

Institutional Impactful Investing in South Africa

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Monique Mathys-Graaff, CFA
Impact Investing South Africa National
Advisory Board member



Navigating the alphabet soup!

- SDG's = Sustainable Development Goals adopted by United Nations 17 Goals for 2030
 - <https://sustainabledevelopment.un.org>
- GSG = Global Steering Group for Impact Investing – regional National Advisory Boards
- PRI = Principles for Responsible Investing
- GRI = Global Reporting Initiative



Investing and Impact

- So what for SA and Africa?

“Impact investment optimizes risk, return and impact to benefit people and the planet. It does so by setting specific social and environmental objectives alongside financial ones and measuring their achievement.”

GSG II



50% of Impact Investors globally plan to increase their investment into SSA (pre-COVID)

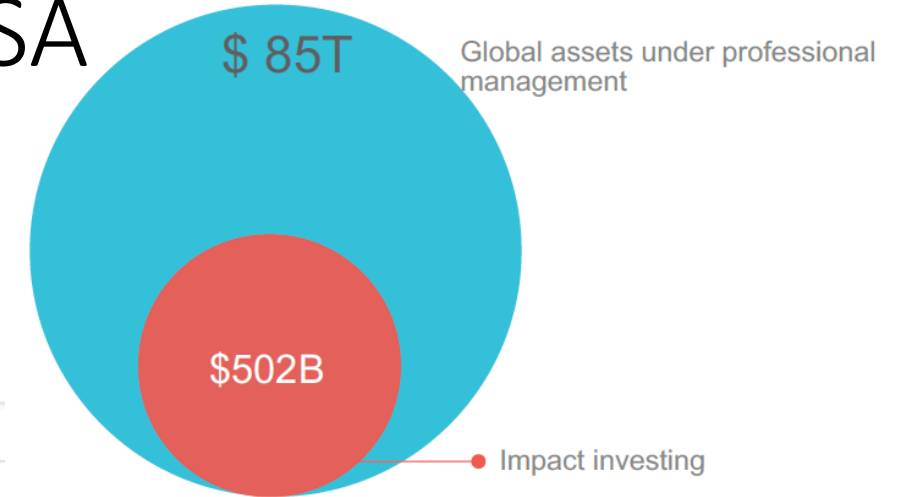
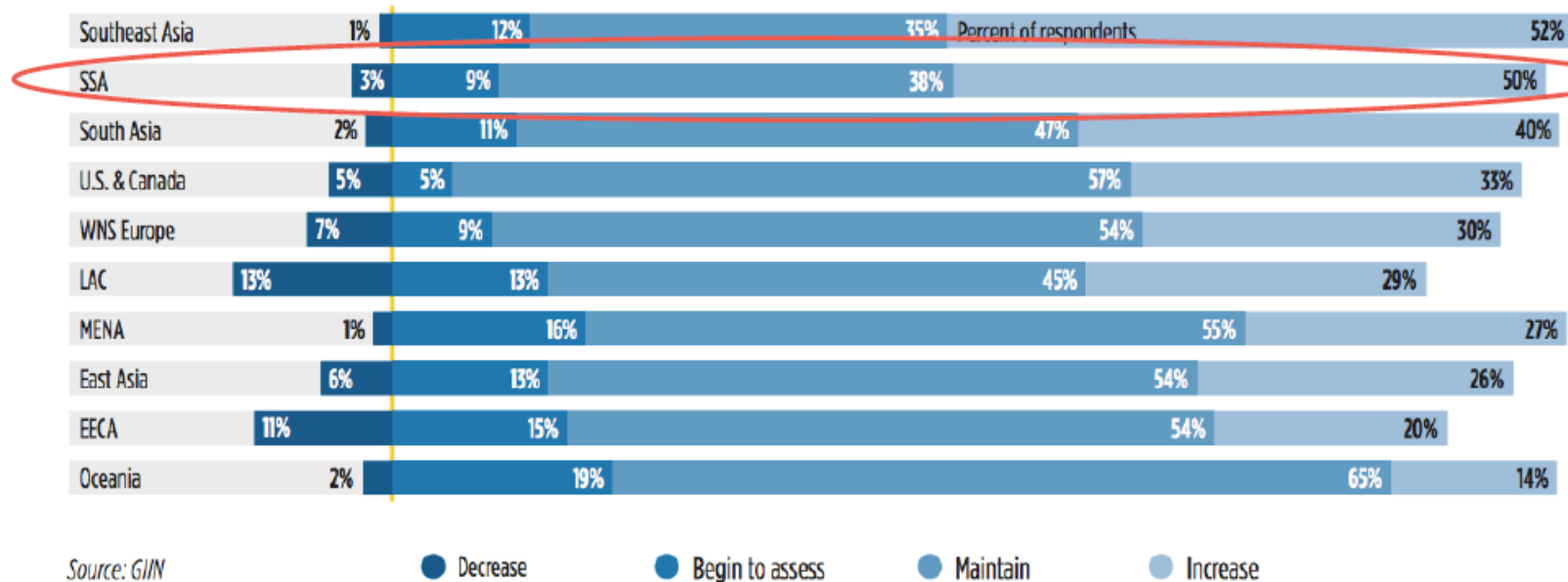


Figure 18: Planned geographic allocation changes for 2019

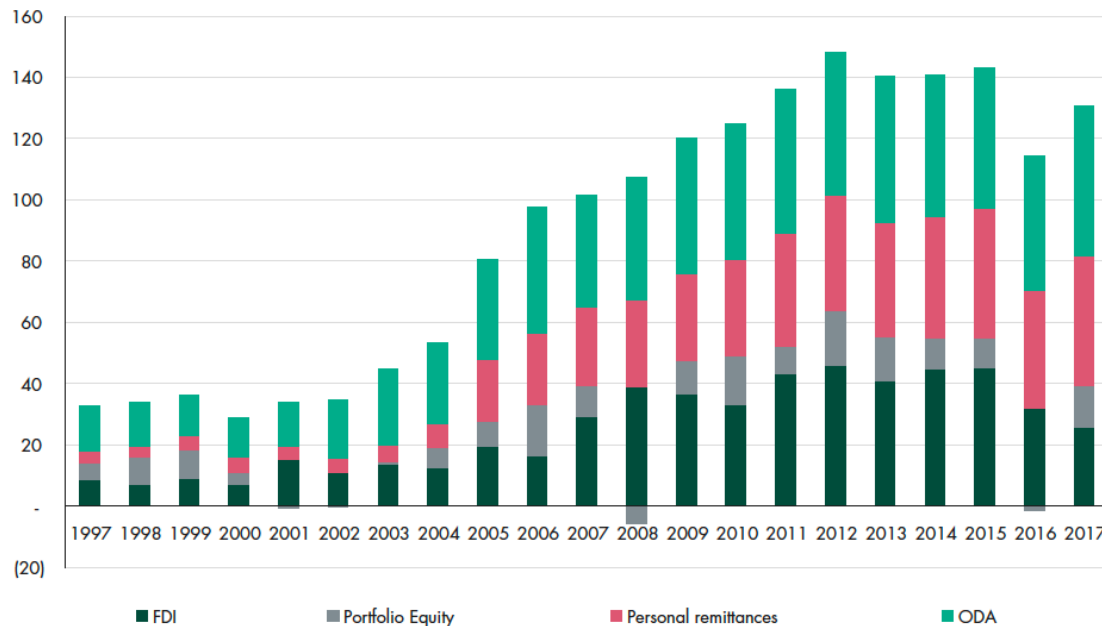
Number of respondents shown beside each bar.



*What future
World are you
investing in?*

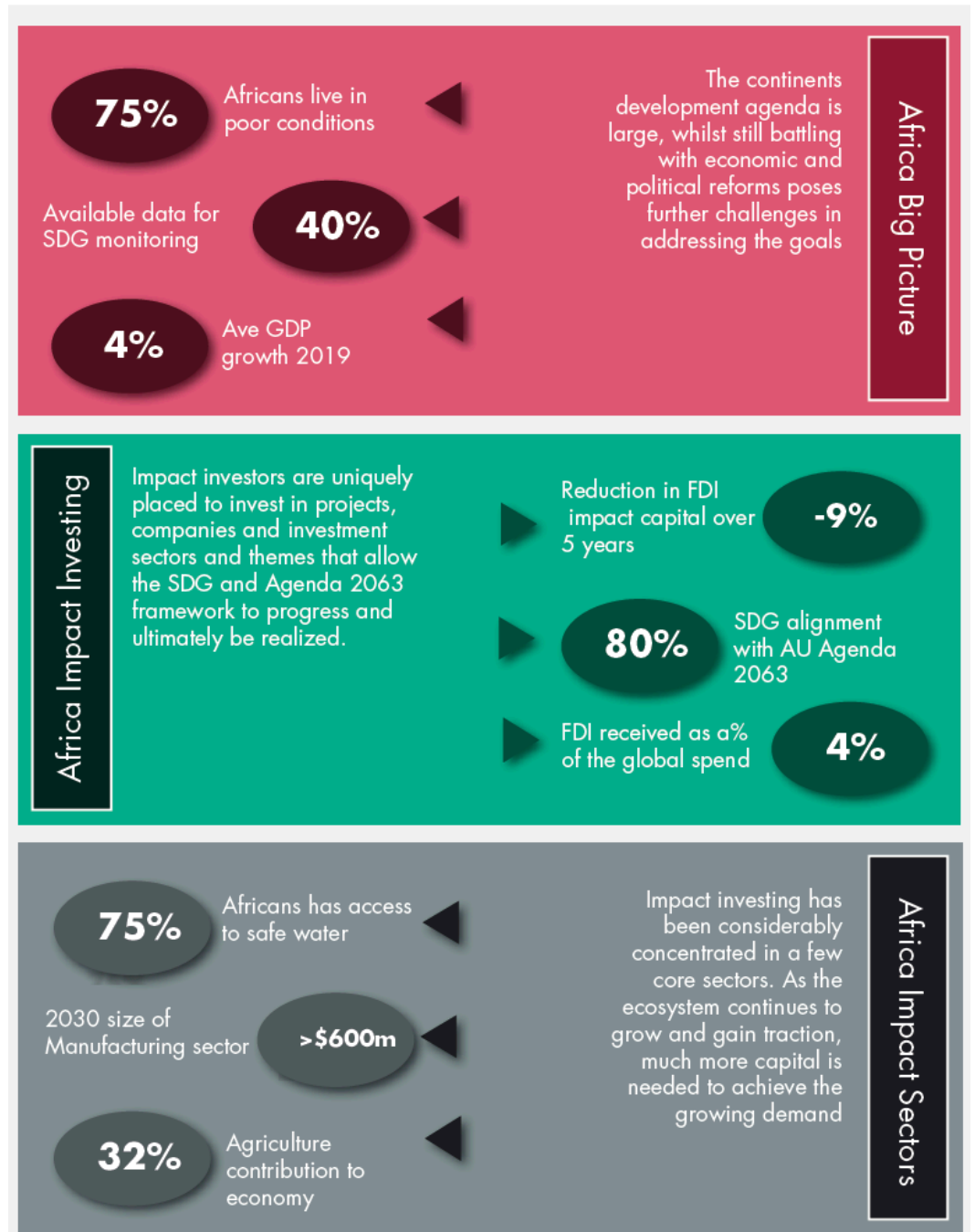
And what about Africa?

With reducing FDI trends...

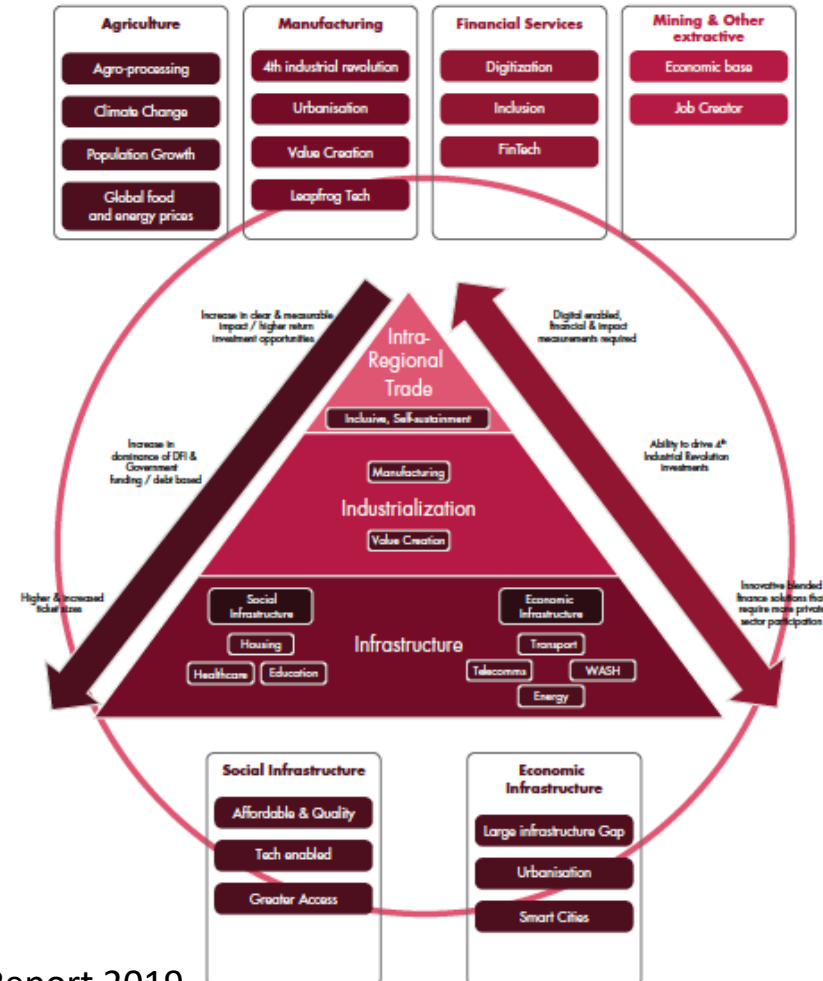


Source: World Bank (2019)

Africa Impact Report 2019



New thinking emerging around investment approach



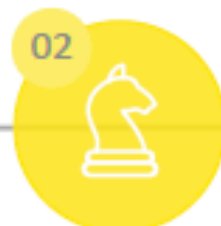
INSTRUMENTS/STRATEGIES

ACROSS THE SPECTRUM

SPECTRUM



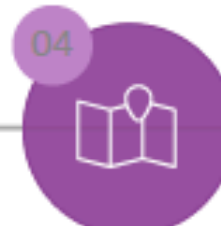
TRADITIONAL
INVESTING



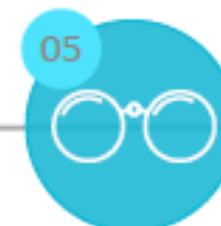
RESPONSIBLE
INVESTING



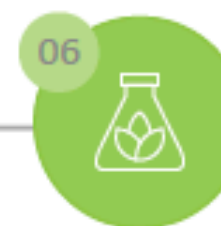
THEMATIC
INVESTING



IMPACT-FIRST
INVESTING



VENTURE
PHILANTHROPY



TRADITIONAL
PHILANTHROPY/CSI

IMPACT INVESTING

INSTRUMENTS

- Conventional equity & bond instruments
- Conventional or narrow risk mitigation

- Listed ESG equity & debt funds
- ESG integration
 - Investor engagement
 - Portfolio screening

- Thematic impact infrastructure funds
 - Green bonds
 - Impact PE/VC
 - Impact debt
 - Guarantees

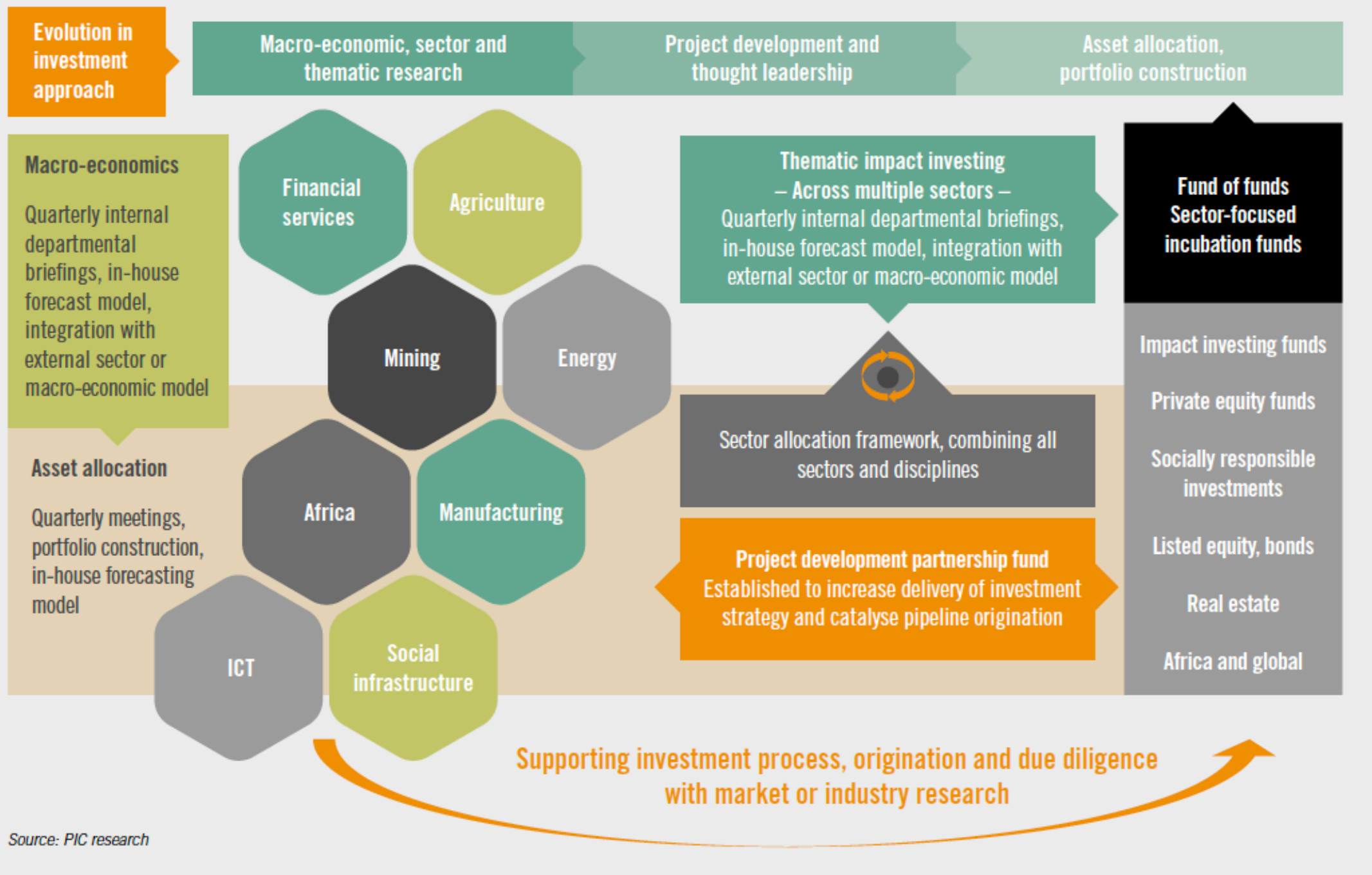
- Pay for success models
- Outcomes oriented loans

- Seed capital donations
- Zero return loans

Philanthropic
donations

FINANCE FIRST

IMPACT FIRST

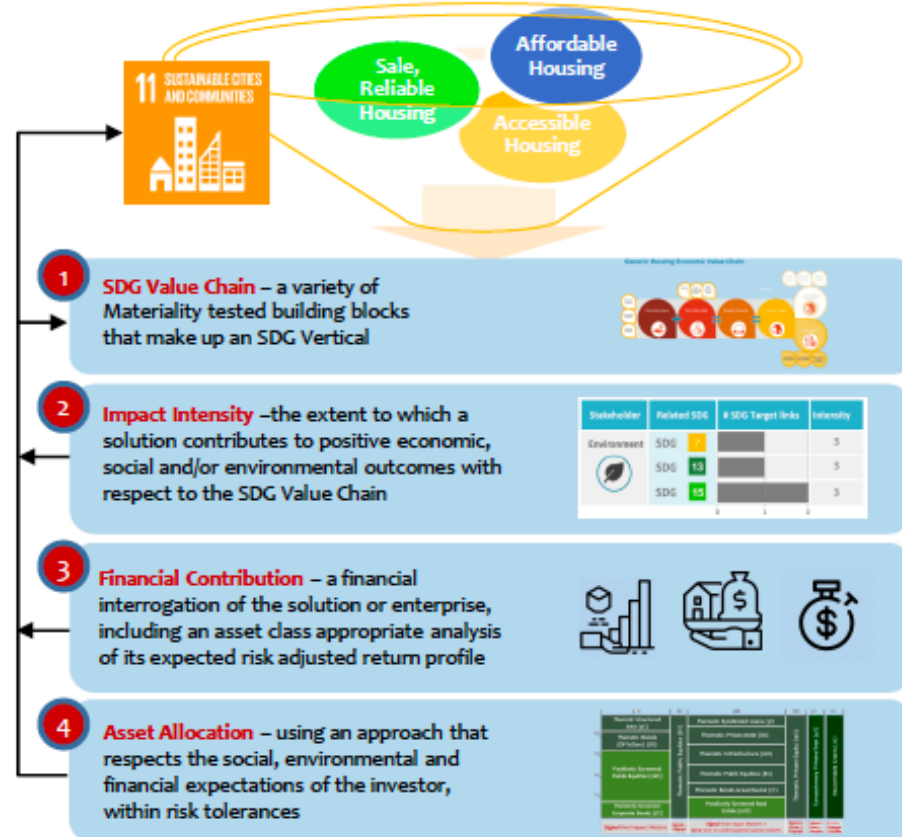




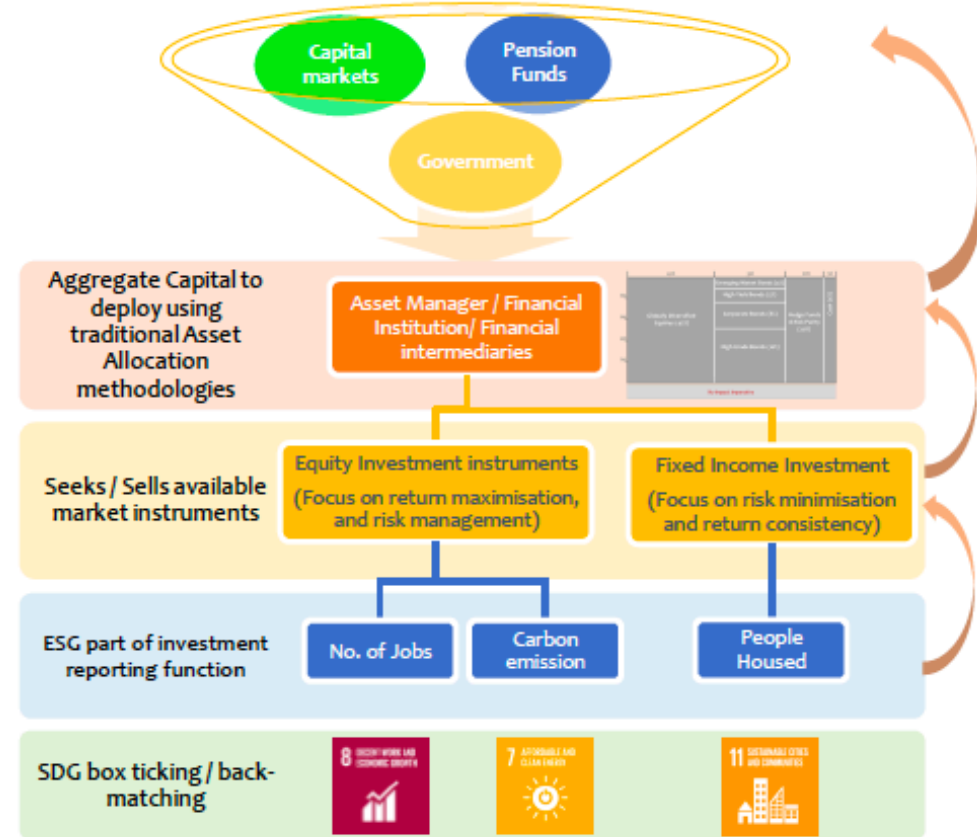
Example: Urban African

Example of Inverted Portfolio Construction

Inverted



Conventional

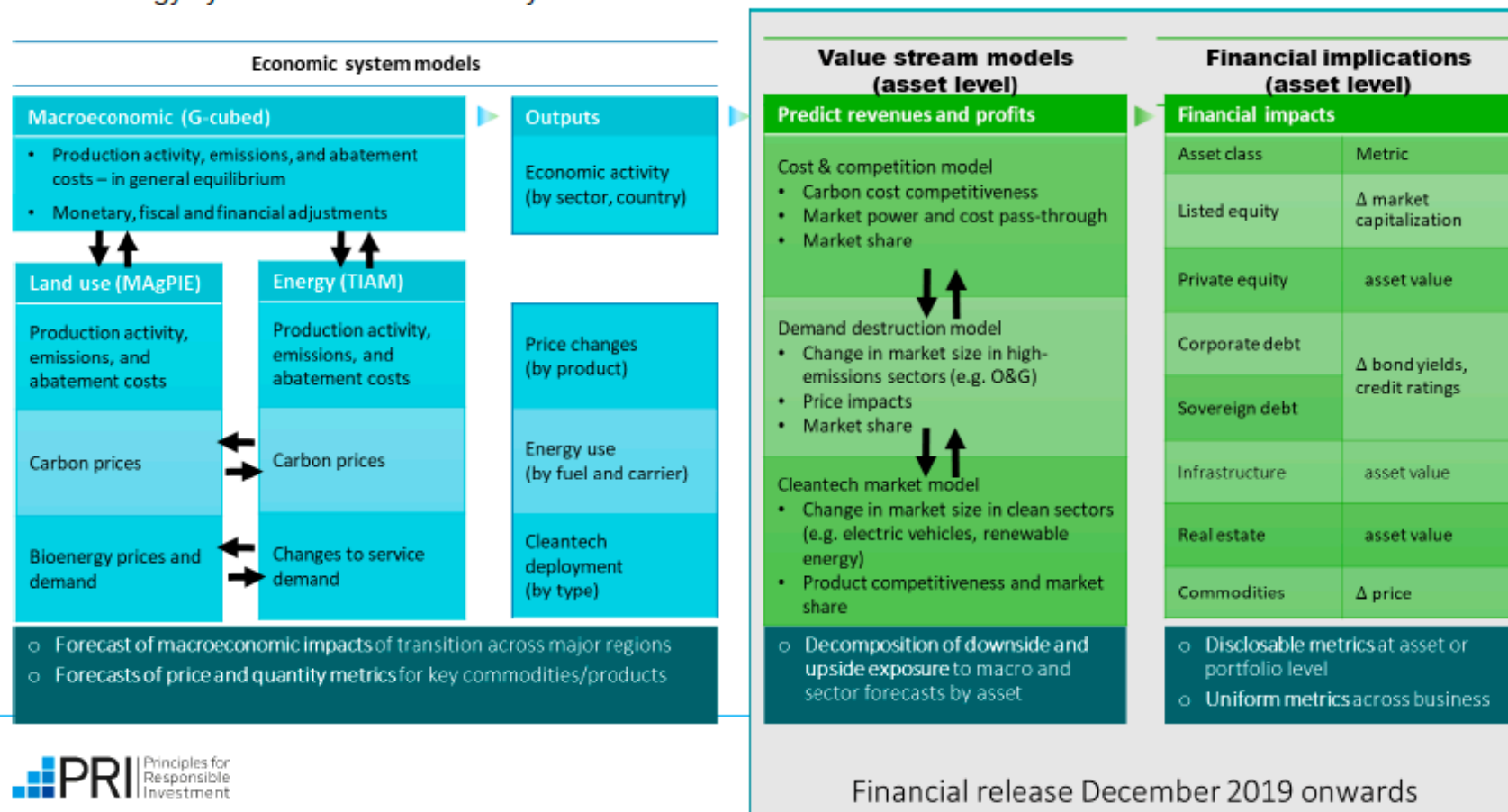


The cornerstone of the 17Africa is building impact expectations into portfolio construction

Our model analyses the impact of climate-related policy and regulatory risks on the financial markets

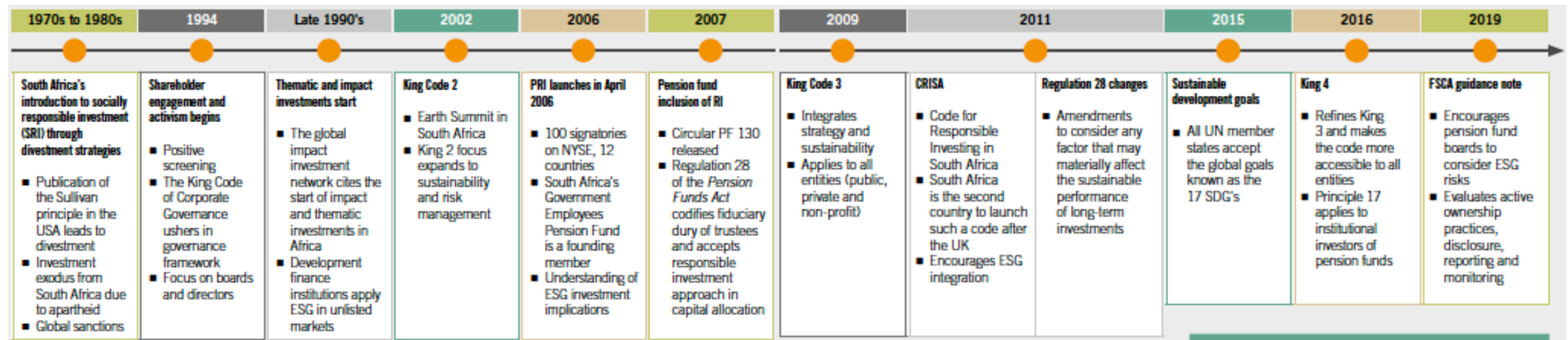
ADVANTAGES OF OUR MODEL:

- **Transparency** – defining and justifying a realistic outline of future policy response
- **Implications at the company level** – estimating implications at the asset level for the first time
- **Completeness** – more accurately capturing the interaction between impacts of the macro economy, the energy system and the land use system



With increasing policy and regulation changes

- In South Africa: Responsible Investing regulatory timeline (Alexander Forbes Manager Watch 2019)



In considering that:

The top 15 managers (from the sample of 65) account for 80% of the available listed AUM

The statistics noted by the PRI reflect just under 50 signatories in South Africa

Is the idea of RI within South Africa reaching its peak and therefore ex growth?

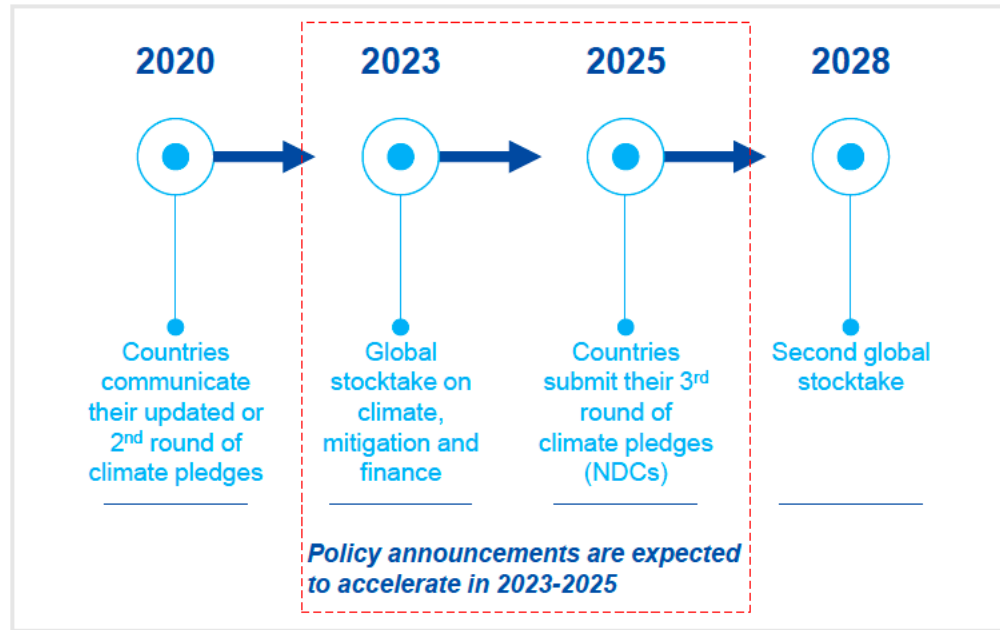
Responsible Investment in SA: A reflection

Trend #1: On average, SA PRI signatories are slightly less than average

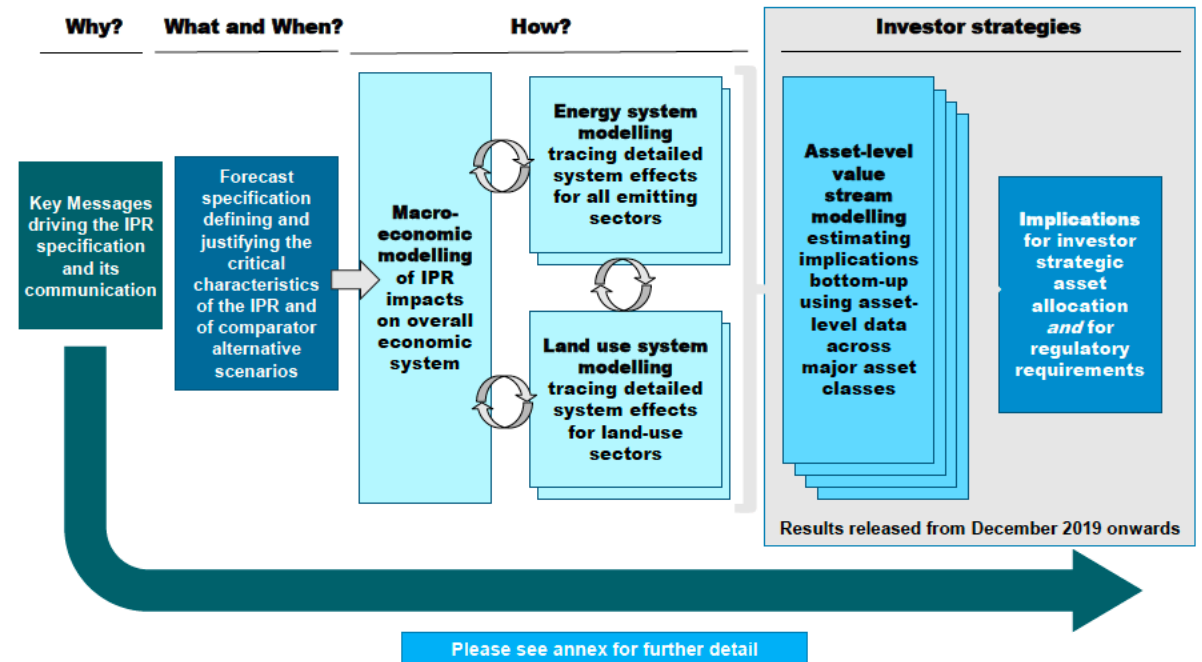
Trend #2: Performance is stagnant since 2015 on the strategy and governance band

The Inevitable Policy responses will be global

The Paris Agreement's "ratchet mechanism" increases the likelihood that governments will strengthen policy by 2025



Our forecast of an Inevitable Policy Response is based on a robust and strategic analytic process



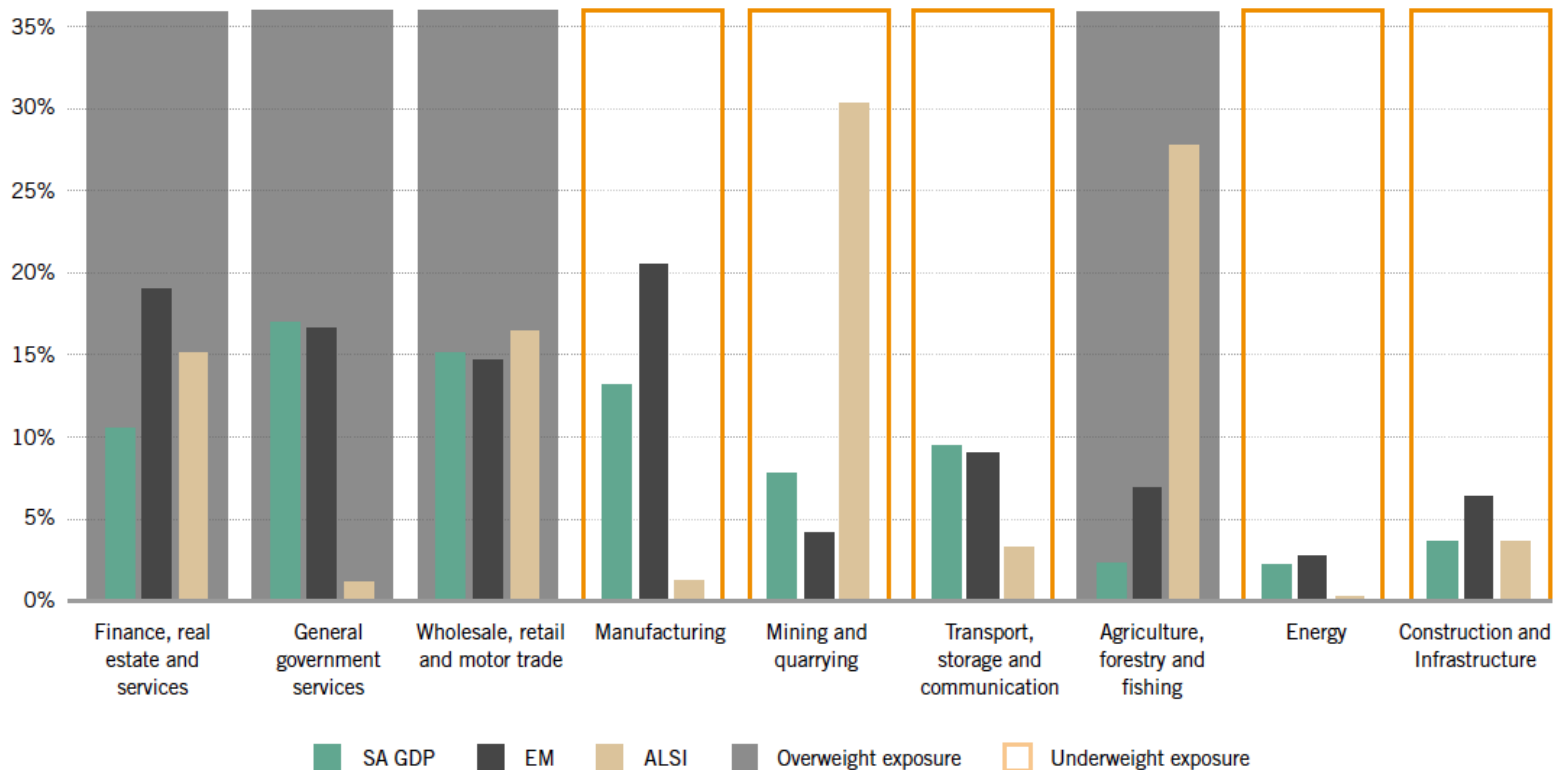
Company level disclosures starting to aligning to SDG's

GLOBAL STRETCH GOALS AND VISIONS	MILESTONES AND TARGETS	GLOBAL STRETCH GOALS AND VISIONS	MILESTONES AND TARGETS
Local accountability To transform the relationship between mines and communities, and wider society. Read more on page 62	2020: At local level, establish participatory accountability forums at every mine site. 2025: High-quality dialogue and programmes flowing from the forums. 2030: Establish multiple levels of open and accountable dialogue, leading to greater mutual trust.	Health and well-being For the relevant SDG targets for health to be achieved in our host communities. Read more on page 30	2020: Baseline established and strategies in place at every site to achieve the SDG3 health targets. 2025: Operations to be halfway to closing the gap between baselines and 2030 targets. 2030: SDG3 targets for health to be achieved in our host communities.
National and international accountability To transform the relationship between mines and communities, and wider society. Read more on page 60	2020: Buy-in from governments and civil society to taking part in national and international stakeholder accountability forums. General agreement on benchmarks/indices and responsibilities that can be monitored year on year, including the Sustainable Development Goals (SDGs). 2025: An active and ongoing dialogue about reporting and responsibilities with external recognition that this is a step above other such processes. 2030: Widespread recognition of the benefits that responsible mining can bring, a collaborative openness about the challenges and a more consensual working relationship between Anglo American and society.	Education For all children in host communities to have access to excellent education and training. Read more on page 71	2020: Baselines and strategies in place at every site to achieve targets. 2025: Schools in host communities to perform within the top 30% of state schools nationally. 2030: Schools in host communities to perform within the top 20% of state schools nationally.
Policy advocacy To take a lead on issues that affect our business in a way that is collaborative and aimed at society's wider goals. Read more on page 60	2020: Finalise advocacy action plans in support of key sustainability issues. Provide scholarship and training opportunities for policymakers in regions in which we operate. 2025: Regular involvement in priority policy and governance debates. 2030: External recognition of our leadership on policy advocacy. Strong levels of engagement in policy debates.	Livelihoods Shared, sustainable prosperity in our host communities. Read more on page 73	2020: Baselines and strategies to achieve targets in place at every site. 2025: Three jobs created/supported off-site for every job on-site. 2030: Five jobs created/supported off-site for every job on-site.
Ethical value chains To be a part of a value chain that supports and reinforces positive human rights and sustainability outcomes. Read more on pages 61 and 69	Mine certification 2020: Half of operations to undergo third-party audits against recognised responsible mine certification systems. 2025: All operations to undergo third-party audits against recognised responsible mine certification systems. Responsible sourcing 2020: Responsible sourcing standard fully implemented. Advocate for the development of a common responsible sourcing standard for the mining industry.	Climate change To operate carbon-neutral mines. Read more on page 51	2020: Reduce greenhouse gas (GHG) emissions by 22% relative to the business as usual (BAU) projection. Reduce energy consumption by 8% relative to the BAU projection. Implementation of four priority projects to meet 2030 targets. 2030: Reduce net GHG emissions by 30%. Improve energy efficiency by 30%.
		Biodiversity To deliver net-positive impact (NPI) across Anglo American through implementing the mitigation hierarchy and investment in biodiversity stewardship. Read more on page 39	2020: NPI methodology, biodiversity value assessments and site-specific indicators in place at sites in high-risk environments. An established biodiversity framework, supporting processes, capacity and resources in place to enable rigorous application of the mitigation hierarchy across the mining lifecycle. Formalise partnerships to support NPI, which are aligned with existing regional and national biodiversity stewardship initiatives. 2030: Deliver NPI on biodiversity across Anglo American.
		Water To operate water-less mines in water-scarce catchments. Read more on page 47	2020: Reduce the abstraction of fresh water by 20%. Increase water-recycling levels to 75%. No Level 3 or greater water incidents. 2030: Reduce the abstraction of fresh water in water-scarce regions by 50%.

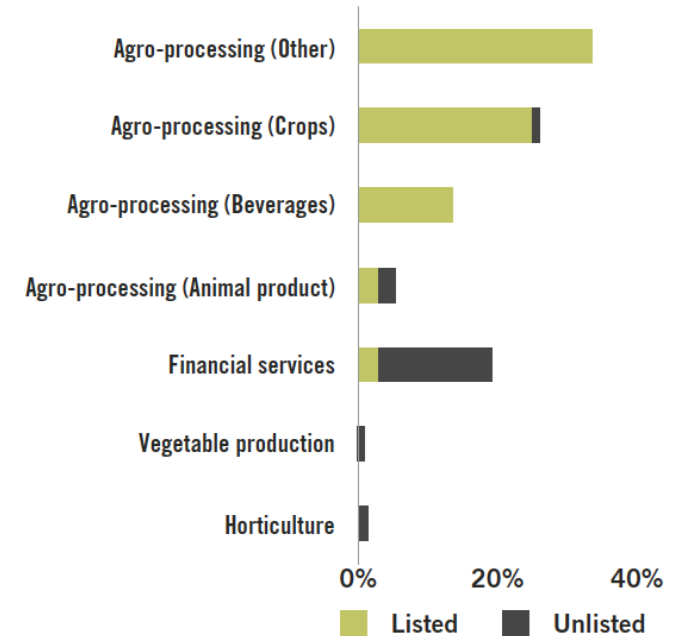
But are investors and all stakeholders making more impactful investment decisions?

- Sustainable Socio-economic development objectives requires local and global co-ordination across the economic and capital markets

Sector comparison of South African GDP with JSE and emerging market GDP

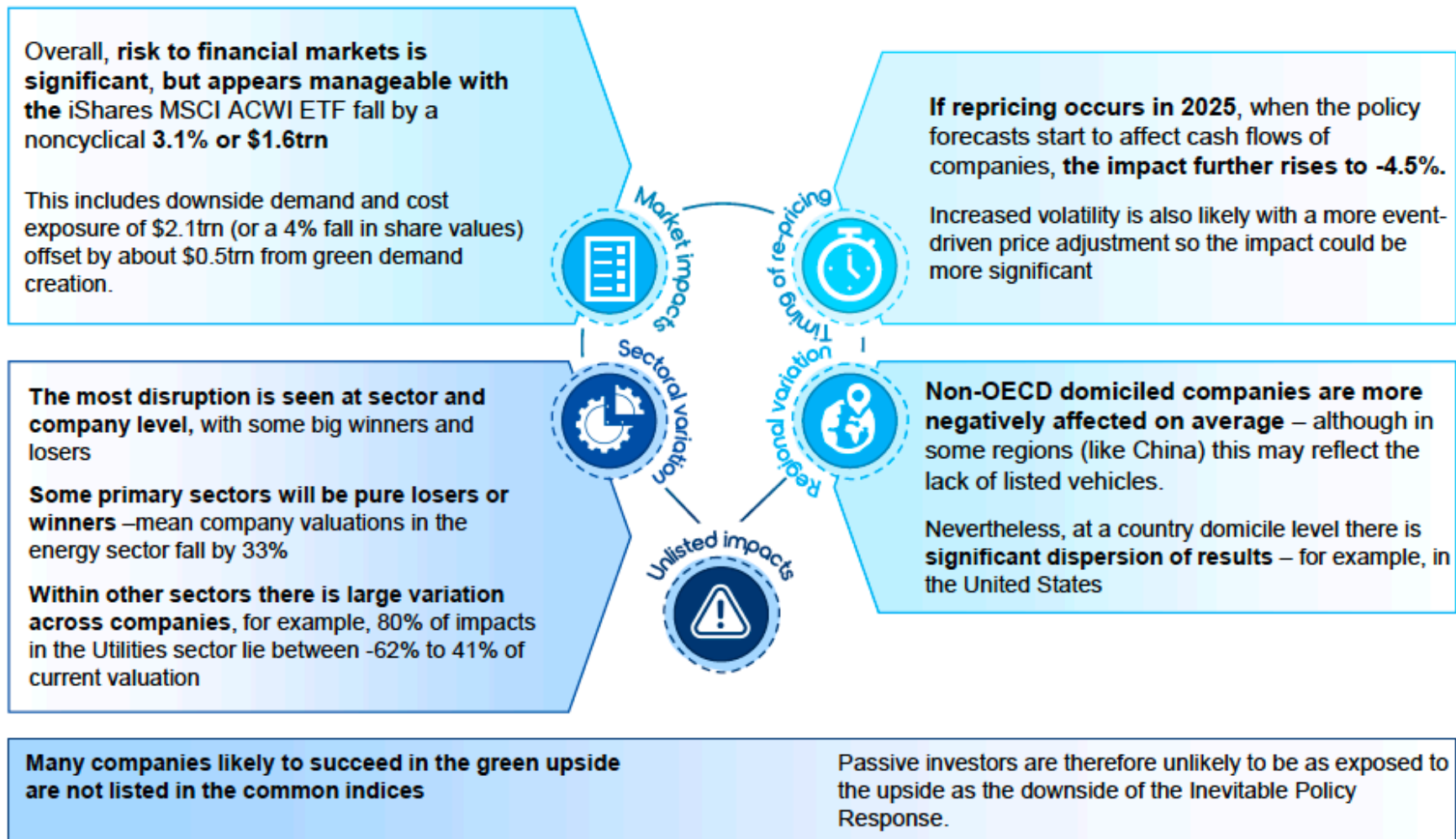


E.g. of Agribusiness cross asset class portfolio analysis



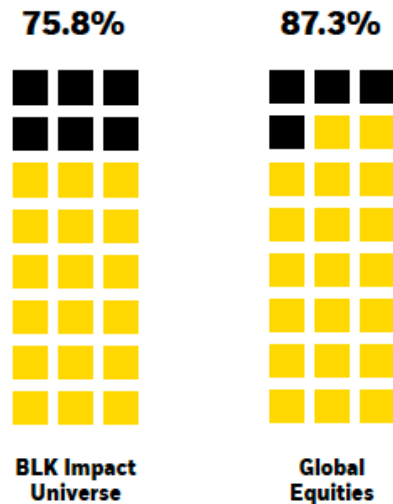
Exposure to "Agro-processing (Other)" skewed by holdings in British American Tobacco, Mondi and Sappi

Key Equity Market Findings: Disruption at the Sector and Company level



Increasing global recognition that public equities need greater impact analysis

Impact companies are less covered by analysts percent (%) coverage by sell-side

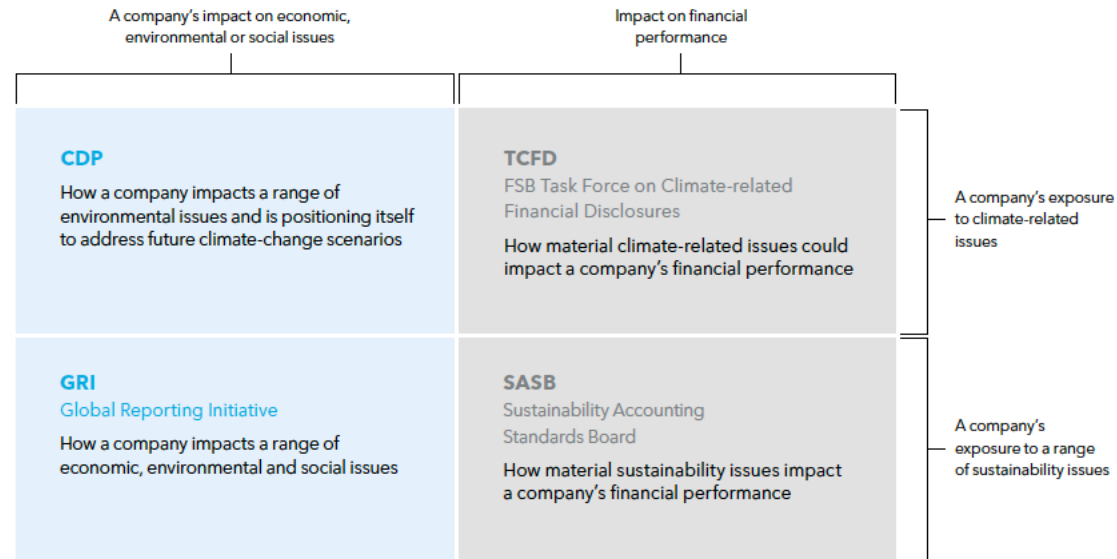


Source: BlackRock, with data from FactSet, January 2020. Chart shows analyst coverage, as defined by having more than five analysts covering a company, of global equities broadly, as represented by the MSCI ACWI Index, versus BlackRock proprietary universe of impact companies.

BlackRock: Invest with Impact – The case for impact investing in public equities

The full picture

We use the following frameworks and standards in an integrative fashion to identify and report on material issues.

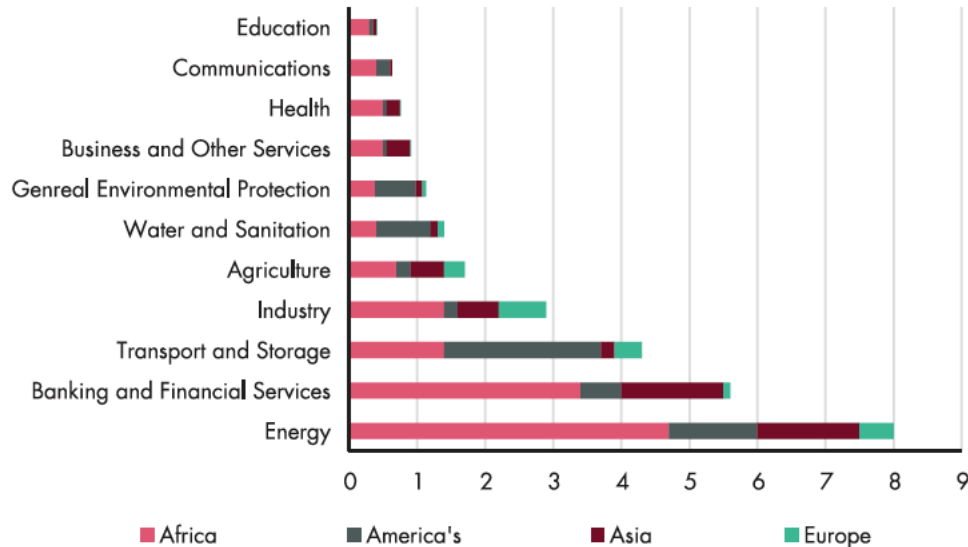


Primary audiences: — Cities, government, investors & companies — Financial market participants

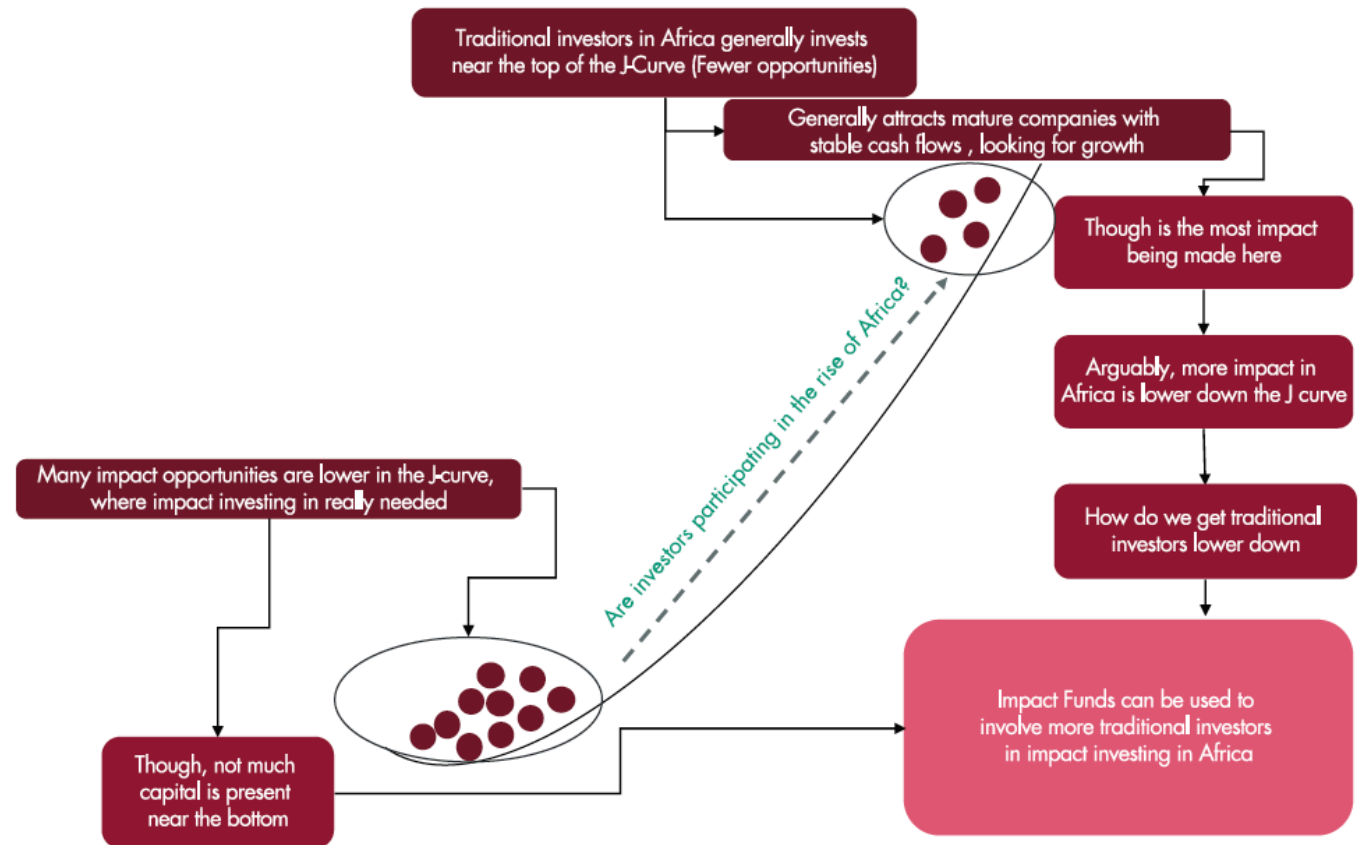
6 2018 Impact Report GRI: 102-12; 102-46; 102-47; 103-2; 103-3

Bloomberg Impact Report: What environmental, social and governance issues are relevant to our business and our stakeholders?

More capital needed to ensure all sectors develop investments along J-curve

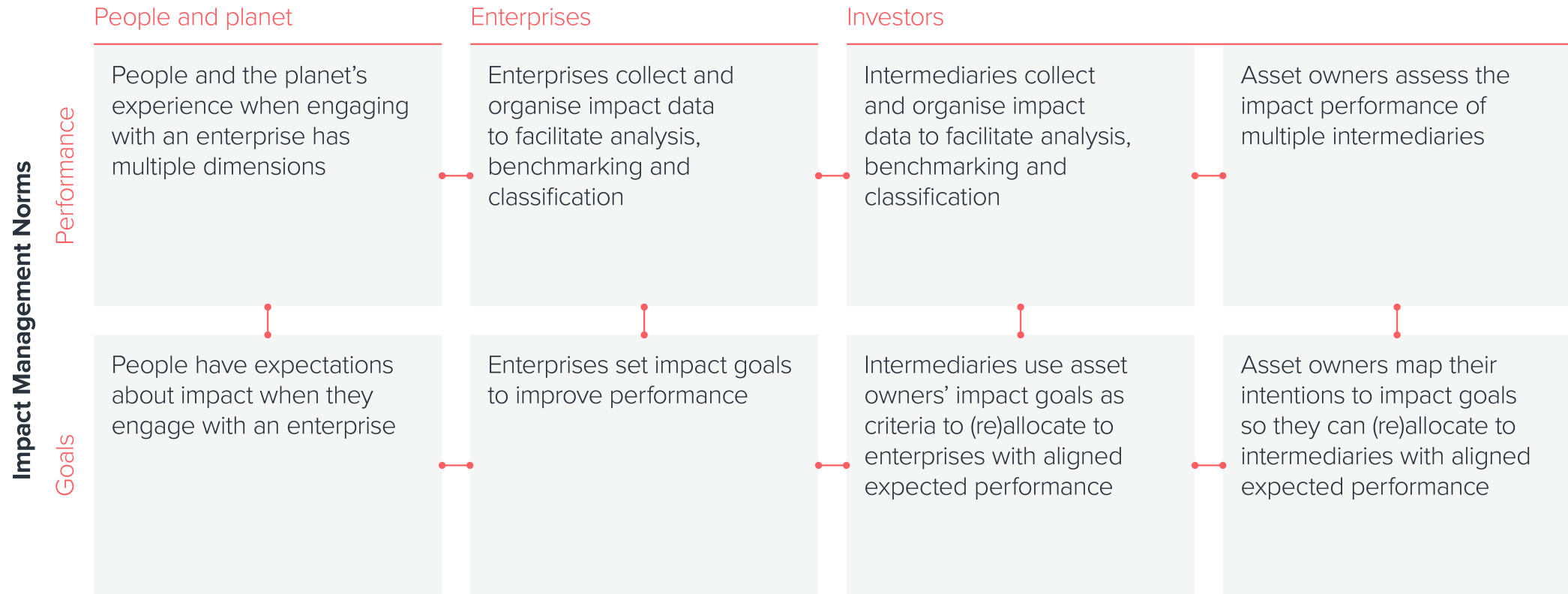


Source: Page 53, Fig 4.6, OECD Blended Finance Funds and Facilities 2019



Source: Authors Analysis

Giving context to a broad set of stakeholder goals



Impact Management should provide a correct set of disclosures

Dimension	Assessment to look for...				
 What	Unknown	Important negative outcomes	Important negative outcome(s)	Important positive outcome(s)	Important positive outcome(s)
 Who	Unknown	Various	Underserved	Various	Underserved
 How Much					
Depth	Unknown	Various	High degree of positive change	Various	High degree of positive change and/or
Scale	Unknown	Various	Various	Various	For many and/or
Duration	Unknown	Various	Various	Various	Long-term
 Contribution	Unknown	Various	Likely the same or better	Likely the same or better	Likely better
 Risk	Unknown	Various	Various	Various	Various
	↓	↓	↓	↓	↓
Classification of impact	May cause harm	Does cause harm	Act to avoid harm	Benefit stakeholders	Contribute to solutions

Impact Management
Project

Driving strategic investments into the most impactful assets

Case Study: Classification of PGGM's Euro220 bn portfolio

Impact Management Project

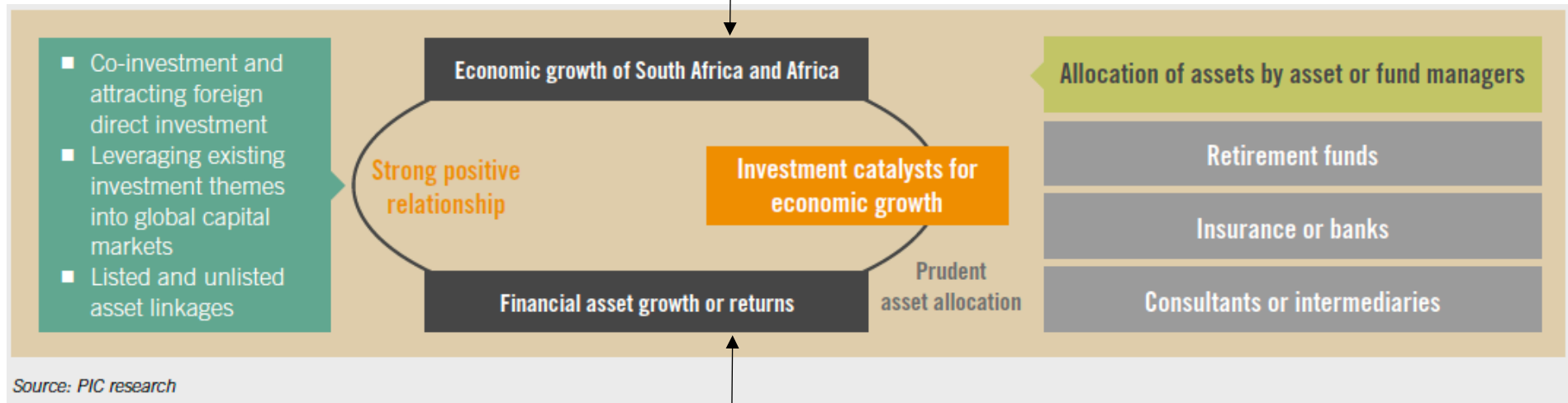
		IMPACT GOALS								
		AVOID HARM		BENEFIT STAKEHOLDERS		CONTRIBUTE TO SOLUTIONS				
		Allocation in € bln.	Allocation in %	Allocation in € bln.	Allocation in %	Allocation in € bln.	Allocation in %			
INVESTOR'S CONTRIBUTION	Signal that impact matters + Engage actively + Grow new or undersupplied capital markets + Provide flexibility on risk-adjusted return	Listed Real Estate	12	5.6%	Mortgages*	1.7	0.8%	Private Real Estate - BiO Climate	0.3	0.1%
		Private Real Estate	12	5.8%	Private Real Estate - BiO	0.1	0.0%	Private Equity - BiO Climate	0.2	0.1%
		Private Equity	9.9	4.8%	Other Equities - BiO	0.5	0.2%	Other Equities - BiO Climate	0.3	0.1%
		Government Bonds	39	18.9%			Cash BiO**	0.1	0.0%	
		Other Equities	4.2	2.0%						
		Alternative Equities Strategies	18	8.7%						
		High Yield Developed Markets	4.8	2.3%						
		Insurance Linked Investments	3.7	1.8%						
		Total	103	50.0%	Total	2.3	1.1%	Total	0.9	0.4%
	Signal that impact matters + Engage actively + Grow new or undersupplied capital markets + Provide flexibility on risk-adjusted return	Developed Market Equities	25	12.0%	Investing in Solutions Equities - BiO	6.4	3.1%	Investing in Solutions Equities - BiO	1.5	0.7%
		Emerging Market Equities	8	3.9%						
		Developed Market Credits	6.7	3.2%						
		Emerging Market Credits	3.5	1.7%						
		Emerging Market Debt Local Currency	8.5	4.1%						
		Total	51	24.9%	Total	6.4	3.1%	Total	1.5	0.7%
	Signal that impact matters + Engage actively + Grow new or undersupplied capital markets + Provide flexibility on risk-adjusted return	Structured Credit	5.4	2.6%	Developed Market Credits - BiO	0.4	0.2%	Developed Market Credits - BiO Climate	0.1	0.0%
				Emerging Market Credits - BiO	0.1	0.0%	Emerging Market Credits - BiO Climate	0.1	0.0%	
						Government Bonds - BiO Climate	0.7	0.3%		
						Semi-sovereign, Sub-sovereign and Agency bonds - BiO Climate	0.1	0.0%		
		Total	5.4	2.6%	Total	0.5	0.2%	Total	1	0.5%
	Signal that impact matters + Engage actively + Grow new or undersupplied capital markets + Provide flexibility on risk-adjusted return	Infrastructure	6.5	3.2%	Infrastructure - BiO	0.1	0.0%	Infrastructure - BiO Climate	1.1	0.5%
				Private Real Estate - Healthcare Mandate - BiO	0.1	0.0%	Private Equity - Microfinance	0	0.0%	
				Private Equity - Healthcare - BiO	1	0.5%				
		Total	6.5	3.2%	Total	1.2	0.6%	Total	1.1	0.5%

* PGGM Mortgages portfolio qualifies as 'Benefit Stakeholders' because PGGM solely invests in specific mortgages aimed at providing healthcare workers with affordable housing

** A part of PGGM's Cash portfolio is invested in climate solutions by the cash provider (Rabobank Duurzaam Deposito)

In Conclusion, consider increased impact management as part of your asset allocation decisions

Government policy and regulatory shift affecting investors and all stakeholders: Increased sustainable finance policies and non-financial disclosures



High quality impact management, ensuring an understanding full impact (negative and positive) can drive improved capital growth outcomes (risk, return and impact)