, the revival of this asset has preserved employment while creating a platform for continued product innovation.

The diesel drive: Eco-friendly fleet efficiency

Diesel-powered haul truck fleets account for as much as 80% of direct emissions in South African open-pit mining. The industry’s largest operators – Valterra at Mogalakwena, Anglo American at Sishen, Exxaro at Grootgeluk – are responding with capital-intensive programmes, from diesel-electric fleets to renewable energy offtake agreements. These are necessary investments but require the scale and balance sheets of large-cap miners.



Source: Afrimat company data, December 2025

¹ Global Cement and Concrete Association (GCCA), Concrete Future – Net Zero Roadmap



Afrimat, as a mid-cap diversified operator, has taken a different but equally effective approach – and one that is delivering measurable results now, rather than deferring action to a future capital cycle. Fleet management technology deployed at their Jenkins and Demaneng iron ore mines has driven optimisation of haul routes, loading cycles and idle time. On the back of this success, this initiative is being rolled out across the Group’s quarrying operations, across the country. The results speak for themselves: In FY2025, despite the inclusion of multiple Lafarge sites, total diesel consumption remained flat at 21.9 ML, while carbon intensity per tonne produced has declined ~44% from the 2019 baseline.

Innovation: Beyond the mine gate

Afrimat’s willingness to address ESG through alternative channels is another distinguishing feature. At their Glen Douglas dolomite mine, the Group’s once highest energy-consuming operation, a 4MW solar and battery system is assisting in driving the targeted +30% carbon reduction by 2030. Afrimat Hemp has commissioned Africa’s first industrial hemp decortication plant, producing hempcrete – a carbon-negative building material. The Glenover phosphate asset in Limpopo, with a resource life in excess of 20 years, also contains rare earth elements, critical to the energy transition – which will provide management another opportunity to embed ESG considerations into bottom-up product development.

Safety and social: Empowering communities

In mining, safety is often reduced to a single number, Afrimat takes it a step further, measuring leading indicators, such as near-miss reporting, hazard identification and proactive audits, that drive behavioural change before incidents occur. The Lost-Time Injury Frequency Rate (LTIFR) has fallen from 0.58 to 0.27 over four years, with zero fatalities across all reporting periods - a trajectory that speaks to an embedded ESG-driven culture.

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Social investment brings this culture into the realities of the surrounding communities. This is nowhere more evident than at Nkomati, their anthracite mine in Mpumalanga. Despite facing significant commercial headwinds, caused by shutdowns across the ferrochrome smelters, Afrimat has sustained its commitment to the community – spending millions of Rands, building community halls and clinics while working alongside local traditional leaders. Another example lies in the Northern Cape, where the Demaneng Mine funded bulk water

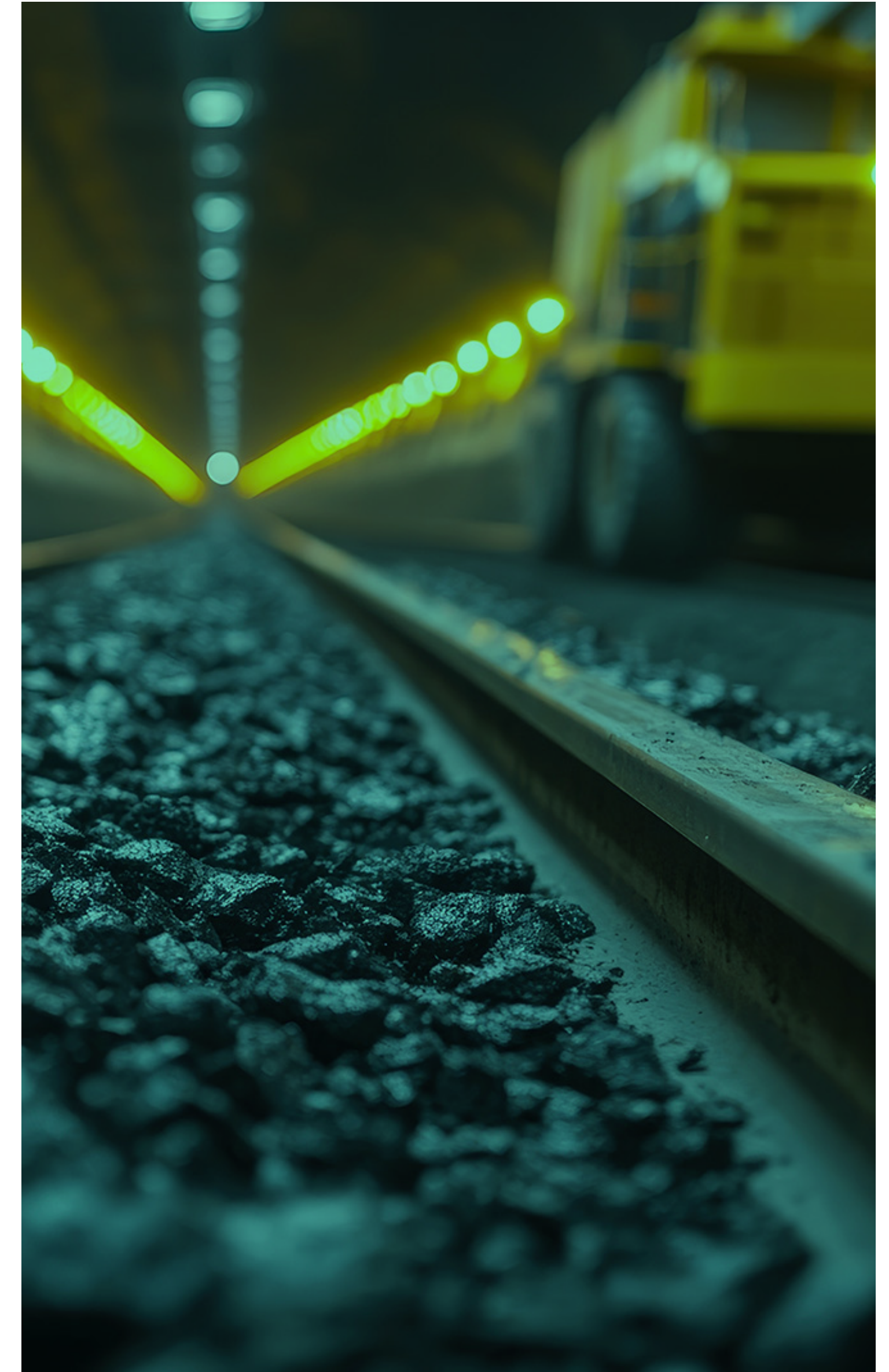
infrastructure, explicitly for the water-scarce Olifantshoek community. These are not isolated gestures but rather reflect a widespread underlying commitment to empower the communities that underpin the performance of each and every asset.

Afrimat’s transformation credentials reinforce the bigger picture. The company’s Broad-Based Black Economic Empowerment (B-BBEE) rating has improved from Level 3 to Level 2, with preferential procurement scores rising 12 percentage points and placing Afrimat on par with many listed mining peers. The workforce is 86% historically disadvantaged, with 30% black ownership. Annual training expenditure has grown to nearly R50 million and now includes an accredited in-house training centre at Lichtenburg – where even competitors’ staff are welcome.

The Afrimat way

With operating scale comes governance responsibility, and Afrimat is evidence of a management culture that consistently finds practical, innovative ways to address ESG challenges in local mining. The trajectory across all three ESG pillars gives us confidence that the Afrimat way is durably embedded in day-to-day operations and long-term capital allocation. More importantly, it demonstrates that meaningful ESG progress does not depend solely on scale or headline capital commitments, but on disciplined management, operational ingenuity and a culture that treats sustainability as integral to performance.

These developments support Foord’s assessment that Afrimat is taking credible steps to address material environmental and social factors relevant to the long-term sustainability of its operations. We will continue to monitor progress through ongoing dialogue and disclosures, with these engagements informing future stewardship activity where appropriate.





Engaging the Mining sector



Anglo Teck: The reward mechanism behind the merger

Anglo American is merging with Teck Resources to form “Anglo Teck.” The deal was announced as a ‘merger of equals’ during early September 2025 and the new entity will be headquartered in Vancouver, Canada.

The board of Anglo American wanted to offer incentives to their executives to see through the merger. Proposals in this regard were sent to shareholders during November 2025. Part of the initial shareholder resolutions was a proposal for an award with a minimum vesting of 62.5% of the long-term incentives purely on the completion of the merger.

The difficulty we as shareholders experienced was that this would still vest even though the executives did not meet the performance thresholds of the existing scheme. In short, merely being employed guaranteed vesting on a variable pay, irrespective of the metrics agreed and on which policy shareholders had already previously voted.

While we recognised the complexity of the merger, and the need for retention of staff throughout the process, we could not agree to such an unconditional award. With no additional performance conditions being added to the existing scheme around value creation from the merger, this proposal appeared to be a mechanism for incentivising and rewarding management purely to execute the merger. Our view was that execution of the merger should be captured already in metrics such as Total Shareholder Return, and the 30% annual bonus portion for business and strategic goals, as found in the short-term variable pay.

Objectives

Although we did not support the proposed resolution, we recognised the risk the company faces in the execution of the merger, and why retention of key staff through the period was important. We sought to engage constructively to assist the entity in finding a better solution, without imposing our own criteria.

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Action

We opposed the resolution and engaged with the Chairman of the Remuneration Committee, sharing our concerns, and have continued this process into 2026 through meetings and correspondence.

Anglo American shareholder meeting: December 2025

Resolution	For	Against
Allotment of new Shares in connection with the merger	99.17%	0.83%
Change of company name to “Anglo Teck plc” upon merger completion	99.98%	0.02%
Proposed amendment to the Long Term Incentive Plan	Resolution withdrawn prior to the meeting and not voted upon. After engaging extensively with shareholders, the board acknowledged the feedback and concluded that withdrawing was the most prudent course, they intend to continue shareholder engagement and propose an updated Directors’ remuneration policy at the 2026 Annual General Meeting.	

Source: Anglo American company data, December 2025

Outcome

Concerns raised by shareholders, including M&G Investments, resulted in the proposed resolution being withdrawn. Engagement into 2026 has resulted in proposals that both parties are more confident about reflecting the need for retention, better alignment with executives in the future headquarters’ jurisdiction, as well as aligning with shareholder outcomes from the merger. While not yet resolved, it is a good example of an engagement where parties actively work to ‘find each other.’

Mining safety: Encouraging the right incentives

Background and approach

Mining, particularly underground mining, has inherent safety risks. Ground falls, despite tremendous progress from seismic monitoring, can be inevitable. The sheer scale of the equipment, and mining conditions, can be challenging.

As shareholders, it is imperative that the miners in whom we are investing are doing whatever is practically possible to mitigate these safety risks through equipment, mindset and training.

Mining deaths in South Africa during 2025 improved from 2024, which was a record low, but the rate of decline has slowed, and there has been an increase in the fall of ground incidents from 12 to 15. Although the number of deaths has reduced by 91% over the three decades since 1994 (484 deaths), further reductions should always be targeted.

“ Mining deaths in South Africa during 2025 improved from 2024, which was a record low, but the rate of decline has slowed, and there has been an increase in the fall of ground incidents from 12 to 15. Although the number of deaths has reduced by 91% over the three decades since 1994 (484 deaths), further reductions should always be targeted.

Objectives

Aside from risks of human error or equipment failure, seismic activity remains a very present latent risk. Monitoring technology is critical to ongoing mitigation of this risk.

A culture of safety consciousness is always the desired outcome and ensuring this is present and driven from the top of the company is critical to ensure it permeates throughout the entire entity. Additionally, the latest protocols and technologies need to be deployed.

The clearest and most relevant lever is to drive this culture from the top through remuneration. We also do not want to necessarily always reward for safety because safety should be the norm, and not an aspiration.

In this regard, it is our strong preference that this be a negative modifier on the variable pay from incidents, rather than an incentive for partial achievement. This also shifts the mindset of all parties from payment for achievement, to withdrawing aspects of rewards.

Action

The engagements through the year were focused on encouraging the use of appropriate safety modifiers, and shift safety from being an area of expected reward to one of placing the reward at risk where this might not currently be in the reward metrics.



Outcome

Safety continues to be an area of improvement in the mining industry. The outcomes from the engagements to drive negative modifiers across the sector were positive. We have seen additional use of negative safety modifiers that we had requested in prior periods. Some entities have a negative modifier for fatalities, but a positive reward component for general safety statistics – something to which we are not averse.

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We engaged Impala Platinum around its safety modifier, which was isolated in the short-term incentive (STI) to the safety reward, and while the 8 fatalities impacted the STI, it did not operate more broadly beyond its category. Additionally, we had concerns around unintended consequences using an average history as a benchmark for this modifier. We are concerned this can have some unintended consequences if one has a catastrophic event which gets ‘baked into’ the average, as this could negate any following poor, albeit not as catastrophic, events. In short, the entity could still have poor years on safety and suffer no negative modifier.

Staying with Platinum miners, especially those with very deep operations, we were disappointed that Northam Platinum had a negative modifier but then isolated that modifier to the rewards from specific operations where the incidents occurred. This does not, in our view, encourage a broad-based safety approach and group executive accountability, and we engaged the entity to consider amending this modifier.

Both entities have improved on their safety records of the prior year, and we harbour no specific concerns around the safety of either’s operations. We merely raise these two as examples of where we have engaged for a better incentivisation approach to safety.

Northham Platinum: Health & Safety KPIs

Short term incentives: Health & safety						
Unit	Unit	2025	2024	2023	2022	2021
Lost time injuries recorded	Number	141	161	179	134	93
Total injury frequency rate (TIFR)	Pmmhw1	5,68	6,15	6,89	6,64	5,77
Fatalities recorded	Number	3	0	3	2	2
Fatal injury frequency rate (FIFR)	Pmmhw1	0,06	0,00	0,08	0,06	0,06
Man hours worked	Number	46 438 622	43 387 015	39 745 138	34 808 323	31 019 574
1Pmmhw: per million manhours worked	99.98%	99.98%	99.98%	99.98%	99.98%	99.98%

Safety performance against the previous year commitments

Commitment	Result	Status
Eliminate fatalities	3 fatalities	Not achieved
Eliminate injuries	8% reduction in total injuries frequency rate	Improvement

Long-term incentive: Weightings per operation

Operation	Weighting	Penalty applied
Zondereinde	25%	1 fatality = 25% less
Booyseindal	20%	2 fatalities = 50% less
Eiland	15%	3 or more = zero % allocation relating to safety

Source: Northam Platinum Holdings 2025 Remuneration Report



South Korea's Value-Up programme

A catalyst for positive change at SK Square



Overview

South Korea is home to some of the world's most innovative companies, and yet it is also arguably one of the cheapest equity markets. The dichotomy is down to a poor history of corporate governance in the country, with the economy dominated by vast family-controlled chaebol conglomerates.

“South Korea is home to some of the world's most innovative companies, and yet it is also arguably one of the cheapest equity markets.”

These families have historically been more focused on preserving their business empires than looking out for the interests of minority shareholders. However, following in the footsteps of Japan's stock exchange reforms, South Korea has launched Value-Up to narrow the “Korea discount” and attract foreign capital.

We think SK Square epitomises the sort of opportunity where Value-Up could be a significant catalyst for re-rating. Spun off from SK Telecom in 2021, the holding company's investment portfolio includes business across semiconductors (SK Hynix), ICT ventures and digital platforms.

Focus on the discount to NAV

The discount has widened to 55% following a recent correction. This was an opportunity to buy. Management has levers to pull to narrow the NAV discount via more share buybacks, NAV enhancement and dividend payouts.

SK Square is the best in class among the holding companies and is leading peers in efforts to enhance shareholder value. Management quality is high and the board has a majority of independent directors. They were the first holding company to unveil their Value-Up programme and appear to be executing the plan well.

The company is already practising cumulative voting rights – this favours minority shareholders who can pool votes to secure board seats (only 6% of companies in South Korea practice cumulative voting). The disposal of non-core assets will enable SK Square to focus its energy on its best assets in the IT and Communications sectors.

A brief history of the chaebols

Born out of the interplay of historical, economic and governmental forces following WWI and the Korean War, these family-owned conglomerates filled a significant institutional void post Korea's liberation from Japanese occupation in 1945. Chaebols were formed out of the sale of assets previously owned by Japan's government and firms, which accounted for 30% of the Korean economy. These assets were often sold to families and high-ranking officials at a deep discount, with prices based on outdated book values amidst high inflation. Early chaebols like Hanwha, Doosan, Samsung, SK and Hyundai used these assets as the foundation for growth.

“These assets were often sold to families and high-ranking officials at a deep discount, with prices based on outdated book values amidst high inflation.”

The Korean government played a decisive role in shaping the economy since 1961. Under President Chung Hee Park, economic development became a top priority for legitimacy. The government launched a series of five-year development plans which were based on nationalising banks and channelling foreign loans in capital-intensive heavy industries and chemical industries. It allowed chaebols to acquire or establish non-bank financials to provide capital to their affiliates.

Korea experienced chronic capital shortages throughout its development period, particularly after the Korean war. The chaebols could create value by internalising resource allocation and replacing poorly performing institutions. The absence of supporting industries meant that chaebols often had to vertically integrate to secure necessary parts and raw materials.

While the chaebols were effective vehicles for kickstarting growth, a host of structural issues emerged:

Vertically integrated suppliers, with captive customers, meant the chaebols lacked incentives to be efficient.

Cross-subsidisation across affiliate businesses led to yet more inefficiencies and wasteful allocation of capital.

Internal subsidies via nonbank financial subsidiaries funded unprofitable ventures bypassing traditional banks. This was identified as one of the causes for the Asian Financial Crisis.

Centralised family control over numerous group affiliates even though their direct equity ownership is often a small percentage. This control allows for decisions that serve personal interests at the expense of minority shareholders.

Cross-shareholding – affiliates within a chaebol group who own shares in each other, which inflates the apparent ownership stakes and provides a mechanism for the founding family to control the entire group with minimal actual capital investment.

High debt-equity ratios - chaebols have historically preferred debt over equity financing to avoid diluting the controlling stakes of their founding families.

Unchecked power of chairmen who held absolute power over strategic decisions, leading to missteps such as ill-conceived diversification strategies e.g., Samsung's entry into the auto industry.

Ineffective boards typically dominated by executive officers and outside directors with close ties to dominant shareholders. They often serve to provide ex-post factor approval rather than independent oversight.

Value-Up aims to tackle these issues, and it is more than just political rhetoric. The programme is supported by both of South Korea's major political parties in the DPK and PPP. Real reform is underway, including revisions to the Commercial Act mandating director loyalty to shareholders (instead of to “the company”), electronic shareholder meetings for large firms and cumulative voting rights to empower minority investors.

Corporate governance reform - Japan vs. South Korea		
	South Korea	Japan
Mandatory vs. voluntary	Voluntary	Mandatory
Incentives	Carrots and sticks	Named and shamed
Targeting companies with a price-to-book ratio <1	Financial Services Commission believes PBR helps assess whether or not the issue arises from a low ROE due to a high cost production structure and decrease in market demand.	The company has not achieved profitability that exceeds its cost of capital, or investors are not seeing its growth potential.
Framework	A Value-Up ETF Index has been created. Value-Up adherents to be rewarded with inclusion. Potentially, a special tax regime will be set up for companies increasing dividends.	Companies complying with the new corporate governance rules were publicly named by TSE in early 2024.

Source: NS Partners, December 2025



History of SK Square

Founded in November 2021 via a spin-off of SK Telecom, SK Square intended to focus on Information and Communication Technology (ICT) investments and become a more growth-and-tech-focussed holding company. The downturn in portfolio company and DRAM giant, SK Hynix, in 2023 forced SK Square management to sharpen its focus on the underlying portfolio, much of which was loss making.

SK Group chairman, Chey, does not have a direct stake in SK Square and the independent board of directors makes it more exposed to shareholder activism. It was the subject of shareholder activism in 2023–2024, led by a London hedge fund (1% shareholding), pushing for the business to release an industry-leading value-up plan which was eventually announced in November 2024.

Company overview

- Operating income (Q2 2025) of 1.4tn won, of which SK Hynix contributed to 1.84tn (20% stake). The ICT portfolio is generating negative operating income of 28.9tn won
- SK Hynix is 88% of SK Square NAV
- Other than SK Hynix, SK Shieldus (2% NAV) and TMAP Mobility (1%) are the only ventures making meaningful profits
- Management said that they will divest 20 or more ventures this year, and the rest in the next couple of years

SK Square's NAV discount is beginning to narrow. A recent market correction has given us an opportunity to buy the stock.

- NAV to market cap discount has narrowed significantly from 74% in 2022 to 66% at Q3 2024 since the announcement of its value-up programme
- The discount narrowed to a low of 47% in June, before the KOSPI and SK Square correction
- While SK Hynix corrected by c.15% from its July peak, SK Square's share price fell by c.37% from its June peak, with the NAV discount widening to c.55% at the time we initiated our position

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NAV discount 28 August 2025	
NAV	44 198
Market Cap	19 828
	-55%

Source: NS Partners, 2025

Catalysts

There are strong KPI incentives in place for management if the NAV discount gets to 50%, ROE > Cost of equity at 13-14% and over 1x PB by 2027. The NAV discount has been narrowed by:

1. Aggressive share buybacks (c.9% of total outstanding). Critically, all shares bought back are to be cancelled. At the March AGM, another batch of buyback of 100bn won was announced on top of the 300bn and 200bn buybacks in 2023 and 2024.
2. Non-core divestments by reducing the number of entities from 43 to 20 this year. They are hoping to de-risk the portfolio, boost cash flows and shareholder return.
3. Payout of at least 50% of recurring portfolio dividend income to investors.

Our base case is for NAV discount to narrow to 40% over the medium-term, the historic average of holding company discounts in South Korea.



Source: CLSA, DART, 2025

Narrowing the discount to this level implies significant upside in the stock. In addition, dividends from SK Hynix will amount to 3tn won by 2027, which can be deployed. They have sold an SK Shieldus (Cybersecurity) stake to a private equity fund and the cash received in Q3 2025 (510bn won) could be deployed to further boost shareholder returns.

For the remaining unlisted companies, management is yet to outline plans for further asset sales. More clarity here would boost the stock. Additional tailwinds may come from the next batch of share buybacks to be announced in Q4. The pace and magnitude will be key. SK Hynix coming back in focus as an AI play is an added tailwind.

Risks

- The board of directors may not go as far as investors expect to sustainably narrow the NAV discount from 75% in 2022 to 50%
- Disappointment over the cadence and magnitude of share buybacks
- Chairman Myung is trying to turn some portfolio companies around to be EBITDA positive, but the labour union is in the way. (We are still seeing some progress i.e., portfolio company, TMAP, turned an operating profit in Q2 2025)
- The pace of divestments could be slower than anticipated, as assets require proper packaging to sell them at a good valuation
- Volatility in the stock adding beta to the portfolio
- An SK Hynix downcycle and share price downturn will trigger a bigger correction in SK Square

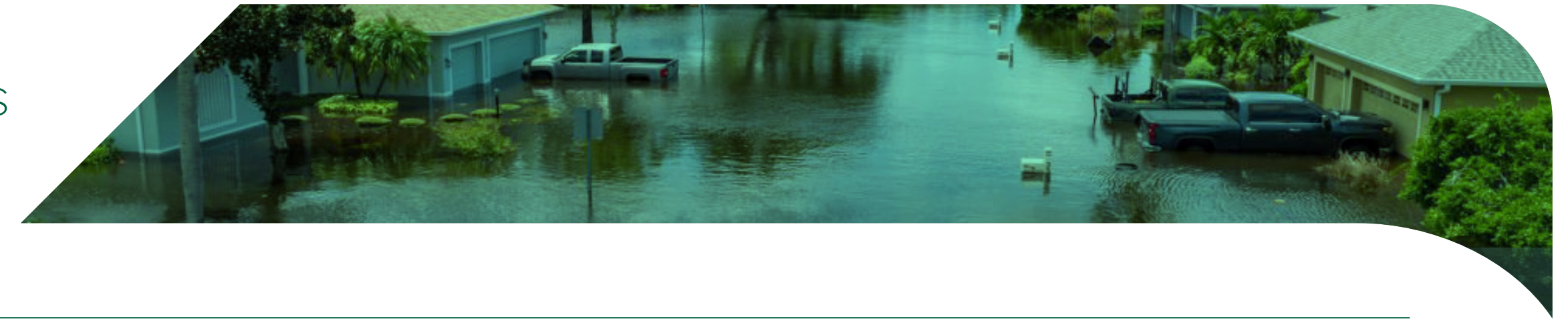
Summary

Overall, SK Square is just one example of how South Korea's Value-Up programme can act as a catalyst for managers to sharpen up capital allocation and sweat their assets harder. Much will depend on the government's willingness to pressure corporates to continue value-enhancing efforts through further legislative and regulatory reform. The momentum is positive, and if sustained could lead to a full market re-rating.



Sustainability of data centres

Balancing AI-driven growth with energy, water and regulatory realities



Background and objective

Singapore Telecommunications (Singtel) is the largest telecoms player in Singapore and the second largest telecoms player in Australia via its 100% owned subsidiary, Optus. It also owns stakes in various telcos in Southeast Asia.

Singapore has emerged as a key data centre (DC) hub given the density of hyperscalers, and Singtel has been at the forefront of DC development. In 2023, Singtel restructured its domestic business and carved out Digital InfraCo as a new entity, which houses the group's regional DC business, Nxera.

Singtel's Nxera currently operates two legacy DCs in Singapore, KC and DC West, with 62 megawatts (MW) of combined capacity. It has another under construction, DC Tuas, which will add 58MW by year end. Outside of Singapore, Singtel has taken minority stakes in joint venture DC developments in Thailand, Indonesia and Malaysia. It is also in the early stages of exploring new markets, most recently signing a memorandum of understanding (MOU) with Hitachi in Japan. Nxera aims to reach more than 200MW of total capacity in the next three years.

Much of this development has been driven by the boom in artificial intelligence (AI). The release of ChatGPT in November 2022 demonstrated AI's transformative potential which subsequently created an urgent need for more DCs to provide the computational power, storage, and infrastructure that is required to support increasingly complex AI workloads

“ Much of this development has been driven by the boom in artificial intelligence (AI). The release of ChatGPT in November 2022 demonstrated AI's transformative potential which subsequently created an urgent need for more DCs to provide the computational power, storage, and infrastructure that is required to support increasingly complex AI workloads.

From an ESG standpoint, this development is not without material environmental strain, given data centres require substantial quantities of water and power to operate. The current electricity consumption by DCs is roughly 7% of all the power generated in Singapore, much higher than the 1-2% global average.

Engagement outcomes and further action

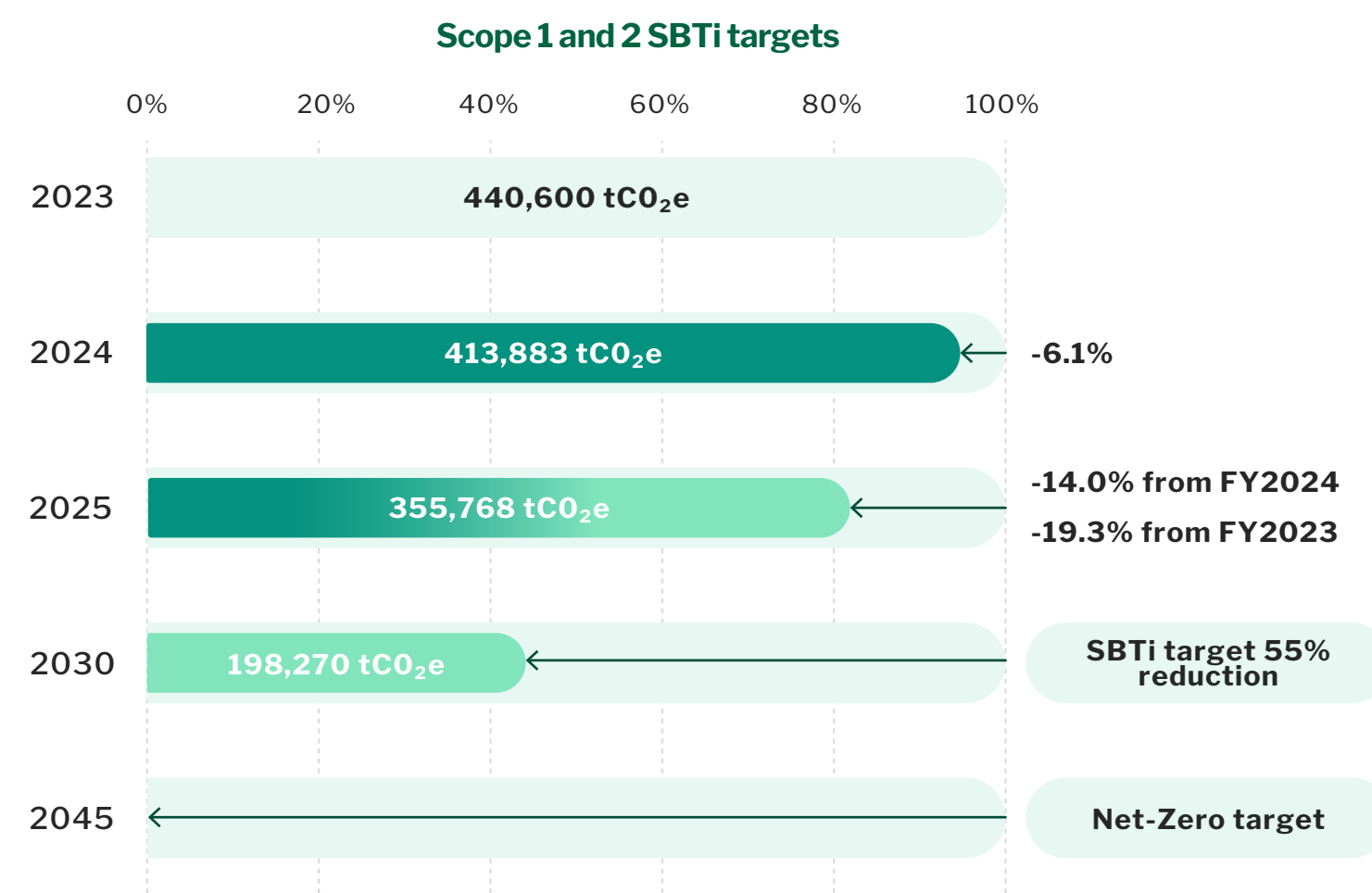
Our discussion began through the lens of governance and strategy. Operations in Singapore are subject to more stringent regulation. The country imposed a moratorium on new DC construction between 2019 to 2022 due to concerns over high energy consumption, land scarcity, and sustainability. During this period, the government and industry players explored greener alternatives, such as liquid cooling, hydrogen fuel cells, and solar energy integration.

Since 2022, new DCs are required to meet much stricter criteria for energy efficiency. For example, all DCs need to achieve a Power Usage Effectiveness (PUE) of 1.3 or less at 100% IT load within the next 10 years. As an industry leader, Singtel is cognisant that it must stay one step ahead of regulatory developments. As such, it targets a PUE of 1.0 or less for its new DCs so that there is a large margin of safety. Singtel's new data centre, DC Tuas, achieved the Green Mark Platinum certification. This is audited and regulated by the government and is the highest level of sustainable building certification. This clearly demonstrates the company's commitment to sustainable DC design and operation.

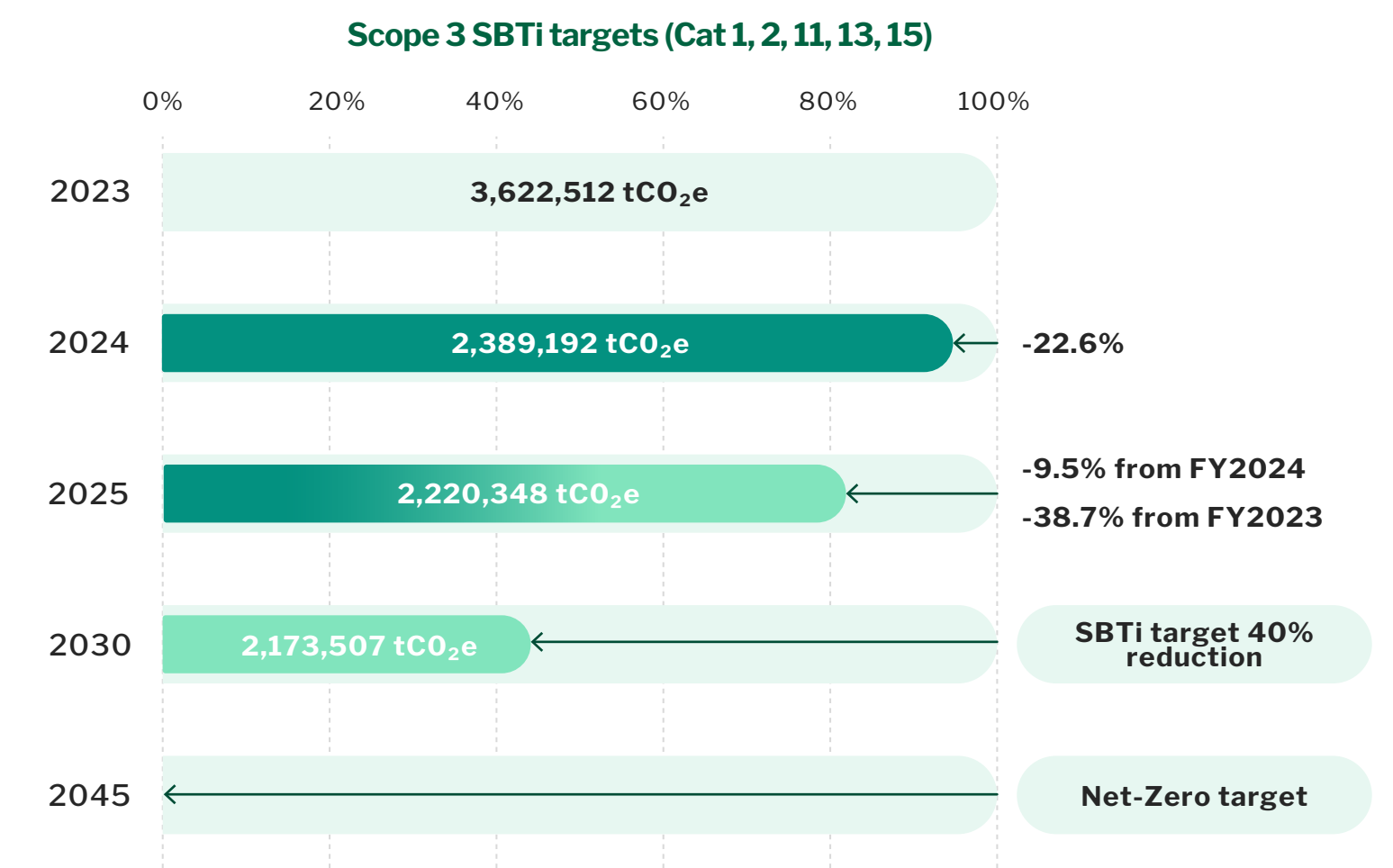
Although overseas operations are less regulated, Singtel has adopted a similar proactive approach, as it is mindful that regulation is largely moving in one direction. It targets a PUE of 1.4 or less in most other geographies, and invests time to establish and maintain good relations with local governments and regulators.

To ensure accountability, Singtel has established robust oversight mechanisms. The Group's sustainability lead plays a pivotal role in developing Nxera's strategy. KKR, who acquired a 20% stake in Nxera in 2023, also conduct due diligence and has two representatives on the Nxera Board of Directors.

The conversation then turned to power consumption. Singtel indicated that most DC emissions are related to customer workloads, which are accounted for under Scope 3. Caps on electricity consumption are embedded into customer contracts to control for this and ensure that customers don't draw more megawatts than agreed. Scope 1 and 2 emissions are relatively limited in comparison, and the Group is confident that it can achieve its operational net zero target by 2028 - it has established a green power purchase agreement (PPA), is investigating biofuel, and is looking to use carbon credits to offset emissions.



Source: Singapore Telecommunications company data, CY'2025



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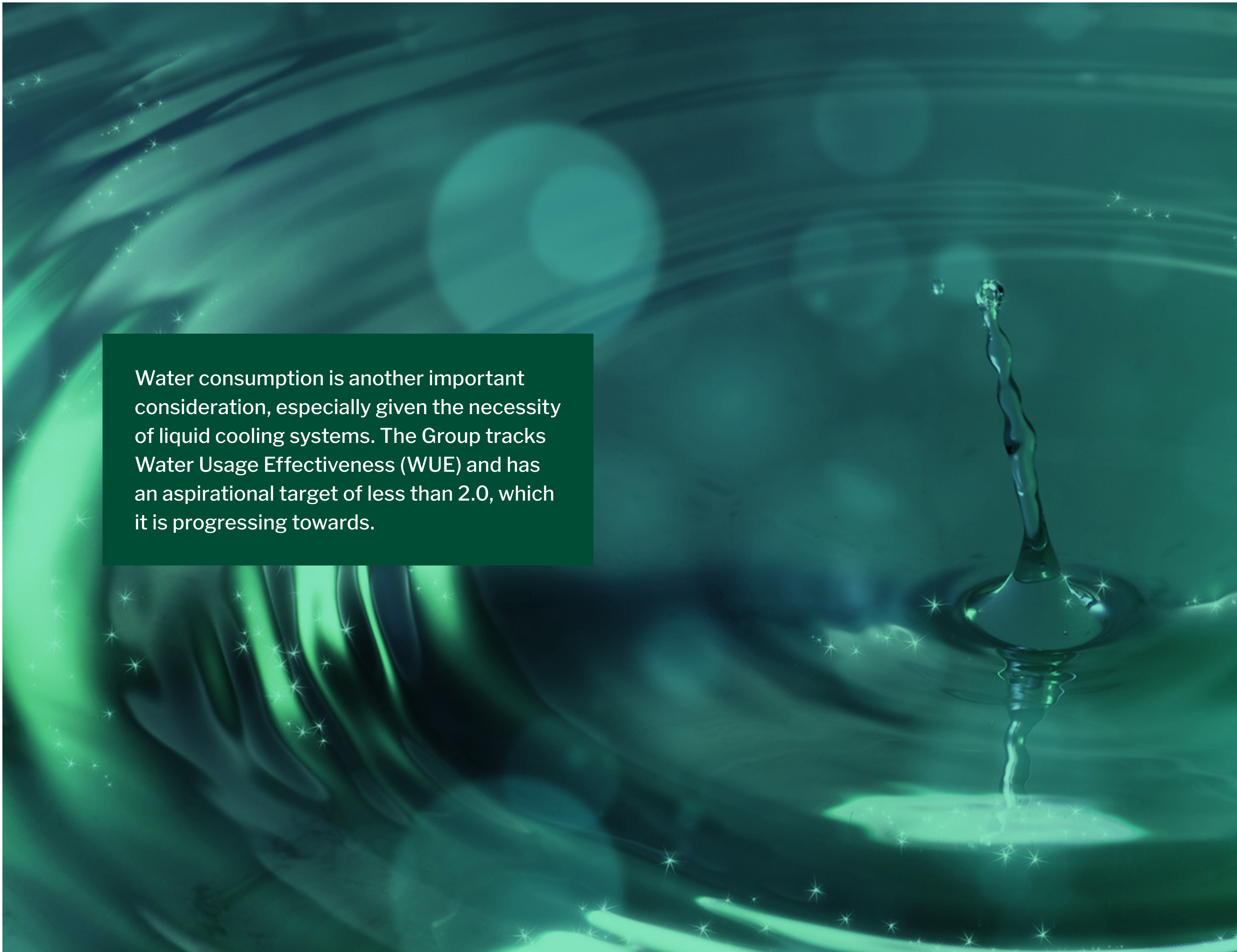
We raised the concern around the recent revision of their methodology in calculating emissions, where they started using company specific emission factors and product carbon footprints as an alternative. This change in methodology decreased their year-on-year emissions significantly. We questioned if they plan on restating previous periods to assist with comparing their performance over time. Singtel mentioned that they would not restate previous figures, not because they don't want to, but rather that the data for previous periods isn't available. They are now in a position to report on this information going forward, as more companies have started disclosing the necessary data.

We also discussed their methodology going forward for these calculations. At present, they use a hybrid methodology, using the new and old methodology to calculate emissions. As the new methodology results in significant decreases in emissions, we questioned what percentage of their emitting assets are yet to be converted to the new methodology, in order for us to gauge potential revisions in the future. They mentioned that they have mostly exhausted this, and this should be viewed as a one-time occurrence, as opposed to doing it in perpetuity.

Water consumption is another important consideration, especially given the necessity of liquid cooling systems. The Group tracks Water Usage Effectiveness (WUE) and has an aspirational target of less than 2.0, which it is progressing towards. When possible, Singtel uses NEWater, which is high-grade recycled water produced from treated wastewater. Crucially, the Singaporean public utility government agency controls water use and implements regulatory restrictions when there are water shortages.

Singtel is acutely aware of the environmental strain posed by DC development and does not take this matter lightly. Despite the hysteria around DCs over the last few years, Singtel has erred on the side of caution and maintained strict sustainability metrics throughout the DC construction lifecycle. Regulations will likely only get tougher, but we believe Singtel is well placed to navigate these changes given its proactive approach.

We will continue to monitor this issue as Singtel expands its DC operations and the regulatory backdrop evolves. This discussion has given us confidence that Singtel has thus far taken robust steps to meet and exceed sustainability thresholds and policies.



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Decarbonisation: Ventas Inc

RESOLUTION CAPITAL

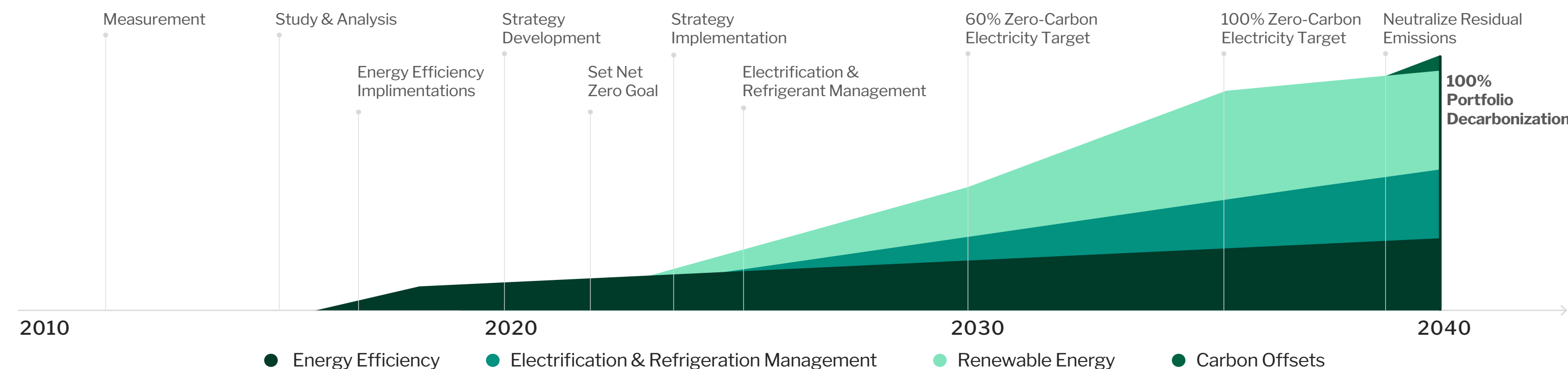


As part of Resolution Capital’s climate change and decarbonisation focused engagements, we use the widely recognised Institutional Investor Group on Climate Change (IIGCC)’s Net Zero Investment Framework (NZIF) to assess how a company is progressing its transition to a low carbon economy. The NZIF assessment looks at what plans companies have in place to achieve their decarbonisation targets and whether they have set aside capital to invest in the projects that are required to achieve those goals.

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In late 2025, we engaged with Ventas (VTR), a U.S. based Health Care Real Estate Investment Trust (REIT) and a large portfolio holding on their plans to achieve their stated target of net zero operational emissions by 2040. The timelines and milestones for this plan are shown in the chart below.

Ventas’ pathway to net zero emissions



Source: Ventas company data, Ventasreit.com/our-impact/netzero, 2026

The company focuses on the standard aspects of decarbonising real estate assets such as maximising energy efficiency of lighting and building services, improving thermal performance, as well as electrification and renewable energy. However, one aspect of the company’s strategy that stands out is that they have mapped out property level net zero plans for their approximately 800 properties.

These plans provide property and location specific guidance for property managers on how to reduce the emissions of each property with an estimate of costs, as well as the expected operational savings from these works. This gives property managers and service operators at each property a clear plan, with timing as well as energy and cost savings for each property, with timelines out to 2040 for energy efficient retrofits and equipment replacements.

One of the most interesting aspects of the company’s plan is the use of machine learning to create these property and location specific roadmaps, much faster and much cheaper than it would have otherwise been to prepare, were they to physically visit and assess the designs of each property. This analysis incorporated thermal scanning and building specific data, such as age, location and climate, to aid in assessing the equipment and efficiency characteristics of each property.

Additionally, Ventas’ decarbonisation plans include engaging with the service operators of their properties with ongoing education and training on the sustainability aspects of their properties to improve operational efficiencies, increasing renewable electricity consumption

through onsite solar, power purchase agreements and virtual power plants. The company also performs sustainability focused due diligence on property acquisitions to ensure new properties can be integrated into the net zero plan.

After this engagement and from our analysis of its public disclosures, our assessment of Ventas, using the NZIF criteria is shown in the table below. This results in an “Aligning” status for Ventas.

NZIF Criteria	Ventas
Ambition - Net zero by 2050 goal	Net Zero Target by 2040
Targets - Interim targets in line with Science Based Targets for sector, region	1.5°C aligned Science Based Targets Initiative target, equivalent to 42% reduction by 2030
Disclosure - Scopes 1 & 2 plus material scope 3	Discloses Scope 1, 2 and material Scope 3 emissions
Decarbonisation Strategy - Quantified plan to reach SBTs	Yes, this is outlined above
Capital Allocation - Aligned with achieving net zero by 2050	Yes, decarbonisation strategy is complemented with funding requirements to achieve goals
Emissions Performance - Current emissions (Scopes 1 & 2) trajectory, with at least -5% CAGR over five years	1.9% CAGR over 5 years

Source: Resolution Capital, company disclosures, 2026



We view this plan as industry leading given the methodical and property specific focus on decarbonisation through energy efficiency, electrification and the integration of 100% zero carbon electricity.



Pragmatism in climate policy

Balancing economic growth and environmental outcomes



Looking back on 2025, one theme stands out clearly: a global shift toward economic pragmatism often at the expense of accelerated climate action. Economic pressures and energy security concerns led governments and companies to adjust climate related timelines, soften targets, and re-evaluate previous commitments.

However, while policy discussions and decisions slowed, the physical reality of climate change continued to intensify. Record heatwaves and extreme weather events served as a reminder that the risks are not waiting for consensus and are increasingly relevant for investors.

A year of policy recalibration

During 2025, economic growth and industrial competitiveness became a greater focus for policy makers and, as a result, lead to a series of notable shifts in climate implementation plans.

The European Union (EU), traditionally a global leader in green regulation, signalled a more cautious approach by reducing the number of companies required to comply with its sustainability reporting rules. Simultaneously, it delayed implementation deadlines for the Carbon Border Adjustment Mechanism (CBAM) and the Deforestation Regulation, giving companies more time to prepare.

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In contrast, Germany announced its largest green spending programme to date, a move that underscored its commitment to the energy transition. The plan also included support for natural gas, reflecting the ongoing challenge of balancing immediate energy security with long-term decarbonisation.

The automotive industry experienced similar recalibration. Several major manufacturers postponed or completely abandoned previously announced targets to transition fully to electric vehicles. This corporate trend was mirrored by government policy: Canada pushed back its planned mandate for minimum electric vehicle (EV) sales by 2026, while the EU softened its stance on the proposed 2035 phase-out of internal combustion engine vehicles. In the United States, domestic priorities shifted as international climate commitments were scaled back and EV subsidies removed. Meanwhile, China intervened in its EV market, aiming to stabilise pricing after intense competition began to disrupt the sector. Regulation around emissions regulation also gained flexibility evident in Canada's final methane reduction rules, which offered oil and gas companies greater leeway in how they achieve compliance. Governments across many jurisdictions are clearly trying to balance climate ambitions with economic realities.

The unrelenting physical reality

While policy timelines may shift, the planet continued to send distress signals. 2025 saw record-breaking temperatures and a series of extreme weather events across multiple regions. For investors and businesses, this reinforces the importance of understanding exposure to physical climate risks as these risks can affect supply chains, infrastructure, commodity markets and ultimately company earnings.

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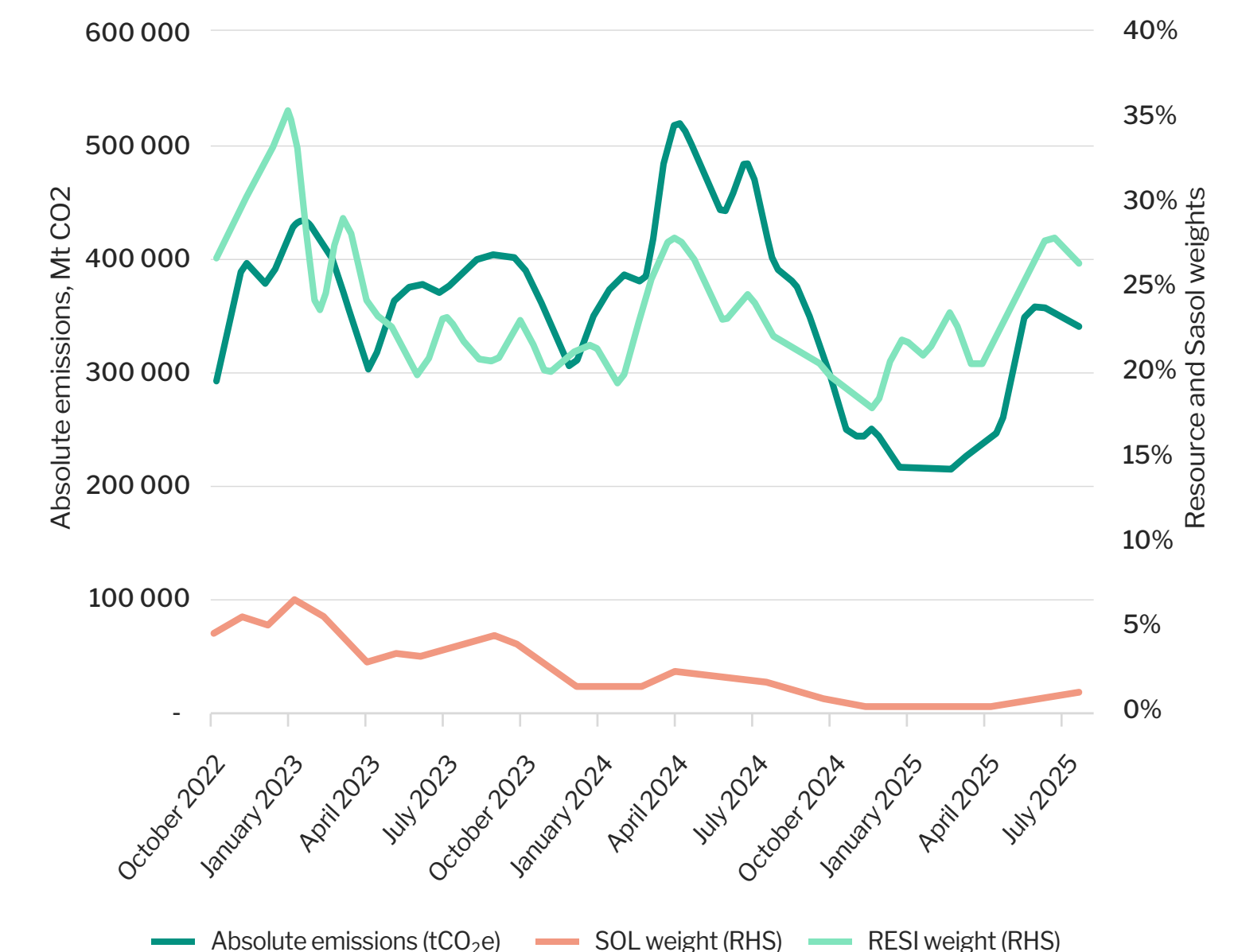
A pragmatic approach to portfolio emissions

In this complex environment, we believe that a pragmatic and transparent approach to portfolio emissions is essential. Understanding Truffle' Asset Management's portfolio emissions enables authentic engagement with individual companies about reducing their emissions.

In September 2025, we undertook a comprehensive review of the carbon profile of the equity component of the Nedgroup Investments Managed Fund. This included analysing both absolute emissions and weighted average carbon intensity (WACI).

The analysis confirmed a structural (and challenging) reality within the South African market. Absolute emissions are highly correlated with exposure to resource companies, particularly Sasol, given the nature of their business. This means that absolute emissions are closely linked to sector allocation in a market where resources form a meaningful portion of the index. Furthermore, setting a straightforward absolute emission reduction target for these companies can be difficult.

Figure 1: Equity component of the Nedgroup Investments Managed Fund: absolute emissions vs resource and Sasol weights



Source: Truffle, RMB ESG platform, 31 August 2025



While our weighted average carbon intensity has improved over time, this metric can be influenced by factors such as reducing exposure to a single major contributor to the portfolio's carbon profile, Sasol and commodity price cycles. The WACI metric is sensitive to revenue fluctuations; periods of high commodity prices can artificially lower the intensity figure, while lower prices can cause it to rise. As a result, WACI alone can provide an incomplete picture or anchor for a long-term target.

Figure 2: Equity component of the Nedgroup Investments Managed Fund: WACI vs resource and Sasol weights



Source: Truffle, RMB ESG platform, 31 August 2025

Given these limitations, we believe it is more meaningful to assess the percentage of portfolio emissions linked to companies that have credible net-zero targets. Encouragingly, our analysis shows that just over 90% of the emissions in our portfolio are associated with companies that have set net-zero targets.

The key question then becomes the credibility of these targets. For companies with robust, well-defined transition plans, our role is to monitor and ensure they remain on track. Where targets are less developed or credible, our role focuses on active engagement with management teams, seeking to understand barriers and driving them towards more credible transition strategies.

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Our focus remains on engagement and progress rather than pursuing rigid portfolio-level emissions targets that may not reflect the structural realities of South Africa.

A small number of South African listed companies account for a significant proportion of portfolio emissions. Our engagement efforts therefore prioritise these businesses.

Table 1: Top emission contributors to the Nedgroup Investments Managed Fund, 31 August 2025 and our goals

Company	% of emissions	Net zero target	Engagement goals
Sasol	55.7%	Yes	Continue to engage on post 2030 goals including policy support required
Sappi	9.4%	Yes	Continue to engage on science-based targets
Glencore	6.4%	Yes	Continue to engage on coal asset run down plans
Impala Platinum	5.3%	Yes	Continue to engage on renewable energy progress
Remgro	3.9%	No	Continue to engage on barriers to setting a net zero goal
Total	80.7%	76.8%	

Source: Truffle, RMB ESG platform, 31 August 2025

Conclusion

Just as policy makers are adopting a more pragmatic approach to national climate policies, our own approach to decarbonisation reflects a similar realism.

The transition to a lower carbon economy is unlikely to be linear, particularly in a resource-heavy market such as South Africa. While rigid targets can sometimes obscure underlying progress, pragmatic engagement can often drive more meaningful outcomes. In a world where physical climate events are becoming increasingly visible, we believe the most important objective is ensuring that the companies we invest in are not only setting targets but are genuinely managing climate risks and positioning themselves for long-term resilience.



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Tel: 0800 123 263 (RSA only)

Tel: +27 21 416 6011 (Outside RSA)

Email: info@nedgroupinvestments.co.za

For further information on the fund please visit: www.nedgroupinvestments.com

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