



Abax Investments ESG Report – Q2 2021

Abax Investments

Abax Investments (Abax) is an owner-operated investment firm founded in 2003. Dedicated exclusively to fund management, Abax manages equity, multi-asset, fixed income and hedge fund portfolios.

Our Impact – Purpose Beyond Profit

Our purpose is to have a positive impact on our clients, stakeholders and society.

We continue to promote and build an inclusive business.

- Abax is committed to diversity across the company as we believe this enhances the performance of our business and leads to better decision making.
- We are a Level 3 contributor to broad-based black economic empowerment as per the Financial Sector Code.

Caring for society is embedded in our DNA. Abax is 16% owned by three charitable trusts established by our staff.

- The team at Abax are actively involved in the administration as well as ongoing work of the trusts, as part of their efforts to build a better future for South Africa.
- The Abax Development Trust focusses on Early Childhood Development (ECD).
- The Abax Foundation supports environmental and conservation related projects in South Africa.

We seek to be a responsible investor and continue to deepen our focus on stewardship and ESG integration in our investment process.

Responsible Investment

We take seriously our role as custodians of client assets and Abax is committed to:

- Promoting the right values and culture within our organization.
- Incorporating environmental, social and governance (ESG) into our investment decision-making process.
- Building capacity and skills within the organization to enhance the identification and management of ESG and broader sustainable development issues.
- Engaging actively to push for beneficial change.
- Working with other stakeholders to promote sound governance and the management of ESG issues.
- Exercising our voting rights in a thoughtful manner to enhance the management of ESG and broader sustainable development issues.
- Promoting and developing enhanced reporting of ESG related information.
- Investing in businesses that are proactively managing their interactions with society and the environment.

Abax's Approach to ESG

The decisions we make regarding investments can significantly impact the stakeholders connected to these assets. Thus, we endeavour to invest in businesses that exhibit robust corporate governance, quality management, sustainable business models and the potential for solid growth in earnings and dividends over an extended period. To this end, ESG matters are integrated into our investment analysis to strengthen the decision-making process, better manage risk and ensure that investments generate long-term value in an ethical manner.

Our investment approach is one of full integration of ESG issues into investment decisions. We use several methods for bringing ESG considerations into our decision making:

- Qualitative Analysis: A comprehensive evaluation of ESG performance using a scorecard.
- Thematic Analysis: The identification of critical ESG themes that help to highlight companies on the right side of the transition to a more sustainable world.
- Active Ownership: Engagement with management on issues that are relevant and material. As well as proxy vote at all shareholder meetings.
- Valuation: Valuations may be influenced by ESG factors (adjustments to forecasted financials and valuation multiples).
- Risk Management: Companies are regularly reviewed and monitored for changes in ESG risks.
- Portfolio Construction: The ESG profile of portfolios are examined and adjustments made to enhance return and reduce risk.

Responsible Investing – Q2 2021

We report quarterly to our clients on our engagement and voting activities.

Engagement

We have an ‘active owner’ approach. We engage with company management on issues that are material and relevant. The main objectives of engagement are to enhance long-term shareholder value, meet our fiduciary responsibilities to our clients and benefit broader society.

Our investment professionals regularly meet with the management and non-executive directors of companies to discuss a range of issues relating to strategy, financial performance, governance and risk. It is normal practice for us to approach both executive and non-executive management to discuss contentious issues or material ESG matters. We believe that constructive, pre-emptive engagement results in a preferable outcome for all stakeholders.

There may be circumstances where we deem it necessary to escalate matters to enhance and protect our clients’ interests. If we deem it necessary, we will collaborate with other shareholders to add pressure to influence the board. If so, we always remain aware of potential conflicts, concert party rules and issues of insider information.

Notable engagements during the second quarter of 2021 include;

- Standard Bank: Co-filed a non-binding resolution calling for clear Climate related targets and disclosure. In addition, engaged with executive management on the topic.
- Nedbank: Engaged with the Chairman during their annual ESG roadshow.
- Firstrand: Engagement with Firstrand’s sustainability team regarding their approach to Climate Change.
- MTN: Engagement with the Chairman of the Board where ESG matters were addressed.
- Naspers / Prosus: Sent a collaborative investor engagement letter to PRX,NPN Boards regarding concerns associated with the Prosus voluntary share exchange offer for Naspers shares.
- Royal Bafokeng Platinum: Engagement with the Chairman and Lead Independent regarding general ESG matters.

Proxy Voting

Abax views proxy voting as an integral part of the investment process and we always vote the shares we beneficially hold. The way we exercise our rights can strengthen corporate governance significantly thus we vote in a thoughtful and considered manner.

The basis for how we vote is guided by our Proxy Voting Policy. All proxy voting decisions are made in-house based on collaboration between members of the investment team. We will use the team's collective depth of knowledge, to make informed voting decisions.

We will support good corporate governance by voting against board recommendations we do not perceive to be in the best interests of shareholders. Historically, these have included for example: overly generous share schemes; placing authorised but unissued shares under the control of the directors; appointment of non-executive directors with questionable track records and inappropriate executive and non-executive remuneration.

Abax's Voting Record – Q2 2021:

Abax Equity Fund – Q221		
Total number of meetings voted at during Q221	20	100%
Total number of resolutions voted	355	100%
Total number of resolutions in favour	327	92%
Total number of resolutions against	28	8%
Total number of resolutions abstained	0	0%

Please refer to our quarterly proxy voting report for a detailed voting record.

Conclusion

ESG thinking is embedded in our business and investment process. Our approach and commitment to ESG enhances our value proposition to our clients.

We are acutely aware that ESG issues have a direct impact on the companies that we may invest in and as such, can affect the performance of our investment portfolios. Our integrated approach focuses on the issues that are or will likely become material for businesses.

Whilst we consider our current approach to incorporating ESG into our investment process as sufficiently robust, we are also of the view that it is an evolutionary process which continues to be refined over time.