36ONE
Asset Management

Stewardship Report

CALENDAR YEAR 2024

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Introduction

We are proud to present our second stewardship report, marking another significant milestone in our commitment to transparency, accountability and responsible investment. This report reflects on the year 2024, sharing insights into our approach to stewardship, engagement with investee companies and voting practices. The report begins with a look back at the key developments which shaped our stewardship journey. The next few sections explain more about 36ONE as a firm, our culture and commitment to being a responsible investor. Further sections detail on our stewardship activities with feedback on our investment process, proxy voting and engagements. This includes case studies to highlight specific interactions and their related outcome. We close off the report with some final thoughts as we look ahead to 2025.

2024: Looking back

2024 was a defining year for global democracy and sustainability, marked by both political transformation and regulatory evolution. Over 1.7bn people in 60 countries held national elections, making it the largest election year in history. Across the globe, voters expressed a clear appetite for change, driven by economic pressures, political dissatisfaction, and growing demands for transparency and accountability. In South Africa, the country held its seventh general election since the end of apartheid in 1994. For the first time since then, the African National Congress (ANC) fell below a majority, receiving approximately 40% of the vote. This result necessitated the formation of a coalition government, marking a new chapter in South African politics and presenting both uncertainty and opportunity. While the country has experienced coalitions before, notably under the interim constitution post-1994, the current scenario reflects that voters are pushing for greater accountability and more effective governance.

Challenges remain particularly around the quality, reliability, and comparability of Environmental, Social and Governance (ESG) data. Despite some improvements in disclosure, concerns about greenwashing and inconsistent reporting persist, underscoring the need for stronger global standards. 2024 also marked a critical inflection point for sustainability reporting. For financial years beginning on or after 1 January 2024, the International Sustainability Standards Board (ISSB) introduced its first two International Sustainability Disclosure Standards: IFRS S1 and IFRS S2. These standards represent a new global baseline for sustainability-related disclosures, with IFRS S1 covering general sustainability-related risks and opportunities, and IFRS S2 focused on climate-related disclosures. Established by the IFRS Foundation at COP26, the ISSB operates alongside the International Accounting Standards Board (IASB) and is overseen by the IFRS Foundation's Trustees and Monitoring Board. Its goal is to bring sustainability reporting on par with financial reporting in terms of consistency, quality, and global comparability. By building on frameworks like the Task Force on Climate-related Financial Disclosures (TCFD), the ISSB standards emphasize financial materiality; that is, sustainability factors that influence enterprise value. Several countries, including the UK, Canada, Japan, and key Asian financial centres, have committed to adopting these standards, paving the way for more harmonised and credible ESG reporting globally.

In parallel, the European Union's (EU) Corporate Sustainability Reporting Directive (CSRD) began to take effect in 2024. The CSRD significantly broadens the scope and depth of sustainability disclosures required from companies operating in or with links to the EU. Under this directive, firms must report against the European Sustainability Reporting Standards (ESRS), which demand more granular and double materiality-focused disclosures, covering both how sustainability issues impact the company and how the company impacts people and planet.

Active Corporate Citizen

At 36ONE Asset Management ('36ONE'), being a responsible investor is not just about how we manage capital, but about the broader impact that our business has on society. Over the years, we have increasingly incorporated ESG factors in how we manage and operate all aspects of our business. Given that we are an owner-managed firm with a small carbon footprint, our most significant efforts have always been directed towards the social pillar of responsible corporate leadership. In this respect, our greatest asset is our employees. As a result, not only is employee welfare a critical operational focus, but we also seek to align social initiatives with our employees' passions. This seeks to create a culture of collective responsibility and engagement, which we believe is key to ensuring long-term commitment to social initiatives. Ultimately, we believe that long-term commitment is the element that is most lacking in social initiatives today and therefore most in demand.

Long-term commitment at 36ONE is therefore not only evident in our investment philosophy, investment returns and relationships with clients, but also in our social initiatives. Since the inception of our business, we have consistently supported initiatives from education to sports as well as art/culture in our broader community. Specific examples of long-term support include our continued work with the Student Sponsorship Program and financial literacy courses offered in collaboration with Worth. Making a positive contribution to improving the challenging socio-economic circumstances in South Africa is a core value in our business.

Our commitment to fostering a more inclusive and transformed business and financial services industry is further demonstrated by our Learnership Program. This was launched during 2021, with the specific aim of improving diversity in our industry. The program's success is reflected in the journey of our first participant, Temoso Musi, who was promoted to an analyst role within our investment team, underscoring our dedication to upskilling, empowering, and retaining talent. Building on this momentum, we expanded our efforts through our Graduate Program. In May 2024, Sihle Ngalo joined the investment team, followed by Mihle Senene, who became part of the operations team in June 2024. These appointments reflect our ongoing investment in the development of future leaders and our broader transformation objectives.

Mihle Senene

B.Eng Industrial Engineering (Stellenbosch University)

Mihle holds a B.Eng in Industrial Engineering from Stellenbosch University and is currently pursuing a Master's in Big Data Science at the University of Pretoria. She joins us from FNB, where she was a Process Analyst specializing in optimizing and automating business processes in the Credit Card business unit.

Sihle Ngalo

B.Com (Hons) (WITS)

Sihle holds an Honours degree in Economic Sciences from Wits University, with a focus on Applied Math and Advanced Economics. Following his graduation, he gained valuable experience in the Global Markets graduate program at Citibank, where he honed his skills in Fixed Income Markets and Trading.

Responsible Investor: A Road of Continuous Learning and Growth

36ONE has been managing our clients' investments in South Africa for over 20 years. The significant growth of our business over this time has increased our influence and resources. This has enabled us to actively increase the extent and the effectiveness of our efforts to be a force for good through our investing activities. We encourage investee companies to consider the interests of all stakeholders in decisions, as we believe that this is key to building long-term sustainable businesses. Our role as a responsible investor is continually evolving as we incorporate the latest principles and standards of stewardship. The evolution of our role as a responsible investor is detailed on page 11 reflecting past milestones that have been achieved. We have completed many successful initiatives to formalise our ESG processes, including those aimed at consistent and clear communication of our ESG performance.

Currently, the two most important mechanisms through which we drive ESG performance is our Sustainable and Responsible Investing (SRI) Committee and the investment process itself. Our SRI Committee includes members from all areas of the business, with the objective of embedding ESG principles in our overall strategy and all operational aspects. However, investment decisions are the core of our business, and we are very conscious of the fact that meaningful ESG performance can only be achieved when ESG principles are integrated into these decisions.

ESG integration in our investment process is led by the investment team with each analyst responsible for assessing the risk as it pertains to companies under their coverage. We consider each element of ESG in analysing a potential investment and reviewing overall portfolio positioning. At 36ONE we emphasise governance as the element that we are best placed to assess accurately and influence effectively. Moreover, we believe that good governance is the necessary precondition for responsible social and environmental outcomes and the catalyst for improvements in such outcomes. Our investment process therefore focuses on assessing management teams and the broader governance of existing and potential investee companies as a key factor behind ESG performance. More details around this aspect of our investment process are outlined on page 12 of this report.

Although we have refined and improved our investment process over the years, our broad approach to ESG matters has remained consistent. We do not believe that immediate disinvestment or outright exclusion from the investment universe will deliver changes that are in the best interest of our business, our clients or the broader society. The reason is that it is not possible to engage with an excluded company on a contentious issue. By implication, this negates any influence which we might have had to effect positive change. Therefore, should we identify weak ESG performance in a potential investment (or weakening ESG performance in an existing investment), we prefer to firstly engage with management. The form of such engagement may differ, but the ultimate goal will always be to provide appropriate feedback and support to ensure future improvements in ESG performance across all elements. When circumstances warrant, we will also engage with other shareholders and stakeholders such as regulators, government policy makers, industry associations, proxy advisory firms and debt holders to build consensus and collectively lobby for responsible change.

Our engagements are conducted by the relevant investment analyst may take various forms, such as meetings with senior management or written communication with the board of directors. Engagement ensures that ESG principles are not simply evaluated as part of our investment process but reflects the basis on which we seek to drive positive change in society. An outline of our engagements with investee companies appears on page 16 of this report. Notably, 80% of our engagements over the past year were ESG-related, which not only reflects the importance of ESG factors in our investment process, but also our commitment to driving positive change.

Investor sentiment towards South African domestically focused companies ("SA Inc.") improved meaningfully in 2024, supported by a sharp reduction in loadshedding, a market-friendly electoral outcome, and the implementation of the "two-pot" pension reform system. Progress under Operation Vulindlela, which targets five key areas of structural reform (Electricity, Water, Transport, Digital Communications, and Visa Reform), was notable. Key achievements included enhanced electricity stability, the unbundling of Eskom into separate Generation, Transmission, and Distribution entities, and meaningful streamlining of visa processes for skilled professionals and tourists.

Despite these structural tailwinds, the macroeconomic backdrop remained challenging. Elevated interest rates and persistently high unemployment continued to constrain economic activity, with GDP growth reaching just 0.6% for the year. Nonetheless, the improved sentiment drove increased investor interest in South African corporates. In this environment, our engagements were heavily focused on corporate restructuring initiatives and workforce strategies, balancing operational efficiency with broader social considerations.

We are continuously striving to improve the feedback we provide regarding our engagements, with more detailed reporting shared with our clients. Since 2023, we included specific topics/themes within the broader ESG framework in our reporting. In 2024, we further enhanced our engagement tracker, to capture more details around our ESG engagements. The improvements we made enrich the depth of our insights and we will continually enhance our ESG reporting. By centralising all our interactions with management, the tracker provides easy access to historical meeting data, enabling us to track progress and changes over time. In line with our commitment to transparency, we provide quarterly engagement summaries to clients upon request.

By sharing insights into our stewardship practices, this report aims to communicate our dedication to creating sustainable value for our clients and broader society through responsible and accountable asset management. Our commitment to transparency and ethical investment practices remains unwavering as we continue to navigate the ever-evolving landscape of responsible investing.

36ONE: The DEGREE of Difference

Company Background

Cy Jacobs and Steven Liptz founded 36ONE in 2004, driven by their mutual passion for investing. After completing their accounting articles in the mid-nineties, they joined Simpson McKie, which was later sold to HSBC. In 1999, the Johannesburg retail operation of HSBC was sold to Investec, where Cy and Steven remained for another five and a half years. By late 2004, with the benefit of years of experience, they resolved to launch their own venture and do things their way. Cy and Steven then founded 36ONE where, over time, they hand-picked a deliberately small team of exceptional, committed and talented individuals. This recruitment policy ensured that 36ONE could adopt a leaner, more efficient and more customised approach than the typical investment management firm.

Following the firm's initial success with private client portfolios, 36ONE launched two unit trusts in September 2005 and its first hedge fund in April 2006. Today the firm manages unit trusts, hedge funds and institutional segregated mandates. With single-minded focus, the team continues to deliver outstanding performance and exceptional service. Despite rapid growth, 36ONE remains small enough to maintain its flexible and agile investment approach.

The DEGREE of Difference

Our brand story best encapsulates Cy and Steven's vision - the 'ONE' in 36ONE embodies our commitment of going the extra degree. It represents the elusive ONE degree after 360 degrees; the ONE, that in theory doesn't exist, signifying our unique approach to generating exceptional performance and service - beyond the expected.

Our firm name is accompanied by our tag line, 'the DEGREE of Difference'; we believe that we have a degree of difference to offer - to our employees, to our clients, to our community, to society and beyond. We hold the firm belief that ONE simple act can make a significant difference. The essence of this philosophy lies in consistency. Small and sustained efforts overcome inertia, build momentum and lead to visible progress. Over time, it makes all the difference. Investing to make a difference has always been part of the ethos and mission of 36ONE.

"As a Proudly South African asset management firm, our business is investing in South African companies. It is therefore in our best interests to do what we can to ensure the continued success of our country. Contributing to causes that are committed to supporting society and assisting local communities (being an active citizen) is an essential component of nurturing sustainability in South Africa."

Steven Liptz – co-founder, 36ONE

Making a Meaningful Social Impact

Within our commitment to fostering positive social change, we continually support initiatives that we believe make a profound difference within society. We classify our Corporate Social Investment (CSI) efforts into three broad categories, namely sport, education and art/culture. Since the inception of the business, we have supported numerous initiatives within these categories.

CSI Initiatives: From Broad-Based Giving to B-BBEE-Aligned Impact

To date, our CSI work has centred on these abovementioned three pillars. More recently, there has been a strategic shift to better align our CSI efforts with the B-BBEE scorecard. While we remain committed to many longstanding initiatives, our team—specifically the Transformation and Social Responsibility (TSR) team—is actively researching new opportunities and in discussions with organisations that could have a greater impact. The focus on the scorecard is guiding us from a broad-based approach to a more targeted and impactful strategy.

Here are some of the key areas where we've driven impact this year:

Enterprise & supplier development	Socio-Economic Development	Consumer Education	Preferential Procurement
We provided a loan to a black-owned enterprise, which resulted in the creation of new jobs (5/6 hires were women) as well as improved marketing initiatives and broader business expansion through increased assets and growth. Additionally, through a loan provided via the ASISA Enterprise Development Trust, we supported job creation, emerging black brokers and asset managers, and promoted black-owned suppliers and healthcare innovators, recognising that SMEs contributed over 50% to national GDP and 60% of all jobs.	We provided high-spec laptops to 3 black owned businesses, which enhanced their operations, accelerated digital transformation and enabled new opportunities for innovation.	We provided a grant to the ASISA Foundation to fund financial-literacy programmes that equipped underserved communities with essential money-management skills.	We're actively focusing our procurement, covering office rentals, technology services and administrative contracts, to increase spend with Black-owned suppliers.

Our scorecard-aligned strategy ensures that every CSI rand not only supports worthy causes but also strengthens the various pillars of the B-BBEE scorecard.


36ONE
MTB CHALLENGE


36ONE

This is an exciting area for us, and we look forward to report back on our progress, along with our broader transformation journey, in the 2025 stewardship report, which will be released next year. For more information on existing initiatives, please refer to last year's Stewardship Report.

Diversity, Equity and Inclusion

36ONE is committed to improving diversity, equity and inclusion in South Africa more broadly and specifically within the asset management industry. We chase these goals with the same passion and commitment to excellence for which our investment management is known. Specific to our business, our focus has long been to improve the diversity of our investment and operational teams.

We have additional initiatives that seek to address the shortage of available critical skills in South Africa as we believe that this is imperative to transforming the asset management industry. Our aim is to create new opportunities that provide growth and development within the firm to those that have the potential to succeed in the asset management industry. In this respect, our main vehicle is the 36ONE Learnership and Internship Program.

Industry participation and Organisations

Since 2011, we collaborate with fellow asset managers by publicly supporting CRISA. We are currently a signatory to the Code for Responsible Investing in South Africa (CRISA), the Carbon Disclosure Project (CDP) and United Nations Principles for Responsible Investment (UNPRI). We remain committed to implementing the latest stewardship practices. Refer to the remainder of the report for details on how we implement stewardship practices.

Our Responsible Investing Journey

Our goal is to generate returns which result in endurable, long-term wealth for our investors. As a South African asset manager, we therefore have a vested interest in the sustainable growth of our country to the long-term benefit of ourselves, our clients and other stakeholders. Since the foundation of 36ONE, ESG principles have been woven into the fabric of our operations. While community-focused CSI initiatives and ESG principles have always been part of our business philosophy, in recent years we have increasingly formalised our commitment to ESG principles and the communication of our ESG performance. We continually refine our processes, stiving to incrementally improve our ESG performance over time.

Our second Stewardship Report builds on key milestones achieved in 2019 and 2024, when we proactively established an SRI Committee and published our inaugural Stewardship Report respectively, as we endeavour towards continually strengthening our ESG practices. Currently, the two most important mechanisms through which we drive ESG performance are the following:

1. The SRI Committee

The SRI committee includes staff members from both sides of the business, being the investment team and the operations team. This reflects our culture of collective responsibility and our view that ESG is a key factor in our overall business success.

The SRI committee provides the strategic impetus to improve ESG performance across the business and particularly within the investment process. One of its objectives is to build awareness and capacity within the business relating to ESG matters by, amongst others, improving the availability of data and other resources. The SRI committee also aims to ensure greater and more effective monitoring of ESG matters to ensure that our policies and processes regarding ESG are implemented successfully.

2. Our Investment Process

Our investment process emphasises high quality corporate governance as a key and necessary factor to achieving optimal financial, social and environmental outcomes. Weaknesses in corporate governance increase the probability that financial, social and environmental risks negatively impact investment returns. Therefore, our analysts are expected to evaluate corporate governance as part of the research process, and it is carefully weighed in our decision-making process. Moreover, each analyst is required to incorporate all factors that may impact on the investment income in their research, of which ESG risks and opportunities represent a crucial part. As a result, ESG matters are an integral part of our investment process when these have the potential to materially affect the investment outcome.

Our Approach to Responsible Investing

The UNPRI defines five responsible investment approaches: (1) Screening, (2) ESG integration, (3) Thematic Investing, (4) Stewardship and (5) Impact Investing. Each of these responsible investment approaches offers a unique way for investors to align their financial goals with their values, contributing to a more sustainable and ethical global economy. The diverse investment approaches therefore offer more than one way in which investment choices can have a positive impact on society. These investment approaches are briefly defined in the following table:

SCREENING	ESG INTEGRATION	THEMATIC	IMPACT	STEWARDSHIP
Applying rules based on defined criteria that determine whether an investment is permissible.	Ongoing consideration of ESG factors within an investment analysis and decision-making process with the aim of improving risk-adjusted returns.	Underpinned by the belief that economic, political, technological, regulatory and demographic dynamics are key drivers of investment risk and return and selecting assets to access specified trends.	Investing with the intention to generate a positive, measurable social and/or environmental impact alongside a financial return.	The use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries.

At 36ONE, our commitment to responsible investing forms the bedrock of our decision-making process. We understand the pivotal role that ESG factors play in shaping the future of investments, especially within the unique landscape of South Africa. Our approach is based on ESG integration, where evaluating and advocating for improved corporate governance is a cornerstone of our approach. We hold a steadfast belief that high standards of governance are a prerequisite for successful long-term investment, social and environmental outcomes. The presence of determinable governance weaknesses, such as past decisions that are ethically questionable, inappropriate policies and weak board structures are a red flag for us, often leading us to steer clear of potential investments. We recognise that weak governance is not just a financial concern but is synonymous with increased social and environmental risks.

In addressing social and environmental issues, we adopt a two-pronged strategy. Engaging with management, both publicly and privately, is a key element of our approach. Our decision-making framework is rooted in a commitment to engaging with all sectors rather than adopting blanket company or sector exclusions. We recognise that each sector brings its own set of opportunities and challenges, and our preference is to actively engage with stakeholders to address risks and concerns collaboratively.

Through meaningful engagement, we aim to foster dialogue, understanding, and cooperation among diverse stakeholders. This approach allows us to identify shared objectives and work towards mutually beneficial outcomes. By maintaining open lines of communication and actively seeking input from all parties involved, we can better understand the perspectives, concerns, and priorities of each company.

While engagement is our primary strategy for addressing risks, we understand that there may be instances where consensus cannot be reached or where urgent action is required. In such cases, we reserve the options of proposing resolutions, voting against proposed resolutions or exiting an investment as a last resort. We therefore continue to prioritise collaboration and dialogue whenever possible but are willing to take decisive action when this is merited.

We believe that our involvement can catalyse positive change within the companies in which we invest. By examining social and environmental issues separately, we gain a comprehensive understanding of the unique challenges and opportunities associated with each aspect of ESG. This nuanced approach allows us to tailor our engagement strategies to address specific concerns effectively. Our integrated approach revolves around a systematic process of identifying, measuring, and managing various factors to make informed and responsible investment decisions.

1. **Identify:** Our investment process begins with a meticulous identification of ESG factors associated with potential investments. We assess the environmental impact, social practices, and governance structures of companies within our investment universe. This involves scrutinising corporate policies, practices, and track records to identify strengths and potential weaknesses for each ESG component.

2. **Measure:** Once identified, we employ metrics to quantify the potential impact of material ESG factors. Analysts incorporate this analysis in their valuation and of a potential investment. We additionally employ a quantitative tool to measure how management is responding to risks which have been identified. We repeat this analysis at a portfolio level to ensure that we are aware of the portfolio's ESG performance, relative to its relative benchmark (for portfolios where this applies). ESG factors assessed for individual companies depend on the nature of their operations and materiality as assessed by the investment team. At a portfolio level, a broader range of factors are considered, including product safety, carbon emissions, employee health and safety, employee diversity, and metrics relating to the board of directors..

3. **Manage:** The management phase is most dynamic aspect of our ESG approach. Here, we actively engage with the companies in which we invest. Whether through public discourse or private conversations with management, our aim is always to drive positive change. By using our influence to address weaknesses in corporate governance or encouraging improvements in social and environmental practices, we actively manage the ESG performance of our portfolio.

United Nations Principles for Responsible Investment (UNPRI)

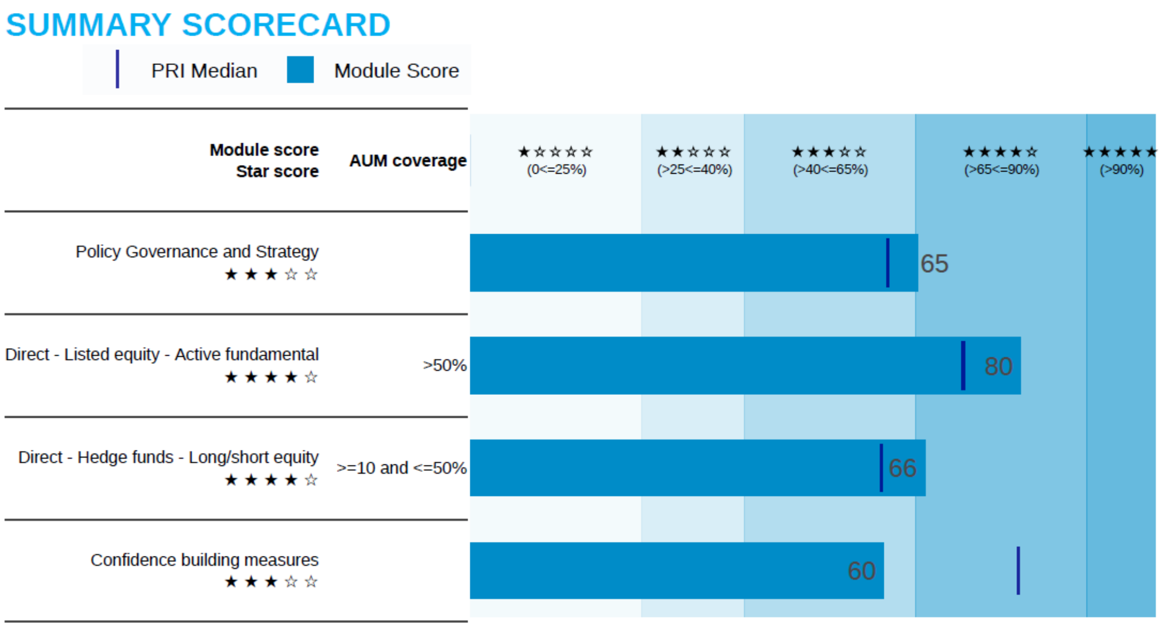
Since 6 August 2019, 36ONE has been a proud signatory to the UNPRI - the leading global framework guiding ESG integration in investment and ownership decision-making. While UNPRI membership is voluntary, signatories are held to rigorous standards: failure to adhere to the Principles can result in public investigation and eventual delisting. Delisted members face a mandatory two-year exclusion period before being eligible to reapply. As a member, our participation reflects a deep commitment to responsible investment and ongoing accountability to global best practices.

Principles for Responsible Investment (PRI) assessment

The PRI assessment continues to serve as an important benchmark for measuring our responsible investment practices against international best standards. This year's outcomes demonstrate both consistency and improvement, with a higher overall score in the Policy Governance and Strategy category. We acknowledge that our score in the Confidence Building Measures (CBM) section is below the PRI median and will prioritise efforts to enhance this area. As CBMs focus on how well a firm builds trust and credibility around its ESG practices, we are actively looking at ways in which publish more detailed ESG reports as well as disclose engagement outcomes and progress on ESG goals.

Overall, the PRI assessment results reinforce our dedication to the effective integration of ESG factors in our investment approach.

Our 2024 PRI Assessment



Monitoring and reporting ESG performance

We continuously monitor and evaluate ESG performance throughout all phases of our investment process, focussing on material strengths and weaknesses. While quantification of ESG performance is an essential filtering tool to ensure that the most critical matters receive the required attention, our approach remains largely qualitative in nature. It is the responsibility of each investment analyst to ensure that ESG considerations of the respective companies under their coverage are thoughtfully incorporated into all investment assessments. This includes additional research and engagement with company management, which form an integral part of our ESG evaluation. As a supporting input, we use a proprietary ESG scoring framework developed which takes into consideration the Peresec FarSight ESG tool, which is continuously updated and refined to reflect evolving risks and standards. This tool enables us to generate ESG scores for individual investments and portfolios, helping to assess and compare the SA Equity Fund against its benchmark.

The Peresec FarSight ESG tool has the ability to provide nuanced insights into each component of an ESG score, rather than focusing on a single outcome. Using this tool, we are able to go beyond surface-level assessments, delving deeper into a company's ESG approach and performance. This approach ensures a more accurate and insightful understanding of how ESG considerations are actively managed and aligns with our philosophy of making informed investment decisions. We therefore strategically employ the Peresec FarSight ESG tool to ensure that ESG scores for our investments are not solely influenced by company-sourced ESG disclosures. Instead, our focus is to evaluate ability of a company's management to address and navigate industry-specific ESG matters.

The tool rates the quality of a company's response to identified ESG matters over the short, medium and long-term. These responses are weighted by materiality to provide insight into the inherent vulnerability of a company (being the total ESG risk of the company, which may vary by industry) and its leadership quality (ultimately representing a measure of the ability of management to respond to the risk environment). The residual vulnerability is the difference between the two scores, representing the unaddressed ESG risk. Evaluating the unaddressed ESG risk is a key aspect of managing our investments' long-term ESG performance. When unaddressed risk is too large, this reflects the need for urgent action by management and often forms the basis for our engagement with management teams.

Please refer to the following policies available on the 36ONE website for more information on our approach to ESG and sustainability:

1. Sustainable and Responsible Investing Policy
2. Policy on Ownership Responsibilities
3. Policy on Conflicts of Interest
4. Climate Change Policy

Engagements and Proxy Voting

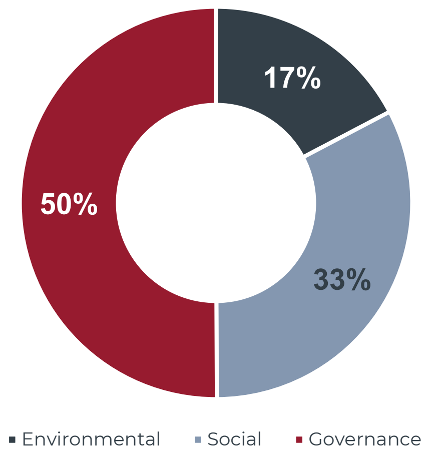
Engagements

We engage regularly with company management throughout the year through meetings, letters, collaborative initiatives, and more. These conversations are a core part of our investment process, helping us understand strategy and identify risks and opportunities. They also represent the main opportunity to raise ESG issues with management. If concerns are not taken seriously, we may escalate these to the board or speak out publicly. Our goal is always to support better ESG performance, which we see as vital to protecting and growing our clients' long-term investments.

Key metrics during 2024

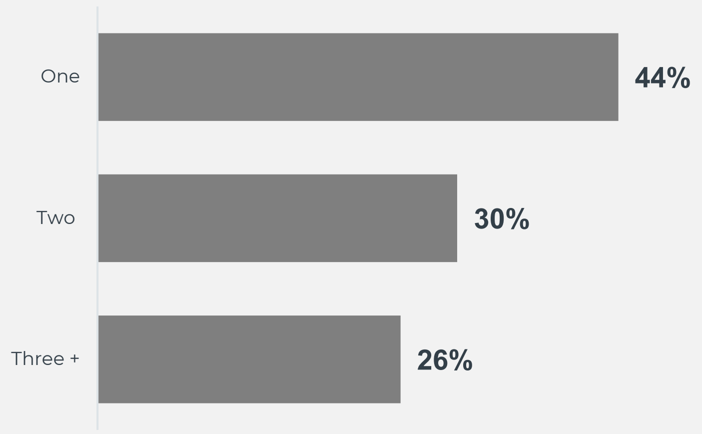
Engagement Breakdown:

ESG Engagement Category



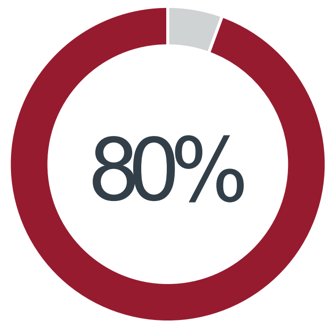
In 2024, 50% of our ESG engagements focused on governance, up from 46% in 2023. This reflects our belief that corporate governance is the key to ensuring the financial, environmental and social objectives are met. Without strong corporate governance, this raises the risk of major failures and financial losses. Even without such failures, weak governance often leads to suboptimal returns. Consequently, corporate governance is a determining factor in our investment approach to ensure that we invest in companies that can navigate future headwinds.

Company Engagements



At 36ONE, we recognise that there is no one-size-fits-all approach to engagement. We typically engage privately with company management. In some cases, we engage with the same company multiple times over the course of a year. This may be due to the presence of several ESG issues requiring attention, or the need to monitor progress on previously raised concerns. In 2024, 44% of our engagements with a company occurred once, 30% occurred twice, and 26% involved three or more times. This reflects our commitment to ongoing, constructive dialogue where needed. When necessary, and if issues remain unaddressed, we may escalate our engagement to the board or speak out publicly.

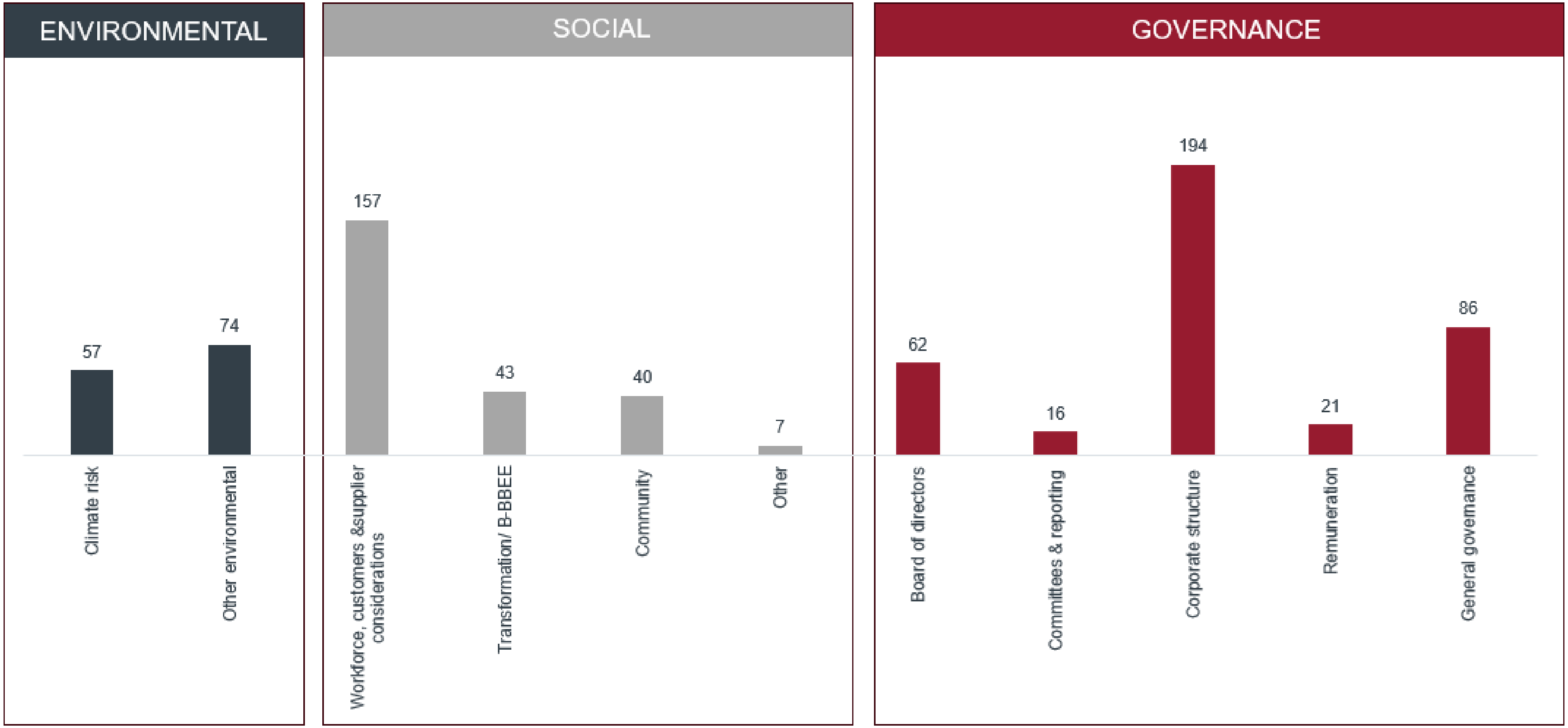
ESG Engagements



of total engagements during 2024 calendar year included environmental, social and governance issues

In 2024, our analysts kept ESG factors top of mind when engaging with companies, demonstrating our continued commitment to responsible investing. This is reflected in our ESG engagement data for the year, where ESG matters were raised in 80% of our engagements, up from 77% in 2023. This increase highlights our proactive approach to addressing material ESG risks and opportunities across our investment universe and our belief that focusing on these issues is critical to creating long-term value for our clients.

Number of ESG engagements from 1 January 2024 – 31 December 2024:



Environmental Engagements

Environmental considerations encompass a multifaceted evaluation of a company's impact on the natural world. This evaluation involves assessing factors such as greenhouse gas emissions, waste and pollution management, resource depletion, deforestation practices, and responses to climate change. Our approach emphasises not only understanding a company's current environmental footprint but also identifying areas for improvement and opportunities for long-term sustainability. Through engagement with company management, we advocate for appropriate policies and practices. Many companies are required to invest in their operations in order to respond to environmental developments. As investors, we ensure that these investments are made responsibly with the required returns for all stakeholders. Furthermore, we actively support shareholder resolutions aimed at addressing environmental concerns, thereby integrating environmental practices into our investment decisions. The current energy crisis in South Africa has accelerated the investment in renewable energy for many companies in our investment universe.

Environmental-related issues accounted for 17% of the ESG matters that we addressed in 2024, and we discuss some specific examples below.

We engaged with **Omnia** on the environmental impact of its Ammonium Nitrate Explosives. These explosives, while essential to various industrial processes, pose key environmental and health concerns, particularly water contamination, air pollution, and long-term soil degradation. High nitrate levels in drinking water can be harmful to both humans and animals, while residual ammonium nitrate may alter soil chemistry and reduce fertility. Our engagement focused on Omnia's efforts to develop ammonium nitrate-free alternatives. These innovations aim to reduce water and soil contamination by minimizing nitrate leaching, lower air pollution through cleaner detonation methods, and enhance safety by shifting to less reactive compounds, reducing the risk of accidental explosions. We continue to track the company's progress, which included trials in Canada, with plans to begin trials in warmer climates by 2025.

We engaged with **Vukile**, a Real Estate Investment Trust (REIT), to discuss how it is managing municipal service delivery challenges, particularly those affecting electricity and water supply at its shopping centres. These issues are especially critical in rural areas, where infrastructure reliability is often limited. In response, Vukile has implemented a resilience strategy to address both electricity and water concerns. In the case of electricity, this includes solar PV installations, which currently meet 18% of electricity needs, with further capacity expansions underway. In the case of water, the company has installed backup water systems and borehole solutions at nearly all its rural shopping centres to mitigate water supply disruptions. We continue to monitor progress to ensure that these initiatives are effectively mitigating operational risks associated with municipal service disruptions.

Raubex, a building materials company, was another focus of our 2024 engagement, particularly in light of the climate risks inherent to its sector. Raubex recently refreshed its ESG strategy, and we engaged with management to assess the relevance of its strategic priorities and associated KPIs. We were encouraged by (1) initiatives to reduce environmental impact, particularly through more efficient energy and water use, (2) emission reductions in asphalt production, which are already yielding tangible results, and (3) increased use of recycled materials in production, which enhance sustainability. These measures have improved the company's emissions tracking and waste management. We are satisfied with the progress and will continue engaging with Raubex to support further reductions in scope 1 and 2 emissions.

Social Engagements

Social considerations involve an evaluation of the way in which a company treats its employees, ensures workplace diversity, upholds labour standards, engages with local communities, prioritizes health and safety, and navigates potential conflicts. Our engagements with company management seeks to address social issues, promote inclusivity and equality within companies, and support projects benefiting underserved communities. Additionally, we advocate for improved social responsibility practices through shareholder resolutions, aligning our investment decisions with ethical principles and striving to make a positive social impact.

As many South African companies face another year of low growth, we find that many of our engagements focused on the potential social impact of any workforce restructuring which may occur. As South African investors, we are highly cognisant of the need to consider the social impact of decisions. In many industries, the short-term impact of workforce restructuring can be significant, while such decisions can also undermine the long-term social compact. Therefore, when engaging with management in industries such as mining, which directly and indirectly support a significant portion of the population, we endeavour to use our influence in favour of approaches which balance short-term and long-term concerns. Social-related issues accounted for 33% of the ESG matters that we addressed in 2024 and we discuss some examples below.

We engaged with **Coronation Fund Managers** regarding their litigation with the South African Revenue Services (SARS) over a high tax assessment. The potential impact on dividend payouts, employee compensation, and the company's investment case was significant. Many employees are incentivised through equity and dividends, and a reduced return outlook could affect talent retention and recruitment. We found management receptive to these concerns. The company emphasised the importance of pursuing the case to the Constitutional Court and noted that settling the amount in the interim was prudent. The appeal was ultimately successful.

In early 2024, **Gold Fields** reported a fatality at its South Deep mine involving trackless mining equipment. This followed management's earlier admission of a skills shortage in this area. We met with the new CEO to understand the root cause, which was identified by management as overly complex safety reviews which had limited effectiveness. Management is now simplifying safety protocols to improve understanding and compliance. We are encouraged by their response and continue to track the company's progress to gain comfort that meaningful improvements are being made.

We also engaged with **Mr Price** regarding labour practices in their supply chain. Concerns were raised about the use of agents to import goods from Chinese factories, limiting oversight of ethical standards. In response, Mr Price shifted to direct sourcing and has audited over 95% of its factories. This move improves transparency and accountability. We will continue monitoring their supply chain practices to ensure ongoing compliance with ethical labour standards.

Governance Engagements

Governance was once again a focus area our engagements in 2024, where we evaluated various metrics which have a demonstrated association with governance outcomes. Such metrics include, for example, a company's tax strategy, tax compliance, executive compensation structures, transparency in donations and political lobbying, anti-corruption measures, and board composition. We identify governance weaknesses and assess their impact on investment decisions, advocating for enhanced governance standards through engagement with management. Furthermore, we support governance-related shareholder resolutions and collaborate with companies to strengthen governance frameworks, emphasizing accountability, transparency and ethical conduct. Similar to our engagements in 2023, our engagements in 2024 were heavily focused on corporate restructuring initiatives and workforce strategies, balancing operational efficiency with broader social considerations. Governance-related issues accounted for 50% of the ESG matters that we addressed in 2024 and we discuss some examples below.

We engaged extensively with **MAS Real Estate** regarding their capital structure and liquidity challenges. Management was transparent and proactive, outlining their strategy to unlock shareholder value despite persistent short- to medium-term headwinds. We gained a clearer understanding of the risks and opportunities and will continue to monitor the company's progress.

Our engagement with Transaction Capital followed the unbundling of **WeBuyCars.** We focused on the company's capital structure and capital allocation decisions, particularly the financial strain at SA Taxi. The company faces high debt levels, weak cash flows, and deteriorating collections. While these are financial concerns, which management is attempting to address through cost-cutting and debt restructuring talks, from a governance perspective, we are concerned that transparency remains limited, and this will remain a key focus of our continuing engagements with the company.

Leadership instability at **Absa** has been a major concern following the resignation of CEO Arrie Rautenbach. Governance issues, including controversial leadership decisions and a lack of executive continuity, have undermined strategic direction. We engaged with the board to advocate for the swift appointment of a capable permanent CEO and for improved succession planning, highlighting the need for a leader with a strong track record in governance, operational turnaround, and strategic foresight to stabilise the business. With seven CEOs retiring or departing in the last seven years, this instability has created a lack of consistent leadership and vision, which is critical for the organisation's strategic execution and long-term success.

Proxy Voting

We believe that exercising our rights as shareholders forms part of our mandate to maximise investment returns, of which the right to vote on shareholder resolutions forms an important part. Shareholder votes do not only influence corporate governance decisions but represents the only way in which most investors directly exercise a corporate governance role. At 36ONE, we view good corporate governance as a prerequisite for financial and ESG performance and therefore attach great importance to our voting responsibilities. Our proxy votes are guided by our 'Policy on ownership responsibilities'. This proxy voting policy outlines the manner in which we discharge our ownership responsibilities on behalf of our clients, describes our engagement processes and our approach to proxy voting. This policy is publicly available and can be found on our company website under the responsible investing tab.

Each analyst takes ESG matters into consideration as part of our integrated investment process and therefore we believe that the primary analyst covering each firm is best placed to make proxy recommendations. In doing so, the analyst takes into consideration the policy on ownership responsibilities as well as recommendations by third party providers (for example, broker voting recommendations and research on ESG performance). However, third-party proxy recommendations are never accepted without applying our minds to the specific situation. If necessary, we conduct our own targeted investigations. All final voting decisions are made with reference to the policy on ownership responsibilities.

Proxy Voting System

We rely on an external provider for our proxy voting system. This system links related voting data (e.g., corporate actions and proxy voting) with our holdings. Data is updated daily. We therefore exercise shareholder rights centrally across our mandates and submit votes/corporate action elections to all custodians simultaneously. Not only is this process efficient, but it also reduces the risk of human error when voting/electing separately per mandate. Our proxy voting system provides us with significant insight into the voting process, which makes potential improvements to the process easier to identify and implement.

Reporting

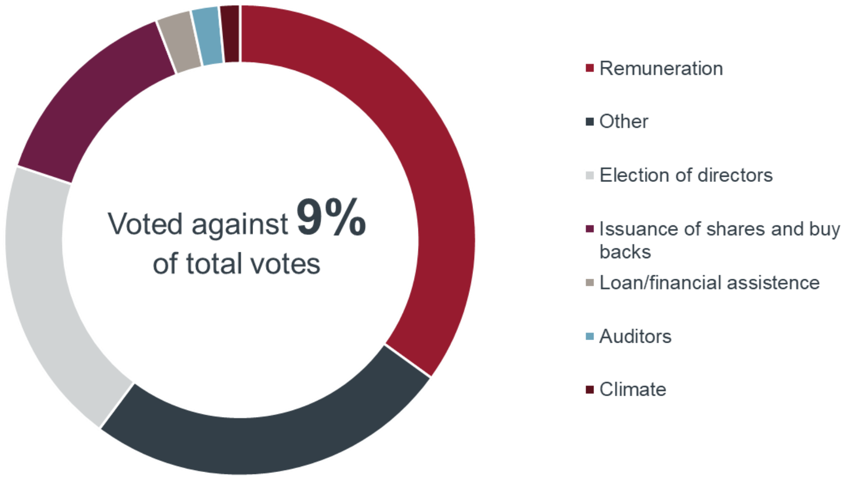
All client proxy voting is tracked and made available on our company website. Each quarter, we report on our proxy voting within client report backs.

Key Metrics During 2024

Our proxy voting at shareholder meetings during 2024 comprised the following:

Vote	Number
Resolutions “For”	2165
Resolutions “Against”	206
Resolutions “Abstained”	-
Total resolutions	**2371**

2024: Reasons for voting “against”



As reflected in the chart (far right), the category with the largest number of votes against proposed shareholder resolutions is that of director’s remuneration, followed by director elections. This is consistent with the reasons we voted against proposed shareholder resolutions in 2023. The main reasons for voting against proposed shareholder resolutions in each category are discussed below.

Proxy Voting Resolution Categories

In 2024, proposals related to the election of directors comprised a larger share of our proxy votes, representing 43% of all resolutions, up from 38% in 2023 *(refer to first image on the right)*. Votes on remuneration remained relatively stable year-on-year, while there was a slight decline in resolutions concerning the issuance and repurchase of shares.

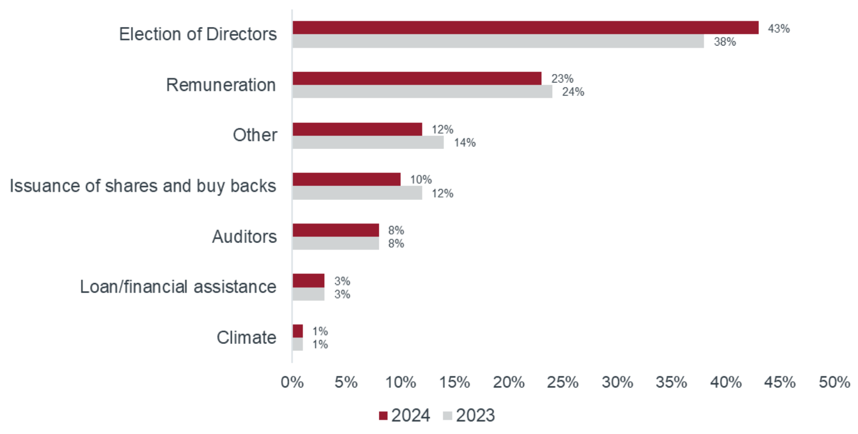
The high proportion of votes related to the election of directors reflects the critical role that board members play in corporate governance. At 36ONE we consider these votes among the most important, as directors are responsible for setting company strategy, overseeing management, and safeguarding shareholder interests. As investor focus on accountability, diversity, and board independence continues to grow, scrutiny of board composition and performance has intensified, leading to more resolutions in this area. Moreover, annual board elections are a routine part of corporate governance processes, which naturally makes them a recurring and significant portion of proxy voting activity.

In reviewing our proxy voting activity for 2024, we observed distinct patterns across different resolution categories *(refer to second image on the right)*. While climate-related proposals represented a relatively small portion of total resolutions, we voted against 3 out of the 8 votes, reflecting our rigorous scrutiny of proposals that lack credible transition plans and measurable targets.

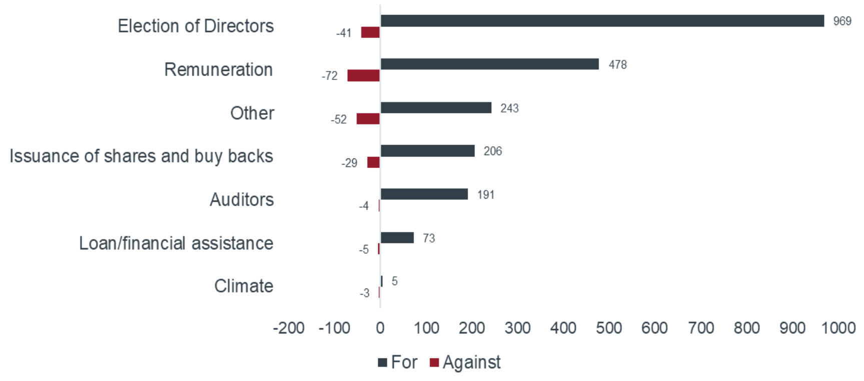
Remuneration resolutions, which comprised a much larger share of the total, saw a disapproval on 72 out of the 550 votes. Our votes against were primarily driven by concerns around pay-performance misalignment, lack of transparency, or excessive incentive structures that may not be in the best interests of shareholders.

Similarly, we voted against 29 out of the 235 votes on share capital resolutions, including those related to the issuance and buyback of shares, where we identified potentially dilutive proposals.

Proposal Category



2024 Proposal Category Breakdown



Remuneration

- Lack of Alignment with Company Strategy: Whenever executive remuneration packages and the overarching strategic goals of the company are misaligned; this creates a major area of concern. Misalignment in this context can severely impede the effectiveness of the company overall, not only at executive level, and can cause long-term damage that is often very difficult and expensive to correct.

- Oversimplification of Variable Remuneration Targets: Oversimplistic targets for variable remunerations fail to capture the complexity of strategic achievements. This can result in rewarding executives for achievements that do not contribute to the company's long-term performance.

- Unclear Articulation of the Basis of Fixed Pay: Transparency is key in fostering trust and understanding among stakeholders. The absence of a clear and well-articulated basis for determining fixed pay raises questions about the fairness of compensation structures.

Election of Directors

- Director Tenure and Independence: Extended tenure of non-executive directors raises concerns about their independence and objectivity. Long-serving non-executive directors could develop close relationships with management, which could potentially compromise their ability to make impartial decisions and act in the best interest of outside shareholders.

Issuance of Shares and Share Buybacks

- Rationale for Rights to Issue Shares: 36ONE will only support resolutions that provide companies with the right to issue shares when clear and well-founded justifications are provided. Specifically, we believe that companies that have weaker return prospects should not receive unfettered control over issuing shares, as control over share issuance in such situations have often resulted in suboptimal decisions by directors in the past.

- Beneficiaries of Share Issuance: 36ONE will only support share issuance that contribute to the long-term success and sustainability of the company. Share issuances that primarily serve the interest of directors or their close associates, undermine good corporate governance (and thereby shareholder value creation).

Auditors

- Rotation of Auditors: After the advent of mandatory rotation regulations (which have subsequently lost legal power) spurred companies to reduce auditor tenure, some companies appear to implement questionable rotations without clear justification. Poorly explained resignations by incumbent auditors raise concerns about the reasons for such rotations, particularly when the proposed rotation is to an audit firm of lower stature.

Integration of ESG Factors in the Investment Process

At 36ONE, we integrate ESG factors in the investment process. This means that we consider ESG factors as part of our fundamental research and include ESG performance in the investment decision on a qualitative or quantitative basis (or sometimes both). The materiality of an individual ESG factor differs between investments, which often depend on the industry to which a company belongs. For example, social and environmental risks are relatively high for certain industries, such as oil and chemical producers. Increasingly, carbon emissions, carbon tax and climate change are also key considerations for firms in these industries. Sasol is a prime example of a company for which all these factors would be particularly relevant. Furthermore, some ESG factors only apply to a specific industry, such as MSC certification in the fishing industry, which denotes well-managed sustainable fishing practices. This is a material consideration for companies operating in this industry (Sea Harvest is a South African example), as MSC certification enables a company to charge a premium price for its products in international markets. Therefore, each analyst is responsible for incorporating the ESG factors that are relevant to a specific investment case. These may represent risks or opportunities from a financial perspective.

Nevertheless, high quality corporate governance is applicable across all industries. Moreover, at 36ONE, we emphasise governance as the necessary precondition for financial, environmental, and social performance and the catalyst for improvements in these outcomes. Irrespective of industry, our investment process therefore focuses on assessing management teams and the broader governance of existing and potential investee companies as a key factor behind financial and ESG performance.

We use three main sources of information to incorporate ESG factors in our research process:

- **Information disclosed by the firm.** Firms increasingly disclose ESG information as part of their audited integrated reports. However, all publicly available information, including feedback from management engagements, is an important source of ESG information. They reveal a firm's approach to identifying, managing and responding to ESG risks and opportunities. Publicly available information often represents a key starting point for further investigation.

- **Firm-specific third-party research.** Sell-side research on specific firms frequently reveals ESG risks and opportunities, even when these are not the primary focus of the report, as ESG matters frequently have financial implications. In addition, we make use of research reports with a specific ESG focus, of which the ESG research provided by Peresec is a prime example.

- **Independent data providers.** We make use of publicly available data from independent data providers to assess specific ESG risks. Such data is particularly useful when an ESG risk potentially has a significant and wide societal or environmental impact, while its evaluation is highly technical. Carbon disclosures available on the CDP portal is a prime example of such data.

Case Studies

At 36ONE, we acknowledge the intricate nature of ESG matters, recognising that they are often interconnected and multifaceted. While we view high quality corporate governance as a prerequisite for ESG performance across its comprising elements, investment decisions weigh far more than simply financial and governance considerations. Instead, we adopt a holistic approach, understanding that a comprehensive evaluation is essential to grasp the true complexities and risks associated with a company's operations.

We believe that a holistic approach is essential when evaluating ESG performance, as individual aspects of environmental sustainability, social responsibility and governance practices do not operate in isolation. Instead, they often interact in ways that require careful consideration. For example, in some cases improvements in one aspect may pose challenges or trade-offs in another, necessitating a nuanced and context-specific understanding of the interaction and optimal balance between different ESG factors. We seek to advance the industry norm in this respect, by incorporating the broader impact on communities and the environment within our investment decision-making process.
This approach necessitates a sophisticated analysis that can accommodate diverse (and sometimes conflicting) sources of information. While necessarily complex, we believe that a holistic approach is an essential element of sustainable and responsible investing.

At 36ONE, we are not only committed to a holistic investment approach, but we also endeavour to provide our clients with a comprehensive understanding of our investment process and the companies in which they are invested. With this objective, we highlight some of the recent investment considerations and trade-offs that we have navigated in two case studies. The first case study reflects on **Remgro**, an investment holding company with investments spanning the financial services, healthcare, beverages and infrastructure industries, while our second case study considers **Anglo-American**, a multi-national mining company. We selected these case studies to highlight that shareholders and employees are also important stakeholders whose interests we also consider as part of the long-term sustainability focus of our investment process. In the case of Remgro, we engaged with management to align executive remuneration with shareholder interests. In the case of Anglo-American, we questioned the governance and social impacts of its complex corporate restructuring. More details appear on the pages which follow.

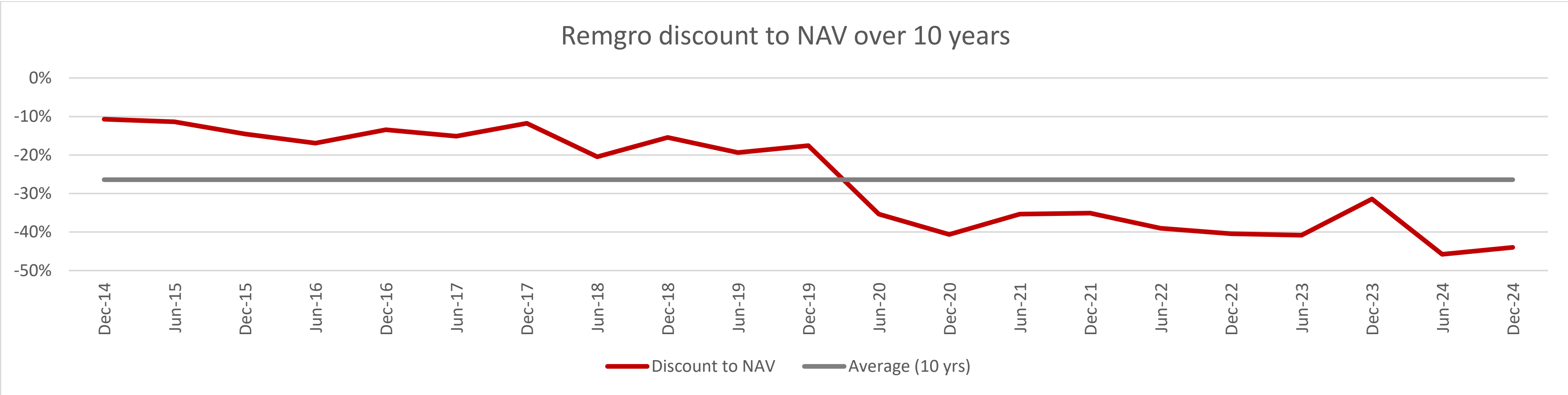
Source: 123RF/wklzzz

Remgro's deepening discount

Remgro is an investment holding company listed on the Johannesburg Stock Exchange. Its origins trace back to 1948 when Dr Anton Rupert founded the tobacco company "Voorbrand" which was later renamed to the Rembrandt Trust. Over the years, the Rembrandt Trust had investments in many South African and international investments, with a long list of successful companies coming out of the "Remgro stable". For example, Richemont, Vodacom, British American Tobacco and Reinet all have origins or ties to the Remgro stable. Remgro has created significant value for investors as well as the South African economy over the years.

Returns have not kept up with the market

In recent years however, shareholder returns have lagged that of the South African market. The company has in the past traded at a premium to the value of its underlying investments but trades at a discount to its NAV (net asset value as represented by the fair value of its underlying investments) in for the past decade. However, over the past decade, it has persistently traded at a growing discount, now at approximately 47% of NAV. While some degree of "holding company discount" is common globally, Remgro's widening gap raises concerns around capital efficiency, investor confidence, and governance structures. The company's significant exposure to unlisted investments—valued internally by the board and reviewed externally for reasonableness—adds a layer of opacity that may contribute to market scepticism. This lack of transparency in asset valuations can make it difficult for investors to assess the true underlying worth of the company.



Source: JP Morgan, Bloomberg

Engaged Board amid concentrated voting power

One of the key governance features of Remgro is its dual share class structure, with B Ordinary shares representing only 7% of total shares (net of treasury shares) but commanding 43% of voting rights. These shares are controlled by Rupert Beleggings Pty Ltd, a Rupert family entity. This concentration of voting power creates a governance imbalance, where outside shareholders have significantly less influence than their economic ownership would warrant. This structure, while legal and disclosed, introduces potential agency risk: decisions could be taken that favour the controlling shareholder over broader investor interests. We see this governance issue as directly linked to the persistence of the NAV discount, as it limits external accountability and shareholder influence. Despite this, Remgro's Board has been notably accessible, with all members willing to engage constructively with shareholders.

We continue to believe that investment holding companies, play a vital role in in South Africa's financial ecosystem, particularly given the limited depth and maturity of the local venture capital and private equity markets. Many early-stage and high-growth businesses are not yet suitable for public listing, , due to both the capital intensity of their growth trajectories and the limited appetite among South African investors for high-risk or long-duration investments. This structural gap creates a clear opportunity for investment holding companies—particularly those with access to permanent capital—to act as long-term partners to these businesses. By providing patient, strategic capital and operational oversight, holding companies can help unlock the potential of businesses that may otherwise struggle to scale in the public market environment.

Focussing our engagements in narrowing the discount

Our primary engagement focus with Remgro has been on the alignment of management incentives with shareholder value creation, particularly around narrowing the NAV discount. Historically, executive incentives were tied to growth in NAV and free cash flow. However, these metrics did not necessarily translate into shareholder returns—NAV could increase while the market discount widened. Through sustained engagement, we advocated for performance metrics that more directly reflect shareholder experience. In response, Remgro introduced new KPIs into its long-term incentive plan from 2024, including:

- Total Shareholder Return (TSR)
- Growth in Headline Earnings per Share (HEPS)

While these new KPIs do not explicitly reference the NAV discount, we believe they represent meaningful progress in aligning management incentives with shareholder outcomes. TSR, in particular, is a comprehensive measure that incorporates both capital appreciation and dividends—effectively linking management reward to actual investor returns.

We acknowledge and welcome the changes implemented in 2024 and will continue to engage with the board to: encourage more direct efforts to reduce the NAV discount; improve transparency in ESG practices, particularly for unlisted investments; and support continued evolution of incentive design that puts shareholder returns at the centre.
We believe that with improved alignment and transparency, Remgro can regain market confidence and deliver better long-term value for all stakeholders.

Source: Flickr, Anglo American

36ONE
Asset Management

Anglo American's break-up plan: digging for long-term value

Operating at the crossroads of copper, iron-ore, diamonds and platinum group metals (PGMs), Anglo American is one of the JSE's most important mining companies. In a bold strategic pivot, the Board of Anglo American unveiled plans for the most radical restructuring in the company's 107-year history. The proposed break-up involves divesting or demerging De Beers (diamonds) and Anglo American Platinum (PGMs). This restructuring aims to reposition the company as a copper-focused business, capitalising on the metal's growing role in global decarbonisation efforts. The decision was a response to unsolicited takeover offers from BHP Billiton. The Board rejected the proposal, opting instead for a defensive strategy centred on portfolio simplification, capital discipline, and long-term value creation.

Restructuring	Going Forward
• Steelmaking Coal Divestment $3.8bn of fixed proceeds, $1.0bn contingent (Completion Q32025)	• Operational excellence led by Copper and Iron Ore
• Nickel Sale $350mn of fixed proceeds, $150mn contingent (Completion Q32025)	• Cost savings: $1bn achieved, $1.3bn run-rate, $800 to go, $500 more from corporate costs by end-2025
• PGM Demerger Two placements raised $0.9bn; transaction costs US$400-500mn Demerger and admission to LSE in June 2025 Retaining 19.9% Stake worth ~$2bn	• Anglo and Codelco JV: Los Bronces (~0.5% Cu with 50-55Mt processing) and Andina (~0.8% Cu with 30-33Mt processing) • Long-term goal of > 1mn tonnes of copper production by 2030, a 30% increase from current levels • PV pre-tax boost of as atleast $5bn shared equally
• De Beers IPO (Market Dependent)	• Other Copper: 1. Quellaveco Depth Extension Exploration 2. Collahuasi expansion

For investors, the governance stakes are high. Executing a break-up of this size and complexity while fending off a potential acquirer, requires significant board oversight, credible capital-allocation and transparent stakeholder communication. There is a material risk that execution missteps could destroy shareholder value, both by undermining the standalone strategy and by impairing the company's negotiating position in the event of future takeover bids. Clear accountability, phased execution milestones, and independent Board challenge are essential to safeguarding shareholder interests throughout the process.

Anglo American's economic footprint and social stakes

Anglo employs about 55 000 people globally, with a sizable concentration in South Africa's mining regions. Beyond wages, the company's royalties, taxes and supply-chain spending underpin provincial economies such as Limpopo (PGMs) and Northern Cape (iron-ore). This broad economic footprint makes Anglo a cornerstone of regional economies and a significant player in local community life. As such, the company's planned de-mergers and asset disposals—while potentially value-accretive for shareholders—raise important questions for local stakeholders, particularly organised labour, host communities, and local government authorities.

For policymakers, these questions intersect with the South Africa's broader socioeconomic agenda. Divesting assets maybe in the best interest of shareholders, but potential mine closures or new owners less firmly rooted in South Africa could cause exacerbate current social disparities. Ensuring that disposal processes factor in social safeguards is thus a litmus test of the group's governance quality.

Our engagements with executive and non-executive directors during 2024 centred on three themes:

1. **Rationale of asset separations**
   We probed the rationale being the timing of the De Beers exit and Amplats demerger, given diamond and PGM market weaknesses which create valuation uncertainty. This may not only depress shareholder value creation but also create tensions in the newly separated firms which can manifest in negative socioeconomic outcomes, such as job losses. While the company ultimately opted for an early separation to maximize strategic optionality, feedback from management indicated a greater sensitivity of these factors in the break-up process.
2. **Workforce transition planning**
   We engaged management on plans to ensure that social-labour compacts, skills-transfer programmes and pension obligations will transfer to new owners. In response, management committed to improve transparency and publish, before any closing, a harmonised set of undertakings for organised labour in South Africa, Australia and Brazil to mitigate restructuring anxiety.
3. **Capital allocation & balance-sheet guardrails**
   We challenged the company on its intention to continue to pay dividends throughout the transition, which we believe may prioritise short-term shareholder interests at the expense of long-term sustainability for all the company's stakeholder. In response, management detailed additional recurring cost savings from 2025, which are aimed at protecting credit metrics and improving long-term sustainability.

These engagements reinforced our assessment that the break-up is being driven by strategic intent rather than short-term bid defence alone, but we will continue to monitor delivery milestones closely.

Charting a copper-centric future
Anglo's retained assets – Los Bronces and Quellaveco in South America, Kumba Iron Ore and the Woodsmith fertiliser project in the United Kingdom – all map to long-duration demand linked to electrification, decarbonisation and food security. Analysts estimate that copper will overtake iron ore as the group's largest cash generator even without major greenfield investments, creating room for brownfield expansions once the balance sheet is stabilised.

However, operational execution remains pivotal. Copper output slipped 2024 amid grade variability and weather-related disruptions; rectifying such issues is essential if the strategy is to insulate the group from renewed takeover interest.

Striking the governance-social balance

Anglo American's 2024 break-up plan exemplifies the tension between shareholder-value optimisation and societal obligations. Portfolio simplification promises a leaner, more climate-aligned miner, but only if divestments preserve community livelihoods and environmental standards of existing licences. For investors, the opportunity lies in a potential rerating as copper's strategic relevance grows.

In our view, long-term sustainable performance requires that the disposals are value-accretive without compromising on the social dividend (e.g. employment, local procurement and tax contributions). We therefore maintain an active engagement stance, supporting the strategic direction while scrutinising each milestone for evidence that Anglo American's governance framework is strong enough to hold the line between accelerated value creation and responsible stewardship.

Climate Change

A modern stewardship report would not be complete without due consideration of climate change concerns.. As the focus on climate change gains attention on a global level, the discussion in emerging economies, such as South Africa, is increasingly around a 'just energy transition'. A just energy transition relates to the interplay between climate change (the E in ESG) and social equality (the S in ESG) and is predicated on fairness, ensuring that no community is left behind and all can thrive in the face of rapid decarbonisation. It places a strong emphasis on managing the social aspects of climate change within the workplace and broader communities. Such an approach, facilitated by inclusive decision-making, paves the way for growth and economic opportunities from decarbonisation.

Controlling global temperatures has been one of the key metrics set out in the Paris Agreement in 2015 to keep global warming below 2 degrees Celsius, but with current policies and pledges, the world is on track to see global average temperatures rise +2.7% by 2100.

Renewable energy sources, which are integral to the transition, offer the potential to create new industries and jobs while reducing dependence on fossil fuels. According to Financial Sector Deepening Africa, Africa's green economy could create more than 3 million direct jobs by 2030, while the International Renewable Energy Agency estimates that Africa's energy sector could generate as much as 28 million jobs by 2050. However, the vulnerable and marginalised, least responsible for climate change, often face exclusion from the benefits of achieving net-zero goals, amplifying existing inequalities.

Furthermore, the challenge of reducing emissions introduces a dilemma for companies as they navigate the trade-off between environmental responsibility and shareholder returns. Initial sacrifices in profits will most likely place downward pressure on share prices, which raises concerns around societal responsibilities toward savers, particularly those that depend on financial markets for an income during retirement. In addition, companies must strike a delicate balance between immediate profitability and long-term sustainability. Investing in a green future often incurs expenses that may affect short-term profits, potentially impacting employee compensation and job stability. However, neglecting to address climate change effectively and persisting on the present course would lead to significant long-term job reductions. These concerns highlight the importance of considering diverse interests to ensure a just transition, ensuring that the change to a low-carbon economy occurs in a responsible manner.

As asset managers are evaluated first and foremost on performance, these concerns also present unique challenges for the asset management industry. At 36ONE, we recognise that responsible investing is central to delivering outstanding performance, sustainability and long-term shareholder value. However, the complexity of the economy in which we invest, means that we ultimately strive to maintain a balanced view when investing in companies. When we encounter an investment that screens well from an ESG perspective, but not as well from a return on investment (ROI) perspective, we will not invest in the business if the risk/return profile is unfavourable. Similarly, when we encounter an investment that screens well from a ROI perspective, but not as well from an ESG perspective, we will only invest in the business if the risk/return profile is favourable.

Importantly, whenever there are material ESG risks, we take a proactive approach and engage with companies to drive positive change, while ensuring that we foster a holistic approach to sustainability. Our aim is to play a role in fostering a future that is both equitable and environmentally conscious. Please see link for Climate Change Policy here.

2025: Looking Ahead

Looking ahead, the key takeaway from the experiences of 2024 is the necessity for a flexible and dynamic investment approach. As we continue to monitor global economic trends and geopolitical developments, we remain committed to making informed decisions that prioritise the long-term interests of our clients.

Since the start of 2025, ESG and responsible investing have come under growing political and regulatory pressure globally. In the United States, President Trump has issued a series of executive orders that dismantle core ESG commitments while targeting public and private entities that support transformational ESG initiatives. The European Union has also scaled back its ambitions by delaying the Corporate Sustainability Reporting Directive (CSRD) and other key regulations for small and mid-sized companies, in part to remain competitive with a more deregulated U.S. Meanwhile, the number of sustainable funds worldwide has declined for the first time in years, and ESG fund flows turned negative in early 2025. Despite these developments into 2025, we view this period not as the end of ESG, but as a recalibration. Investor sentiment is shifting away from headline-driven ESG branding and toward a deeper focus on credible, transparent, and impact-oriented practices, suggesting that ESG, while evolving, remains a structural component of global investment strategy.

Artificial Intelligence (AI), particularly generative AI, emerged as one of the most discussed topics among investors in 2024, driven by the soaring valuations of tech companies. This enthusiasm has helped propel global stock markets and attracted significant investment in private markets focused on AI innovation. However, this rapid adoption raises important ethical and societal questions, including concerns around morality, the impact of AI on jobs and productivity, data privacy issues, intellectual property rights, surveillance, misinformation, fraud, and increased energy use to run the data centres that support AI. To address some of these concerns, the European Union has proposed the AI Act, which aims to establish a governance framework for ethical AI development and use. On the other hand, AI also offers significant potential to transform sustainable investing. It can improve the quality and scope of sustainability reporting, enhance data analytics, support the implementation of corporate ESG strategies, boost operational efficiencies, and accelerate scientific innovation that reduces greenhouse gas emissions. Yet, AI remains in the early stages of adoption, and we believe strong governance frameworks are essential to ensure its use promotes equity and sustainability.

We remain dedicated to stewardship and responsible investment practices that drive sustainable financial growth and positive societal impact. Our stewardship efforts have yielded great results, and we are resolute in our commitment to shaping a more sustainable and equitable future. We appreciate your continued trust and collaboration as we work to navigate this ever-evolving landscape.