

## PROPOSED PROTECTION STRUCTURE

As Amada Investment Management (Amada) we believe in sustainability of the environment we operate in, so that the firms whose investment instruments we invest in can continue to operate in that environment for long-term interests of our beneficiaries. To this end we are signatories to the United Nations Principles for Responsible Investing (UNPRI).

As signatories we commit to promote sustainable investing through the consideration of Environmental, Social and Governance (ESG) issues in the activities of our investee companies. To this end we commit to the 6 principles of ESG below;

- Principle 1: We will incorporate ESG issues to investment analysis and decision-making processes
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles
- Principle 6: We will each report on our activities and progress towards implementing the Principles

Amada will have a dedicated analyst that will analyse the investee company's positioning to ESG factors disclosed or undisclosed by the investee companies in their Annual Financial Statements. This information is organised in an inhouse ESG matrix for rating purposes. The rating achieved in each of the factors tracked, will indicate how the investee companies have performed in that regard.



+27 (0)10 446 0174



+27 (0)83 408 6746



[www.amadainvestment.co.za](http://www.amadainvestment.co.za)



[maqhawe@amadainvestment.co.za](mailto:maqhawe@amadainvestment.co.za)



173 Oxford Road, 2nd Floor, WeWork Building  
Rosebank, 2196

## Incorporation of ESG to the Investment Process

Amada must then incorporate the ESG rating in its investment and decision-making processes. In this regard, Amada has considered the three available options for the incorporation of ESG into investment process namely;

1. Negative Screening, which involves rating all stocks in the universe in terms of their ESG performance rating, then determining an acceptable minimum rating followed by total exclusion of companies that have a rating lower than the determined threshold
2. Themed Investing, which involves focusing on companies that play in ESG enhancing industries and applying a much larger weighting to those in the portfolio
3. Advocacy and Shareholder Activism, which involves using the rating achieved to compile a comprehensive ESG report that we will use to engage management and our clients on the issues identified

The first two options are not an option for Amada as our investment mandates are benchmarked against market indices which are not constructed in a similar fashion. That way the fund will carry tracking error that is not fundamentally driven and render massive deviations from benchmark that aren't mandated by our clients.

The third option is more practical in that our efforts are still captured in our constant engagement with both company and our clients in the factors where performance was deemed poor. That is also augmented by our proxy voting policy that dictates how we vote in terms of ESG related voting items.

## Conclusion

Amada will also augment their ESG efforts by involvement in responsible investing promoting engagements in the industry. These forums we believe will eventually lead to broad acceptance and incorporation of ESG by not only the industry but the investees companies as well.



+27 (0)10 446 0174



+27 (0)83 408 6746



[www.amadainvestment.co.za](http://www.amadainvestment.co.za)



[maqhawe@amadainvestment.co.za](mailto:maqhawe@amadainvestment.co.za)



173 Oxford Road, 2nd Floor, WeWork Building  
Rosebank, 2196