

Investments



An investment framework for responsible investing

Process



Evaluating ESG

Promoting active stewardship

Encouraging asset managers to adopt a collaborative approach

Promoting enhanced disclosure

Process

To incorporate the belief that responsible investment matters, an organisation's policy should be expressed throughout each stage of the investment process, including investment analysis and decision-making. Organisations should continually review their investment practices to ensure that responsible investing is effectively incorporated throughout the investment process and remains appropriate and relevant.

We do not directly select investments. Instead, we select and combine top-rated asset managers across asset classes, styles, and philosophies into multi-managed portfolios. However, as most shares are held directly in our name, we have ownership responsibilities that are an important right and obligation. Our investment process is therefore primarily focused on assessing asset managers on their approach towards integrating ESG considerations into their investment decision-making process.

The ESG research process is part of our broader asset manager research function.

This allows for ESG integration to be effective in the consideration of asset manager and investment strategy selection. To determine the rating for most asset managers and underlying investment strategies, our manager research team performs a review based on four specific factors:



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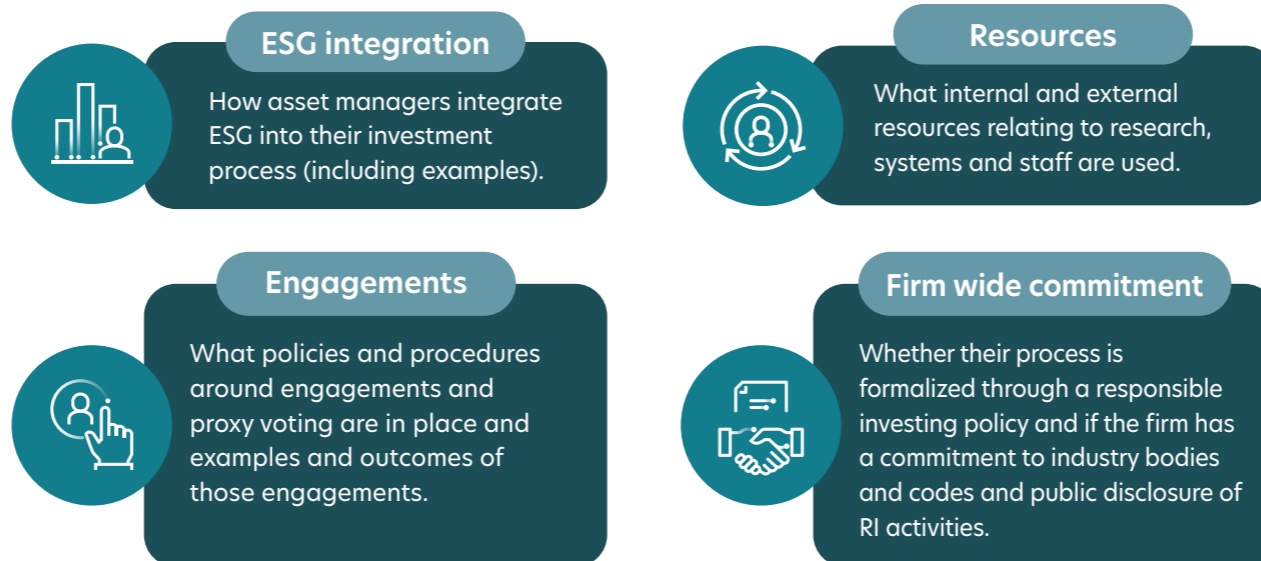
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Asset managers also receive a separate ESG rating based on four ESG-specific considerations:



Evaluating ESG

Based on the four ESG specific considerations, asset managers are assigned an ESG rating between 1 (the highest rating) and 4 (the lowest rating).

A rating of ESG 1 represents leadership in the integration of ESG factors and active ownership into core investment processes.

A rating of ESG 4 reflects little or no evidence of ESG integration or active ownership into core investment processes and no indication of future integration of ESG factors. You may refer to the **appendix** for more detail on the different levels of ESG integration for active and passive strategies.

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Promoting active stewardship with private market and listed fixed interest asset managers

Where asset managers manage private markets mandates, investments have additional risk considerations such as liquidity, concentration, and regulatory risks.

As a result, ESG considerations need to be more robust. Therefore, we consider the asset manager's ability to have adequate board representation and their ability to influence the management committees (audit, remuneration, social and ethics) of companies included in their portfolios. We consider if the asset manager can positively influence the company with respect to ESG compliance and project implementation and ensure that all investments are managed actively from idea generation through to the exit stage such that value is not lost throughout the investment process.

Fixed interest investments have little avenue for activism once investment allocations are made. It is therefore an imperative that our process incorporates thorough due diligence of fixed interest ESG integration. We consider the asset manager's idea generation strength in assessing

credit risk, such as default risk. Related to this, we assess the depth of the investment team, their ability to assess credit risk, price appropriately for it, and protect themselves through legal agreements where possible. We consider asset managers who play an active role in advancing equal listing requirements for listed bond and equity asset classes. Participation in driving change within the industry with regulators and listing exchanges aligns with stronger ESG credentials.

These tools are increasingly being pursued to reduce risk and enhance long-term financial value. Studies have shown that companies with good corporate citizenship and ESG practices are better managed and therefore, are likely to outperform in the long-term.

We consider if an asset manager can positively influence the investee company with respect to ESG compliance and implementation and ensure that all investments are actively managed.

Evaluating ESG

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Encouraging asset managers to adopt a collaborative approach in promoting the development of responsible investment practices within the industry

We believe that the primary tenet of collaboration is being an active investor. We promote collaboration amongst asset managers and actively engage with managers we have invested with and those we invest and engage with as part of our broader manager research coverage.

Ad-hoc engagements outside of regular report-backs and due diligence trips are also held to gain further insight on any topical issues. This continuous engagement allows for deeper insight and understanding of the industry.

We actively participate in industry events, alongside asset managers on topical local and global themes, contributing to the discourse of responsible investment practices.

In addition to voting and active ownership practices detailed above, we have collaborated with other market participants and experts on climate change and the associated impact measurements. We also actively formulate strong market views against regulation that hinders the sustainability of investments, together with other industry bodies, brokers and other market participants.



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Promoting enhanced disclosure on responsible investing from asset managers

Succeeding the monitoring of managers and their engagement activities, the next step is to document evidence and records of their responsible investment practices.

Details pertaining to which resolutions asset managers have voted on and what they had voted for is reported back to us. We assess the results on a quarterly basis so that we can monitor their proactivity and assess them in line with our understanding of their investment approach and philosophy. Summary reporting on the voting actions of incumbent asset managers in our flagship portfolios is disclosed on our website. Detailed reporting on proxy voting results is also available on request.

In our private markets programme, our intention is to explicitly quantify and track the associated impact metrics aligned to the United Nation's Sustainable Development Goals (SDGs). Examples of these impact metrics include clean energy produced (MW), number of enrolled school-going learners and gender diversity to name a few. Monitoring and reporting across both investment and impact performance aligns with our holistic investment approach.

As part of our commitment to all regulation applicable to responsible investment activities such as the CRISA Code of Conduct, the PRI principles, and the FSCA guidance notes, we encourage asset managers to disclose their policy, practices and stewardship activities so that we can observe the efforts they are making in the quest for greater transparency.

We also critically review our ESG research process on an ongoing basis to ensure we anticipate and respond to market developments on sustainable investing better. Our rigorous research process enables our clients to have confidence that the managers we rate highly have been closely scrutinised and are, in fact, those with the highest likelihood of delivering sustainable outperformance.

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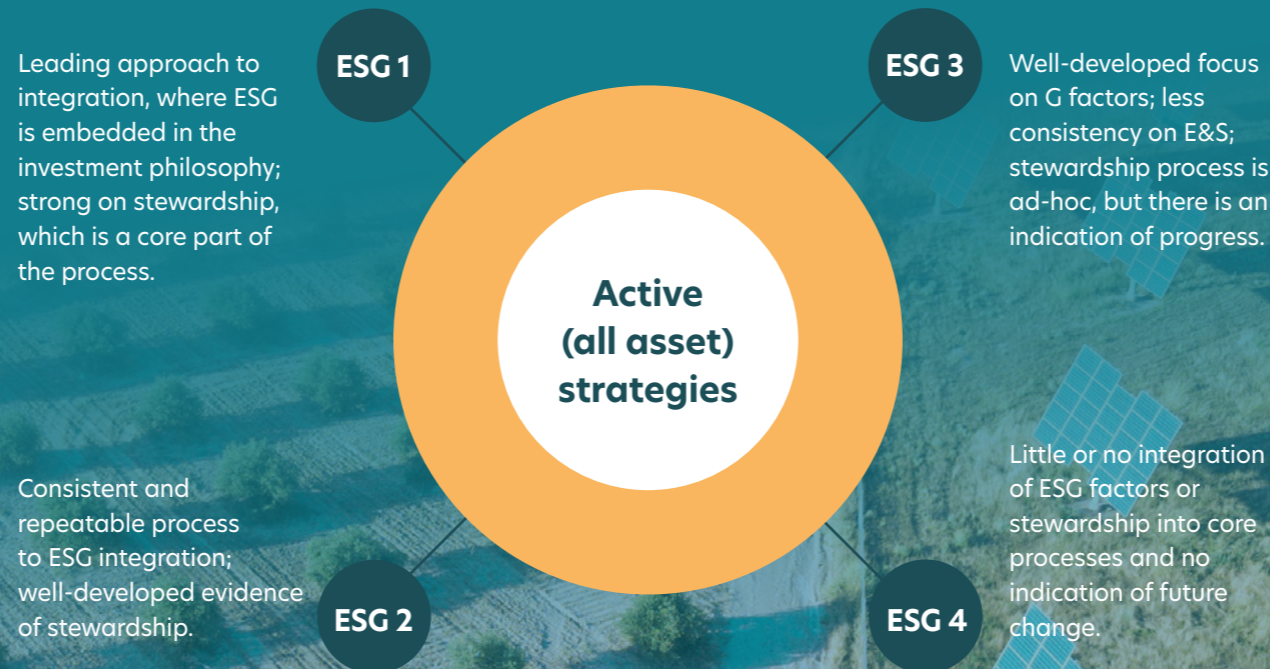
Appendix – ESG ratings

Our ESG ratings represent the manager research team’s assessment of the degree to which ESG factors are incorporated within a strategy’s investment process. Four factors are considered and documented within the research commentary and overall manager research rating.

Active (all asset) strategies

Aspects that we consider when rating managers include:

- Efforts to identify and integrate ESG factors into active fund positions as a source of added value. Identification of material ESG factors – skill of team members, data sourcing etc.
- Efforts to integrate ESG-driven views into the portfolio’s construction.
- Engagement and proxy-voting activities (if applicable).
- Investment horizon aligns with ability to effectively implement ESG views.
- Firm-level support for ESG integration, engagement activities and transparency.



To incorporate the belief that ESG factors matter, our asset manager research process formally considers an asset manager’s strengths and weaknesses in evaluating and understanding ESG issues.

Passive (equities) strategies

Aspects that we consider when rating managers include:

- Policy, process and prioritisation
- Quality of engagements
- Skillset and experience
- Effectiveness of engagement outcomes
- Data analytics to enhance active ownership
- Internal initiatives to further integrate ESG across the firm
- Collaborative initiatives and engagement with regulators and policymakers



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