

Investments



Climate Change Investment Policy Summary



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Climate change poses systemic risks affecting portfolios and reputations. As longtime advocates of responsible investing, we have extended our responsible investment philosophy to include a more targeted approach to our climate change efforts. Our Climate Change Investment Policy is integrated into our investment philosophy and it demonstrates our commitment to sustainability and risk-led ESG integration. Acknowledging climate change as a national priority, our approach aligns with our responsible investment framework and it aims for the incorporation of climate considerations. Our Policy details our affiliations, stewardship and capacity building efforts and risk management processes.



Overarching

As an asset owner, we ensure that our portfolios deliver returns in line with our clients' mandates and expectations. To achieve this, the underlying managers must be aware of and responsibly prepare for the possible trajectory of climate policy development.

Our overarching stance on climate change risk management within investments is centred on our commitment to working within the policy environment established by regulators. We believe that the appropriate approach at present is to ensure that we play an active role in identifying, measuring, reporting, and managing risks and opportunities.

While not adopting explicit emission targets, we engage with managers on responsible investment, expecting emissions to decrease as regulations evolve. Where targets and goals have been set for specific sectors, we will engage with our appointed asset managers regarding the roadmap of investee companies in various sectors.



Affiliations

Climate-related affiliations leverage the collective influence of their respective signatories such that the approach to systemic environmental risks is coordinated. We align with global initiatives like the Principles for Responsible Investment, the Code for Responsible Investing in South Africa and the United Nations Global Compact.

We continue to monitor and evaluate the relevance of other initiatives and we will sign up for other initiatives if they support our efforts around climate change.



Proxy voting

Proxy voting is a key shareholder right and responsibility. In the context of climate change, proxy voting is a lever that investors can use to actively manage and mitigate exposure to climate-related risks in the investee companies within their portfolios.

Our proxy voting guidelines leverage governance standards and support us in managing climate risks with our appointed asset managers. By reviewing these votes and consistently engaging with asset managers, we will better understand the nuanced approaches taken in managing portfolio risks associated with climate change.



Engagement

Our long-term engagement plan focuses on engaging with the investment industry and the corporate sector on:

- high emitting companies
- transition and liability risk management
- approaches to the just transition
- emissions measurement
- stances and progress on the Task Force for Climate-related Financial Disclosures
- adaptation to material impacts of climate change



Monitoring, measurement and reporting

Effective monitoring, measurement and reporting of the strategies deployed in our portfolio solutions plays a crucial role in demonstrating our efforts to be a responsible asset owner and investment manager. One of the significant contributors to climate change is carbon emissions.

Monitoring, measuring and reporting on carbon-related risks entails the ongoing evaluation and oversight of how companies within our investment portfolios address and mitigate carbon emissions and related environmental concerns. By doing so, we can make more informed decisions in our investment process.

Monitoring

We use asset manager reportbacks, due diligences and surveys to assess the top ESG portfolio risks of asset managers and evaluate their progress on these matters.

Measurement

Accurate measurement is crucial for assessing carbon risk mitigation practices and understanding their efficiency. This includes quantifying and evaluating the efforts of investee companies and investment portfolios in managing carbon emissions.

Measurement involves:

- calculating the Weighted Average Carbon Intensity (WACI) of the equity component of our multi-managed solutions

- measuring the WACI of the top 10 emitters within our solutions
- engaging with appointed asset managers on portfolio risks

Reporting

Comprehensive reporting plays a key role in stewardship. Reporting on climate-related practices provides valuable information about the materiality of environmental factors in our portfolio solutions.

We enhance our reporting through:

- proxy voting reporting on the top portfolios within our portfolio solutions
- annually disclosing the WACI metric of our flagship multi-managed solutions
- reporting on the impact of our private markets programme and how we contribute to the green transition



Risk management

Key climate change risks are related to physical, transition and liability risks. Addressing these risks shapes asset class assumptions and influences strategic asset allocations, manager research and portfolio construction. Our investment team considers how asset managers consider climate-specific risks within their portfolios and how they engage with investee companies' transition risk plans and report on them.



Capacity building and collaboration

We prioritise employee awareness and understanding of climate-related issues and we will collaborate with industry and regulatory bodies for knowledge-sharing and develop innovative solutions to manage climate change.

We will also contribute to policy discussions for effective climate risk management when appropriate.

Policy governance

Alexander Forbes Investments Limited, as the policy owner, oversees implementation through the investment team, reviewing and amending the policy as needed, with a minimum annual review.

Disclaimer

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