Stewardship Report

2023

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Foreword

Iain Power
Chief Investment Officer

Truffle celebrated its 15th anniversary in 2023. In the 15 years since our inception, we are proud to have steadily grown our AUM to over R75 billion, establishing a strong investment capability while maintaining a commitment to our valuation-based investment philosophy. Importantly, as we grow, we strive to be good stewards of our clients' capital in the pursuit of achieving long-term value on their investments.

Over the course of 15 years, we have witnessed the establishment of the United Nations Principles for Responsible Investing (UNPRI) and subsequent evolution of responsible investing in the asset management industry. The incorporation of Environmental, Social and Governance (ESG) factors into investment processes has become a mainstream practice. This maturity of the market has led to significant growth in global ESG assets, with Bloomberg Intelligence estimating a market size of $40 trillion by 2030, which is over 25% of the estimated total global AUM of $140 trillion. We have also seen the rise and fall of "greenwashing", as many industry players initially used the opportunity to market their efforts to protect the environment to attract investors with limited knowledge.

Truffle has, and continues to adopt, a pro-active approach to firmly incorporate responsible investing into our investment process as we invest for the best financial outcomes. Philosophically, we believe that a comprehensive understanding of ESG risks and opportunities is crucial when valuing companies; and understanding how these factors impact company valuations enables us to protect against downside risks. We choose to engage with investee companies on ESG topics, as we believe this approach will drive positive and sustainable outcomes for all stakeholders. Our dedicated ESG analyst, Vuyolwethu Nzube, brings a wealth of expertise and research to the investment debate and decision-making process, playing a pivotal role in shaping our responsible investing initiatives.

The ESG landscape is ever-changing. Well-known ESG themes, including those linked to climate change and inclusion and diversity, are evolving exponentially each year. In 2023, major macroeconomic issues such as geopolitical tensions and conflict drove further inflationary pressure as well as fundamental shifts in the way various economies interact. Locally, loadshedding spiked over the year, and energy security has been a top priority for South Africans, whose focus transitioned to basic needs. Dramatic changes to weather patterns and the impact of conflict between countries have ensured we are acutely mindful of the increasing need to focus on environmental protection and societal well-being as we invest for sustainable long-term value. In South Africa, this is a fine balance.

As the issues become increasingly complex, the regulatory environment matures, and the availability of data expands and is standardised, so too does the need for technology and additional structure in our investment process. Setting carbon emission targets for our portfolios and quantifying the impact on company valuations from issues like changing biodiversity is both a science and an art. It is important as good stewards of client capital that we enhance and develop our technology and continually deepen and strengthen our research to inform investment decisions and company engagement topics. We have also learned that patience is required. Many issues and risks we seek to address have been years in the making, and opportunities are often new to market or yet to mature.

The advent of electric vehicles is a good example: while the environmental benefits are obvious, the uptake is highly dependent on several factors, including supply chain dynamics, global trade and societal impact.

Looking ahead into and beyond 2024, both the global and local outlook remain highly uncertain, with significant macroeconomic issues and political risks strongly intertwined with ESG themes. Disseminating and distilling information to understand what really matters in a complex environment is critical to investment success, and knowledge remains a powerful tool to drive positive change. While South Africa's idiosyncratic challenges have gained complexity and will take time to resolve, issues such as income inequality, high unemployment (32.9%) and poor quality of education have unfortunately become increasingly evident. Our approach to investing responsibly in the South African market continues to evolve as risks and opportunities related to SA's outlook shift.

We also recognise the critical business imperative of corporate citizenship in our country. We strongly believe in supporting the ongoing transformation of our industry and contributing to the social well-being of those communities where we work and live. Our bursary and intern programmes have benefitted 8 and 19 graduates respectively, since 2020, and we are pleased to be advancing the careers of two young and capable individuals who permanently joined our team. In 2023, we streamlined and structured our CSI efforts with an increased focus on improving education and providing basic support (food and clothing) to our nearby communities.

Over 15 years, Truffle's team has grown to 32 highly qualified, experienced, and passionate individuals from diverse backgrounds. Our culture is dynamic, and each member is encouraged to participate in an open and engaging environment where knowledge is shared and debated, and implementation of ideas is quick and efficient. As we navigate the complexities of protecting our planet and our communities through how we invest, work and live, we believe this mindset and ability to adapt to the ongoing changes around us, is essential.

This report showcases Truffle's stewardship initiatives and how we plan to evolve our investment process amidst the fast-changing ESG landscape.

> As the issues become increasingly complex, the regulatory environment matures, and the availability of data expands, so too does the need for technology and additional structure in our investment process.

- Iain Power, Chief Investment Officer

2023 in Review

Vuyolwethu Nzube
ESG Analyst

Evolving Complexity

2023 was a challenging year as sustainability concerns became more complex. Real-life experiences of extreme weather patterns are intensifying the general awareness of climate-related issues and their impact on our environment and its people. As investors, we are increasingly mindful of how these changes impact potential investment risks and, in some cases, opportunities. Record temperatures in Europe over 2023 summer will likely speed up the implementation of decarbonisation initiatives at a consumer and national level. Meanwhile, soaring heat, changing rainfall patterns and an increasing incidence of wildfires have and will strain sectors such as agriculture, food and beverages, retail and tourism in many countries.

The macroeconomic issues of 2023 also magnified a focus on protecting societal well-being. Geopolitical tensions, high inflation, soaring energy prices, supply chain challenges and low growth in many economies have shifted global dynamics and consumer needs. People in emerging regions are dealing with the higher cost of living, and human rights became a strong focus in areas of conflict. Geopolitical tension is also contributing to the onshoring of manufacturing, a good mechanism to protect home-grown products. In certain countries, we are witnessing the prioritisation of the basics, with stakeholders pushing back on any regulation that does not support food security. Overall, many countries have placed energy and food security ahead of their ESG goals. Notably, in South Africa, the emphasis on energy security is critical following a year when, according to Eskom, South Africans experienced more than 6 700 hours, of load shedding in 335 days.

ESG regulation has been on the rise, particularly in developed markets, and in 2023 key landmark regulatory policies in the environmental space were launched. The US and EU have both tabled initiatives and subsidies designed to encourage businesses and consumers to limit carbon usage. The Inflation Reduction Act (IRA) is now a well-known US policy. We continue to closely monitor the development of this and other taxations and regulations as they are introduced, particularly the resulting impact on corporate earnings and business models.

The International Sustainability and Standards Board (ISSB) issued its inaugural standards on 26 June 2023. To be implemented globally in 2024, these standards aim to drive consistency of sustainability-related financial disclosures across global corporates and have already been endorsed across several jurisdictions. At a recent meeting of the International Partnership for Hydrogen and Fuel Cells in the Economy (IPHE), the South African government highlighted their determination to achieve a low-carbon future by developing a hydrogen economy. Funding and skills development form part of the programme, which is positive for a company like Sasol, intent on driving a hydrogen economy and needing related government support.

Progress & Activities

Over the year, we continued to implement initiatives to improve our ability to understand risks and opportunities related to ESG across our investment process. In 2023, the benefits of technology, tools and software have become increasingly apparent, particularly given the rising volume of data inputs and analytics. These tools are useful in distilling meaningful information and analysing and researching ESG issues as they gain complexity.

Last year, we highlighted the need to keep track of rising regulation, process increasingly available data and ensure our research focuses on critical ESG issues that will impact businesses' sustainability and valuations. Our progress on these initiatives and activities throughout the year include:

Engagements and voting

ESG engagement topics at company meetings over 2023 have, for the first time, been equally split across environmental, social and governance categories. While Governance remains critical, this proves an increasing focus on topics related to climate change and social aspects such as customer relations.

Engagement framework

We have made good progress in developing and implementing a structured engagement framework, which ensures added rigour and focus to our company engagements around ESG issues. The framework classifies companies into different categories based on the disclosure of certain sector-specific metrics. Through the framework, we can establish when further engagement with company management is required based on data from our platform, changes to ESG regulations over time and fresh news flow that might impact the company. This will inform our engagement approach and the questions we ask companies. The framework has proved to be both efficient and effective. On page 8 of this report, we provide a more detailed outline and a case study of the framework in action.

Enhanced ESG platform

The software platform was enhanced in 2023 to incorporate an additional data source (in the form of S&P) and enable a full and meaningful view of ESG risks and opportunities on individual counters. This has proven a valuable tool informing ESG concerns and topics for company engagements. A case study of the platform in action can be found on page 11.

Regulatory database

A view of ESG regulations, both past and proposed, at a country and sector level provides a fuller picture of the regulatory impact on a company, especially where fines are imposed. Information about the increased regulatory costs companies might face would also be accessible. For example, the UK is requiring all buildings in the country to have a certain Energy Performance Certificate (EPC) rating by 2030, which would add to a property company's capital expenditure.

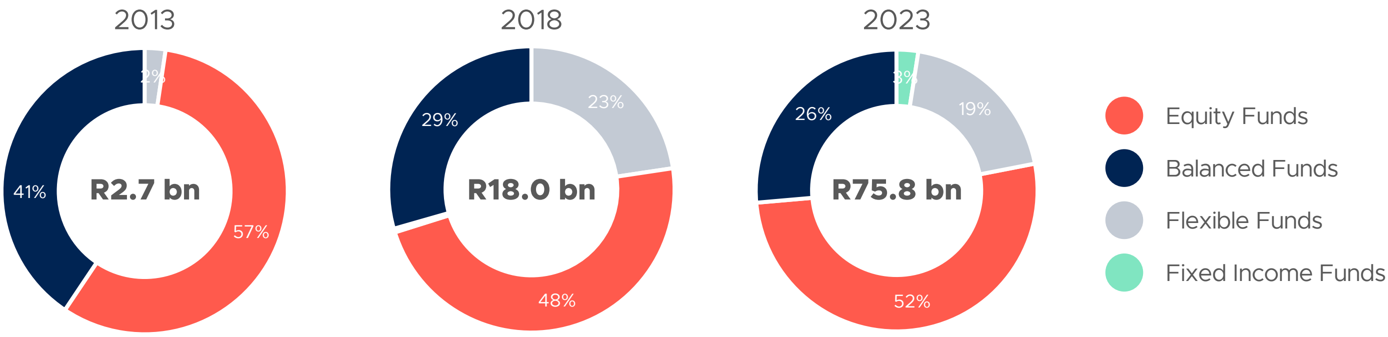
Measuring impact

Last year, we noted the importance of establishing superior ways to measure the impact of ESG factors. Truffle continues researching and adding various data providers to assist us in these measurements. We have identified several providers who could potentially offer unique perspectives, such as whether the companies in our portfolios have a net zero target, a portfolio's contribution to global warming, and a view on the Sustainable Development Goals (SDGs) as a measure for social impact. The customisation of our ESG platform will also include a screen based on the SDGs.

Metrics & Statistics

Key Company Statistics

Truffle's assets under management have grown steadily since its inception.



B-BBEE Level 1

Truffle is committed to the transformation of the South African asset management industry.

Engagements including ESG topics

90%

Voting recommendations

86% For

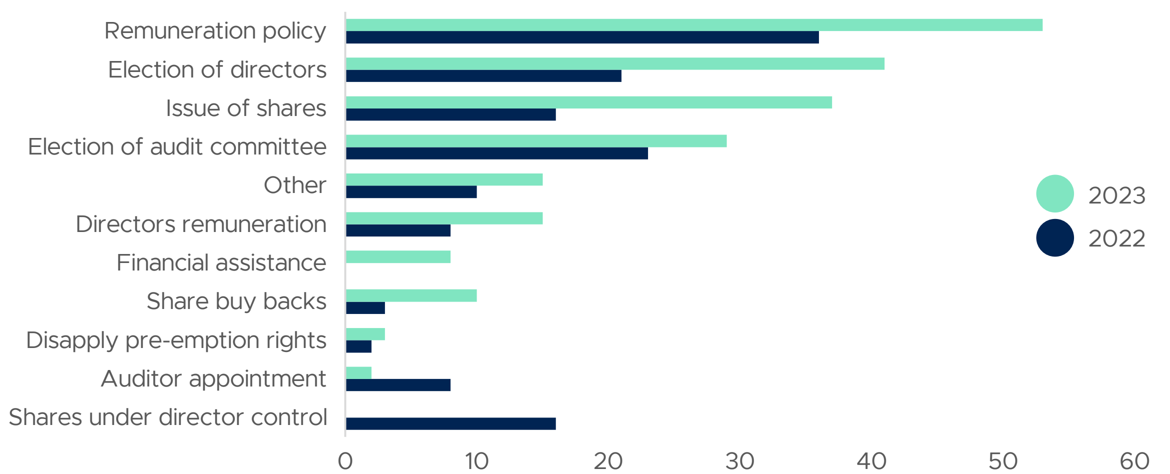
14% Against

Proxy Voting

Truffle votes on all resolutions on behalf of clients based on our proxy voting guidelines unless clients' mandates stipulate an alternative approach.

Download Truffle Proxy Voting Policy

Chart 1: Number of resolutions voted against by category



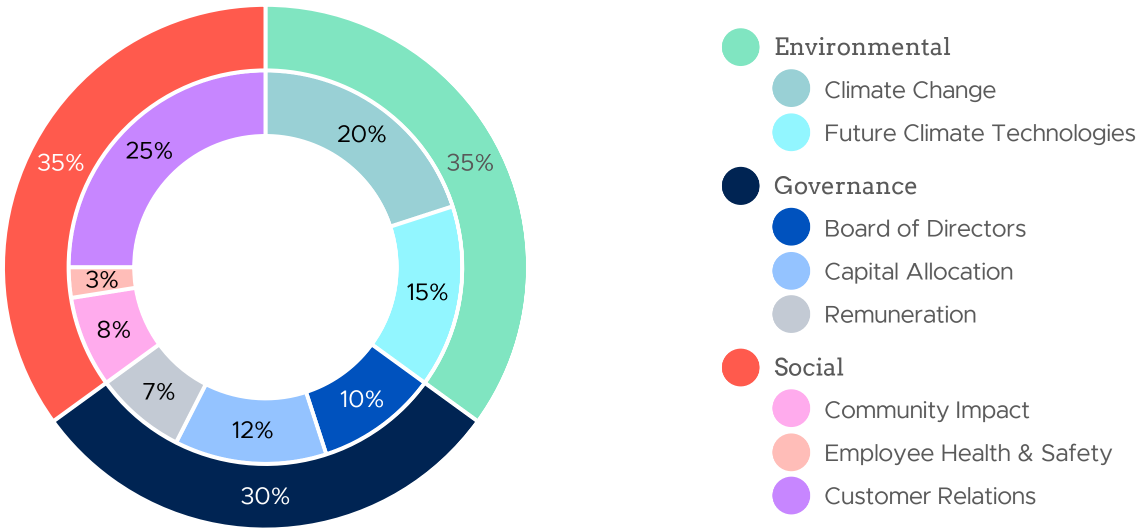
Source: Truffle Asset Management. AUM data is for the periods ended 31 December.

Engagement

Engaging with companies is a vital part of Truffle's investment process, and our research analysts meet regularly with company management on a number of topics. We prefer engaging companies on various ESG topics and concerns rather than outright exclusion or disinvestment. Engagement is also used as a feedback loop through our investment process to ensure we appropriately calibrate the ESG risks and opportunities. Our analysts make a point to follow up on specific ESG observations, enabling us to measure a company's progress and update our investment case accordingly.

Chart 2 highlights the types of engagements held during 2023. Similar to 2022, environmental topics relate to climate change, while governance topics focus on remuneration and capital allocation. Governance aspects no longer dominate engagement topics which are now more evenly spread across the three key categories.

Chart 2: ESG engagements by type, 2023



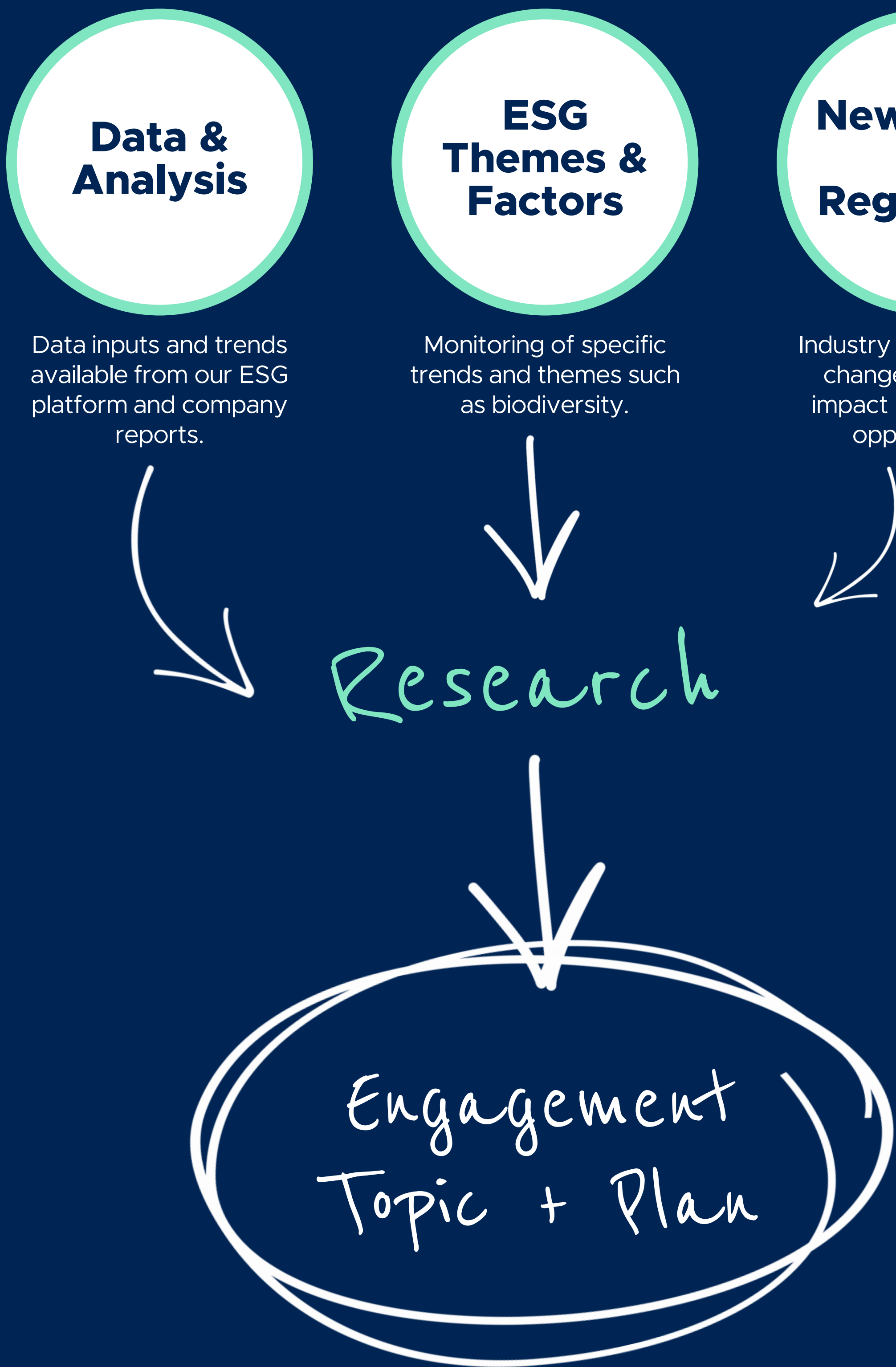
ESG considerations in active positions

	ABInBev	absa	Investec
Material ESG risk	Climate risk (water use) Customer impact	Management/ governance	Management/ governance
Accounted for	Low volumes and margins in US	ROE at low end of guidance	ROE at low end of guidance
Engagements	2023: backlash	2023: remuneration	2024: newly proposed remuneration (pending)
Increasing risks	ESG and DEI backlash in US	Climate risk (global regulators)	Climate risk (global regulators)

Source: Truffle Asset Management

Our Engagement Framework

During the year, Truffle established an engagement framework to guide how we address key ESG risks and opportunities with company management, including topics of discussion, key questions to clarify their stance on an issue and how they are addressing changes within the ESG landscape, e.g., new regulation. The framework was designed to prompt discussion based on data from our ESG platform and to ensure good coverage around themes, regulatory changes and key company or sector-specific factors.



Case Studies

Case studies demonstrate our stewardship activities and initiatives. We have selected a few examples to showcase our tools in action and the outcomes of specific engagements with company management last year.

1. Our Engagement Framework in Action - Carbon Pricing

Our recently established engagement framework enables analysts to identify specific issues and topics and how these impact various sectors and companies in which we invest.

Our approach to the **Carbon Border Adjustment Mechanism (CBAM)** which was announced in 2023 by the European Union (EU) is a good example. The EU initiated this measure to level the playing field for producers across countries by equalising the carbon tax.

The aim is to balance the overall cost of production by aligning the carbon tax paid on carbon-intensive goods produced in the EU to the carbon price paid on carbon-intensive goods imported from other countries.

According to the Climate Action Tracker, less than 5% of global emissions have carbon pricing at, or above, the $40–$80/tCO2e range that is estimated to be consistent with a 2°C global temperature reduction pathway ("State of Climate Action", November 2023). Europe is one jurisdiction that has regulated carbon pricing to fall within this range, meaning the cost of production for certain goods and services in the EU is higher than in other countries. The EU has therefore established CBAM to equalise the production cost across imported and homegrown products. Through CBAM, an EU carbon tax is imposed on large importers based on the exact carbon emissions embedded in those imported products. These importers may claim back any carbon tax paid to the EU in the country of origin as applicable.

CBAMs impact remains limited (for now)

Initially, CBAM will cover high carbon-emitting sectors, like electricity, cement, fertilisers, iron and steel, aluminium, and hydrogen. By 2030, additional sectors such as oil refining, all metals, pulp & paper, glass & ceramics, acids & organic chemicals will be included with a broad timeline as follows:

October 2023	December 2025	January 2034
Admin phase No financial impact, but building out systems and processes	**Transitional phase** Increasing financial impact as carbon allowances are phased out for different sectors Other sectors to be included	**Fully implemented**

Given the significant impact CBAM will have on the sectors outlined above and the potential operational and financial impact, we engaged larger companies to understand how they are preparing for potentially higher taxes on products exported to the EU.

Recent engagements and outcomes are highlighted below:

Iron & Steel Sector	Aluminium Sector	Impacted Companies
Kumba Iron Ore and African Rainbow Minerals both confirmed that their products are excluded from the CBAM because "lump and fine" products will not release additional carbon, given no further processing is required. This is unlike a more carbon intensive process to produce sinter and pellets. Kumba indicated that this presents a potential opportunity for more lump usage relative to pellets.	South 32 has two smelters that export to Europe: Hillside Aluminium in South Africa (uses the Eskom grid) and Mozal Aluminuim in Mozambique (uses renewable hydropower). The source of power poses a risk for South 32, given importers' preference for low-carbon aluminium.	During initial engagements with Sasol , we have established that the business is in the process of mapping out alternative customers outside of the EU for impacted products. We will continue to engage Sasol's management on this topic.

This could be just the start…..

The EU's carbon tax on imports may be the start. Other countries, such as Japan, are also considering implementing their version of a carbon border adjustment mechanism. The pressure on high carbon emitting countries in developed markets to reduce carbon emissions and support the path to net zero is increasing. The regulatory environment is also evolving quickly as countries establish new ways to reduce emissions. At Truffle, we critically evaluate the introduction of new regulations, which enables us to consider the financial and operational impact on the companies in which we invest. Importantly, this informs our engagement agenda with company management and ensures we remain aware of the implications of environmental regulations for each business and sector.

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2. ESG Software Platform

The ESG software platform, created by RMB and customised for Truffle, is now in full use and through this technology, we have significantly developed our ability to understand and efficiently track ESG risks and opportunities. The platform draws data from various ESG data providers and generates reports or dashboards to show the ESG "health" of each company, including an ESG score. The platform currently sources data from MSCI and S&P, which will be enhanced over time with additional data providers.

Enhancements during 2023 include a key aspect of the platform's functionality in identifying, quantifying, and reporting ESG risks at a portfolio and mandate level. This includes the ability to track our engagements on the platform or in other words automating our engagement register. Importantly we will be able to provide clients access to a dashboard of risks and engagements.

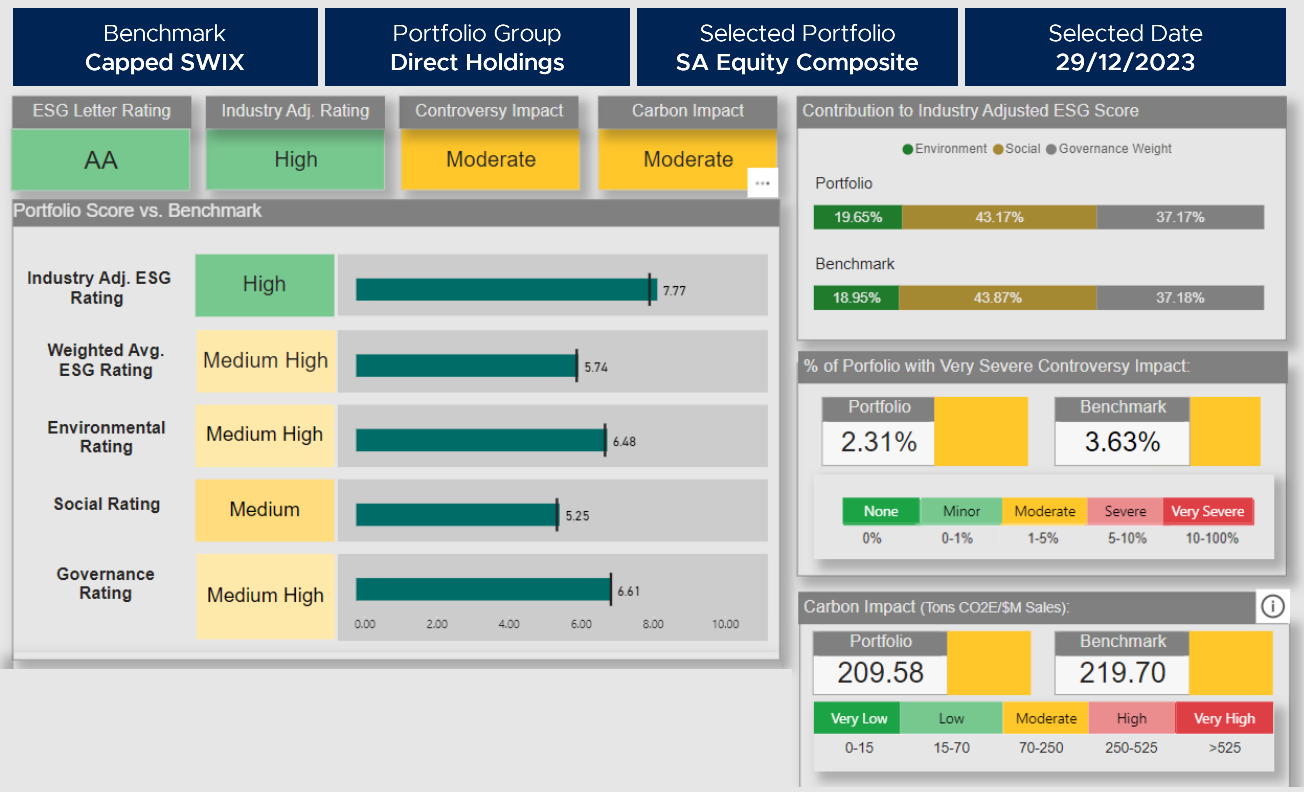
There are two phases to the platform's development:

1 The initial phase of development which focuses on the core functionality is in the final stages. We were the first adopter of the platform and have worked closely with RMB over the past year and a half to ensure the software is a relevant and meaningful tool.

2 The second phase allows Truffle access to customised reporting and analysis relevant to our specific portfolios and investment process. This will enable us to track key data points identified in the engagement framework.

The image below is an example of the platform's output. This report for the Truffle Equity composite, highlights ESG scores relative to the benchmark based on MSCI data.

Figure 1: ESG platform equity dashboard



The report shows that the benchmark is calculated to have moderate ESG risk and the Truffle portfolio scores slightly better than the benchmark. A 'controversy impact' is anything that will impact the company based on predetermined ESG factors. In this example, 2.31% of the Truffle portfolio has a *"very severe controversy impact"* vs the benchmark of 3.63%

The software enables us to dive deeper into the data and ascertain that Truffle's underweight positions in Glencore and Billiton Group were the key drivers of the variance vs the benchmark:

Glencore (GLN)

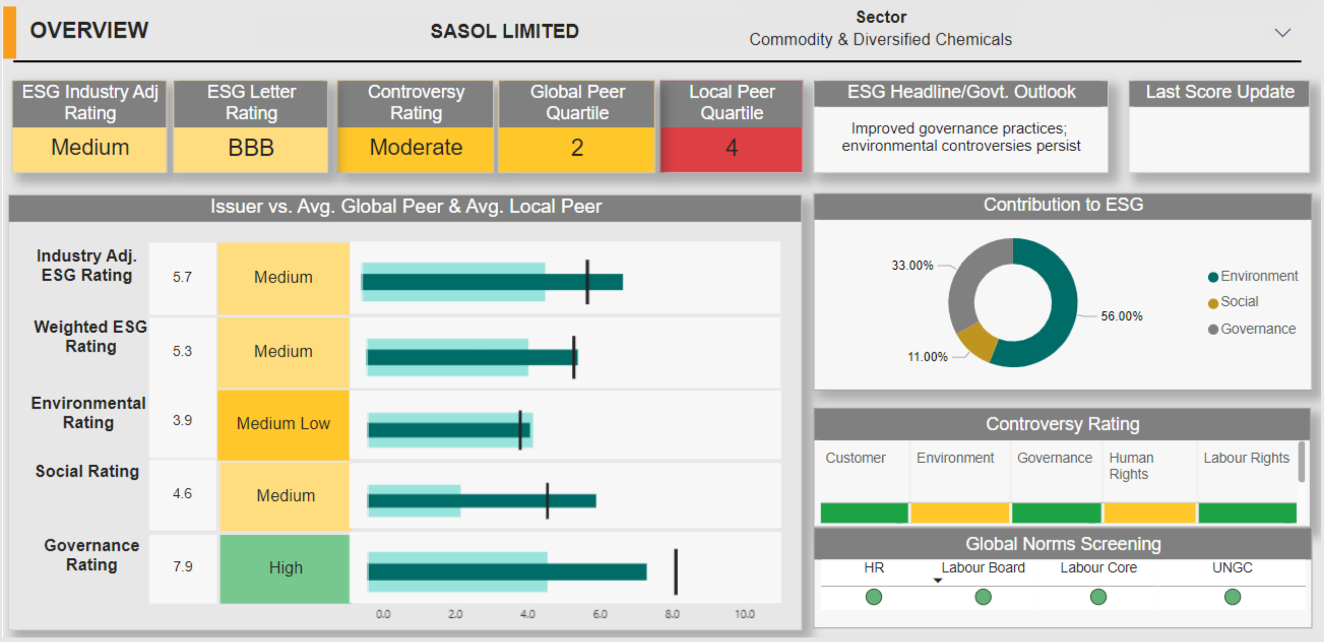
While we are aware of the governance risk, we acknowledge that a number of issues have been resolved. We continue to engage with Glencore management and are monitoring the controversies for Glencore.

Billiton Group (BHP)

Controversies centred around the Samarco dam collapse and the subsequent class action lawsuits opened against them. The provision for environmental damage for Samarco resulted in a reduction in value Truffle calculated for the company.

Our lower carbon intensity score relative to the benchmark was due to our underweight position in Sasol (SOL). A report from the platform highlighting Sasol's ESG risks is shown below and provides a good example of a report on an individual counter. We continue to engage Sasol management on their carbon emission reduction plans, which is the largest source of risk. We factor in an increasing carbon tax for their synfuels division, thus resulting in a low implied multiple.

Figure 2: ESG platform - Single counter dashboard



Our ESG software platform is an essential tool for Truffle's portfolio managers and analysts as more data and information on ESG factors become available. This tool enables us to maintain a birds-eye view of ESG risks and distil big data into meaningful conclusions. We are also able to standardise across counters and establish which counters within our portfolio are contributing to risks.

3. Company Engagements

Positive outcomes stemming from our engagements with company management are not always immediate. As stewards of client capital, we often work closely with company management over a longer period to drive a positive outcome. In 2023, we experienced positive outcomes on several Governance concerns we'd raised. We have included two of these in the case studies below.

Sasol

Sasol is South Africa's second largest carbon emitter (after Eskom) given the specific chemical processes they have developed to create energy from coal. The company emitted over 64 million tons of C02e in 2023 according to Sasol's 2023 Climate Change report. This represents approximately 15% of South Africa's average annual CO2 emissions between 2016 and 2022.

Sasol is therefore, one of the most contentious shares on the JSE when it comes to ESG, given the significant potential impact of their climate pathway on the environment and the resulting impact on their business model. Sasol is one of the companies we engage with most regularly on ESG risks.

Below we highlight various engagement topics discussed with Sasol management over the last 5 years:

	2019	2020	2021	2022	2023
Engagement	Poor Lake Charles project execution.	Lack of detail regarding remuneration; climate engagement.	Climate targets and how they are incentivized.	Climate change.	Governance concerns around Chairman's involvement in Kinetiko, Just Transition.
	Valuation Lowered our internal Lake Charles IRR expectations; factored in increasing carbon taxes and placed no value for synfuels post 2030				
Outcome	Joint CEOs exited company.	More disclosure, new target of 10% reduction in emissions by 2030.	Ongoing engagement, 30% reduction target implemented.	Ongoing	Chairman resigned to avoid conflict of interest; Just Transition pending

We remain concerned about the implementation of Sasol's carbon reduction pathway in the long term, especially with increasing regulatory pressure (CBAM, for example). Shell's decision to exit South Africa as a refiner shows the impact increasing regulatory pressures can have. The decision to cease operations was partially driven by the more stringent air pollution standards set by SA's Department of Environmental Affairs, given the impact on profit margins. While the improved air pollution standards are positive for societal livelihood, these standards are likely to lead to more oil and refined product being imported into South Africa. We continue to monitor how this will affect Sasol in the future. Furthermore, the Global Plastics Treaty tabled at a previous COP meeting, is expected to be signed in November 2024 and could adversely impact Sasol's cashflows. While the transition to greener energy is critical, we remain mindful of the social impact it will have. Overall, there are increased ESG risks for Sasol given the nature of the business amidst increasing regulatory pressures and a low growth environment, where unemployment rates in South Africa have reached over 32%.

Outcome

Positive	Ongoing

Naspers

The corporate structure of the Naspers / Prosus stable was identified as a Governance risk with strategic changes by management required to unlock shareholder value. In 2021, given the severity of our concerns, at the time of a proposed corporate restructure, we collaborated with 35 other managers to question the complex shareholding structure and lack of management alignment in the new structure. Our main concerns related to the increased complexity introduced through the cross-holding structure, particularly given the intention of the proposal was to unlock shareholder value when both Naspers and Prosus were trading at a discount. In our view this would not be the case and the new structure would add unnecessary complexity and risk.

Our engagement with Naspers was unsuccessful at the time. However, we decided to execute our investment into Naspers / Prosus through an investment into Prosus as we believed there was greater value unlock for Prosus post the transaction. This proved to be a positive decision.

As noted in the timeline below, continued and further engagements with Naspers management finally proved successful in 2023 with a positive outcome.

2021 June	2021 August	2022	2023 June	2023 August
Letter sent to company management	Exchange offer completed We increased the discount applied to our intrinsic value calculated for the shares	Engaged management on unlocking value for shareholders	Engagement with management where they announced the unwinding of the structure	Unwind approved We reduced the discount applied to our value for the shares

Outcome

Positive	Ongoing

Vukile Property Fund

Vukile Property Fund Limited (Vukile) is a specialist retail real estate investment trust (REIT) with a geographically diversified portfolio of property assets valued at over R36 billion, of which 59% is based in Spain. Vukile's direct owned South African property assets consist of urban, commuter, township and rural malls across the country.

One of the more positive engagements we've had with them centred around Vukile's retail academy, which aims to provide mentoring and preferential rental rates to a select group of SME retailers. We engaged with Vukile in 2022 before the retailers were selected, and then again in August 2023 to understand the purpose and progression of the academy including the impact on communities and society. The programme currently supports 8 SME retailers, with 6 of them progressing well. The programme offers the SME's a rent "holiday" in their first year of operation and turnover based thereafter.

Other engagements with Vukile in 2022 revolved around a lack of sufficient board independence. In August 2023, ahead of the company AGM, we again highlighted these concerns, particularly the fact that Babalwa Ngonyama continued to hold a Board position following governance issues and findings relating to her position as Chair of Council at the University of Cape Town.

Vukile considered our recommendations and referred our concerns to the Board. Subsequently, independent directors have been added and in November 2023, Ngonyama stepped down from her Board position.

Outcome

Positive	Ongoing

MAS Real Estate

MAS Real Estate (MAS) is a JSE-listed property owner operating in Central Eastern Europe. Historically, we have investigated and engaged company management on a number of Governance issues and achieved positive outcomes.

In September 2023, the company's proposed investment into one of the development joint ventures at the cost of shareholder dividends over the next few years raised concerns about potential Governance risk. Notably, the group CEO has a financial interest in the entity via a complex structure which is a conflict of interest. Our main concern was that the proposed investment would be at the expense of shareholders, at a time when other companies were refraining from additional investments into development. As a result we reduced exposure.

We conducted further research and determined that the majority of management wealth is held at the MAS (holding company) level, and therefore a high degree of alignment is maintained. However, the fact that developments are being pursued at this point in the interest rate cycle resulted in our decision to hold a neutral position.

Outcome

Positive	Ongoing

4. Investing for Impact - Green bonds

Our fixed income investment process focuses on generating attractive income returns while preserving capital. We apply research into ESG risks and opportunities where relevant to the nature of any fixed income investment. The main ESG topics for fixed income investors have historically centred around the Governance risks of certain entities, including SOEs and how these risks might impact their ability to repay debt obligations.

Environmental considerations have risen over the past few years as, fixed income investors can invest in a sustainable environment as institutions across many countries are issuing "green bonds". These instruments are designed to finance the reduction in carbon emissions and other environmental protections. Green bonds may be issued by governments, corporates, municipalities and financial institutions. These bonds are similar in structure and terms to regular bonds, however, funding raised is used exclusively to finance projects with a positive environmental impact, such as renewable energy projects.

The global market for green bonds has grown significantly and market research analysts estimate the value in 2024 to be over US$500 billion. The growth trajectory is expected to continue as investors are continually drawn to investing for a positive environmental impact and alignment with socially responsible strategies.

Truffle considers a range of fixed-income securities, including corporate bonds, sovereign bonds, convertible bonds, and other debt instruments for our fixed income mandates and fixed income allocation within our multi-asset portfolios. These are carefully selected based on creditworthiness, financial conditions, interest rate risk, legal covenants, and credit ratings.

Truffle remains committed to our focus on generating attractive returns while mitigating risk to ensure capital preservation. We support investments into green bonds where we believe we can achieve these objectives. Green bonds in South Africa are mostly issued by the larger banks and governed by detailed sustainable financing frameworks. During 2022 and 2023, we invested in the following green bonds, given the attractive yields on offer.

Figure 3: Green bond investments in 2022 and 2023

Counterparty	Description	First Bought	Sold	Yield
ABSA	ABSA intends to allocate funding from this issuance to renewable energy assets which may include, without limitation, solar and wind projects.	Sept 2022	Still Holding	10.5
Standard Bank	Issuances from Standard Bank are based on their Sustainable Finance Framework which is aimed at addressing positive environmental and social change through funding opportunities.	Feb 2023	Dec 2023	10.3
ABSA	ABSA intends to allocate funding from this issuance to renewable energy assets which may include, without limitation, solar and wind projects.	Aug 2023	Still Holding	10.1

Investors often perceive green bonds to carry higher investment risk due to the nature of the underlying investment, potential mispricing and lower market liquidity. We undertake thorough research into the risks of these investments and ensure we follow our rigorous investment process. This means we assess green bonds relative to investment opportunities across all fixed income instruments offering similar financial terms.

Outlook

The heightened global macroeconomic risks in 2024 will continue to drive key ESG themes. The following remain critical factors we incorporate into our investment research and valuations:

1. Shifts in production and consumer demand and how traditional businesses adapt or will need to adapt, for example electric vehicles.

2. Cost implications of new regulation and how these may impact business models, particularly those in high carbon usage industries.

3. Increased corporate disclosure and ability to measure both environmental and social impact; and increasing regulatory scrutiny around those disclosures to prevent greenwashing.

As we strive to improve our processes, the following initiatives remain a key focus in 2024 and beyond:

Further development of the software platform that provides relevant and meaningful ESG data for each company and portfolio, enabling us to enhance our investment research as data becomes more widely available.	Enhancements to our engagement framework, enabling us to drive critical conversations with company management.	Increasing conversations and roadmaps around the Just Energy Transition.	Becoming a signatory to the UNPRI and further alignment to best practice and recommendations.

The use of Artificial Intelligence (AI) within the ESG landscape is a trending theme given that AI can and will help the speed and efficiency of certain processes. A number of our data providers, such as Bloomberg, are considering AI as a tool. However, contrary to the benefits, there are issues with using AI to sift through data. Running AI tools is incredibly energy intensive given the large amounts of data, and some industry reports have revealed that behind AI in certain regions is exploited labour.

Biodiversity is another growing industry theme that we continue to follow. In 2023, Business for Nature, the World Business Council for Sustainable Development and the World Economic Forum, with the support of many partner organisations, published Nature-Positive Industry Sector Transitions, a series of reports providing guidance on sector-specific actions companies can take to transform their operations and value chains. Guidance relates the Kunming-Montreal Global Biodiversity Framework (GBF) that was adopted by various governments at the 15th Conference of Parties (COP). The reports focus on 12 sectors, as outlined below, with the aim of meeting 23 goals to protect natural resources.

1. Agri-food
2. Built environment
3. Cement & Concrete
4. Chemicals
5. Energy
6. Fashion & Apparel
7. Financial services
8. Forest Products
9. Household & Personal care
10. Travel & Tourism
11. Waste management
12. Water & Utilities

Moving sustainably forward

As the complexities relating to the protection and sustainability of our planet and its people continue to grow, we recognise the increasing importance of obtaining relevant and meaningful data and information and maintaining thorough research to inform the integration of ESG factors into our investment process.

Tackling the issues requires collaboration and teamwork and we continue to focus on engaging company management and stakeholders on relevant issues to drive positive change.

Most important, as the landscape constantly changes, we strive to remain good stewards of our clients' capital while pursuing optimal financial outcomes on their investment.

Source: Business for Nature

Truffle Asset Management

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