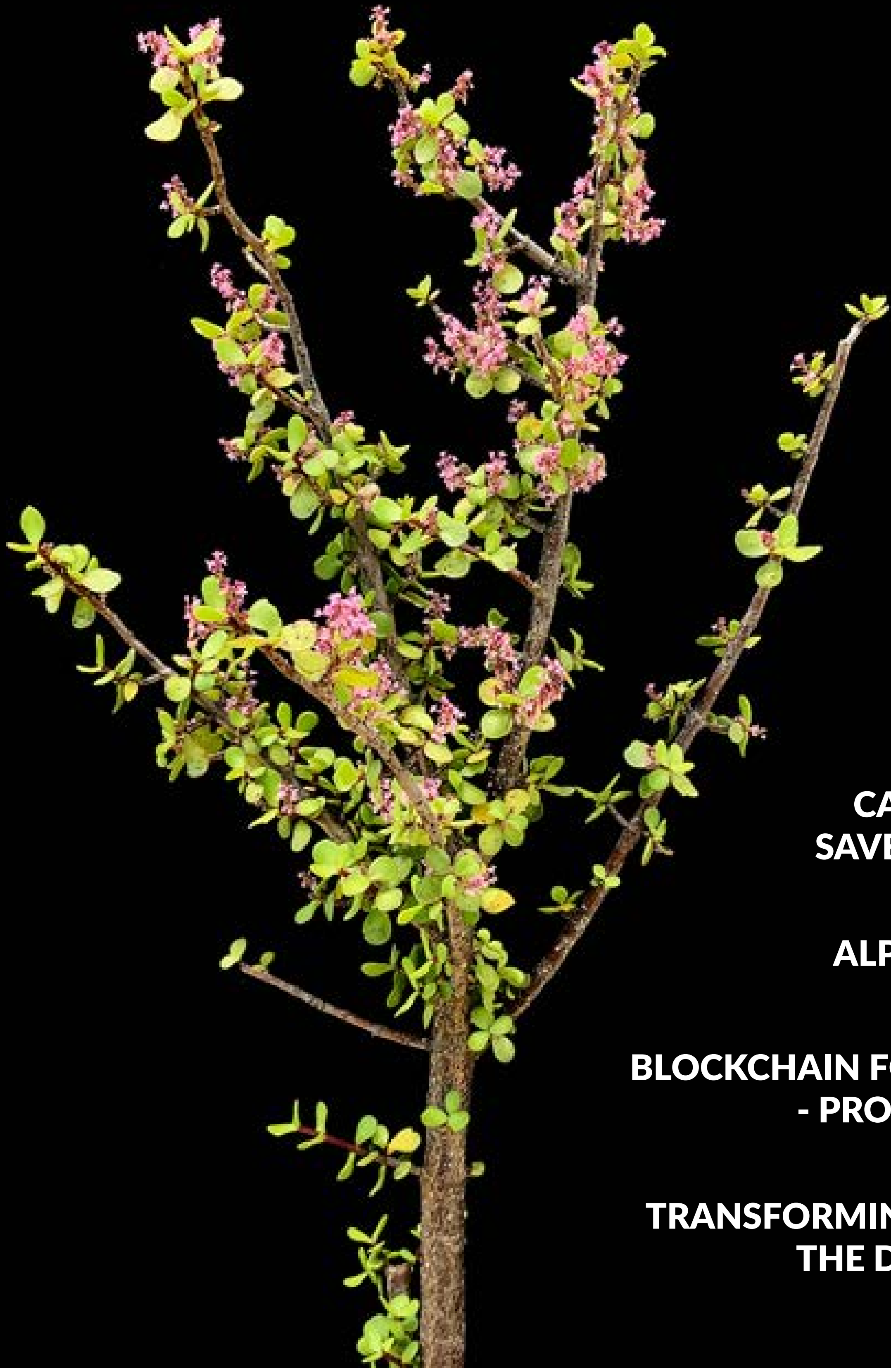
IMPACTAFRICA

VALUE CREATION THROUGH ESG

2020



CAN THIS PLANT SAVE THE WORLD?

ALPHA FROM ESG

BLOCKCHAIN FOR INVESTING - PROOF OF IMPACT

TRANSFORMING 100M LIVES THE D-LIGHT STORY

AfCD Africa Capital Digest

OLDMUTUAL

LIBERTY

KUDOSAFRICA
FINDING GOOD COMPANIES IN AFRICA

KUDOSAFRICA
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IN ASSOCIATION WITH
AfCD Africa Capital Digest

WHICH ARE THE TOP **SUSTAINABILITY ISSUES** FACING YOUR COMPANY?

CLICK HERE FOR YOUR FREE PERSONALISED BENCHMARK REPORT

KUDOSAFRICA
FINDING GOOD COMPANIES IN AFRICA

Africa needs a Sustainability Benchmark for SME's

While **environmental, social and governance (ESG)** performance is fairly well documented among large listed companies, there is still a lack of data on sustainable practices among unlisted, private companies in Africa.

At **KudosAfrica** we believe that establishing an index of such activities is essential for both businesses and investors for better planning and risk management to create value for business and society.

With that in mind, **KudosAfrica** has launched **KudosImpact Pulse** to survey, analyse and report on the status of Africa's unlisted businesses and their adoption of ESG best practice while focused on the top sustainability issues as identified by businesses, investors and stakeholders. Work is already well underway and the findings of this, unique project, will be released in association with our partner organisations in April 2019.

KUDOSIMPACT PULSE
SEE HERE FOR 2018 RESULTS

- The survey takes approximately 10 minutes to complete
- It looks at what businesses are already doing well to manage these key issues
- It explores the practical management responses that are indicators of good leadership, business resilience and innovation
- Expect a personalised report benchmarking your company performance against your peers
- **KudosImpact Pulse** also tests how well African businesses are already aligned with global and regional sustainability priorities - such as the *United Nations Sustainable Development Goals (SDGs).*

SUSTAINABLE DEVELOPMENT GOALS

THE FUTURE OF AFRICA DEPENDS ON **SUSTAINABLE BUSINESSES.**

If you are an individual or organisation promoting sustainable business practices in Africa, the **KudosImpact Pulse** results will help you better understand approaches by privately held businesses, allowing for better investment decision making and performance management.

LIBERTY | DENTONS | MAZARS | SAVCA | OLDMUTUAL | AMSCO

Spekboom

Portulacaria Afra, is a succulent tree native to the Karoo region of South Africa. Trees grow to between 2 and 5 meters tall and can live up to 200 years.

The plant is easy to grow and is very resilient – able to survive frost, drought, and fire.

Hectare for hectare, Spekboom thicket is ten times more effective than the Amazon rainforest at removing carbon dioxide from the atmosphere. One hectare of Spekboom can sequester between 4 and 10 tonnes of carbon per year. This makes it a powerful tool in the fight against climate change and the move towards a zero-carbon world.

It is a favoured food of black rhinos, elephants and kudus. With a slightly lemony taste, Spekboom leaves are juicy and full of moisture, making them the perfect 'pick-me-up' during a long day's hiking in the arid Karoo.

Learn more about this amazing plant at **http://pza.sanbi.org/portulacaria-afra**

CheckMyPlants is the work of ground-breaking photographer, Filipa Domingues. An attempt to document the rare and unusual succulents, specifically indigenous to South Africa, against a black background, using only natural light.

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DIRECTOR'S **LETTER**

Carl Reynolds

Earlier this year I had the immense privilege of speaking at the UN Food and Agriculture Organisation (FAO) in Rome, about the importance of mobilising SME's in all efforts to achieve the SDG's. It was an incredible learning experience and awe inspiring to meet so many people trying to make a difference. It was also eye-opening to realise the gap between academics and practical application. When it comes to SME's, ESG management is seen as a relatively academic or purely administrative exercise. However, we already know of the real benefits associated, so the challenge is one of motivation or incentivisation.

In this regard, nothing works better than actual stories and case studies. We've included a few on page 66 and in particular how to leverage this behaviour for brand awareness. I've also been witness to a number of very practical examples, and none speak to me as clearly as the work Pat Goldrick at Cashbuild did, in the nineties, to build what is now a billion-dollar business.

The Cashbuild success story has had much publicity and for good reason. Pat was able to build a real 'ownership' culture with all the regional managers and individual stores which ultimately took a start-up hardware operation to an African phenomenon with almost 5 000 employees and over 250 stores across Southern Africa.

By the time I met Pat they had approximately 150 stores and, if you know the Cashbuild model, most of them in some of the most economically sensitive areas in the country. What is not common knowledge, and in my opinion probably even more significant a contributor to their success.....is the fact that they had never had a break-in! Imagine that!

The reason for this was quite simple and also quite complex. Pat went into every area where a new store was planned. They identified immediate community needs, like materials for schools, soccer kit for local clubs etc, and they contributed. They enlisted the local drivers

...they had never had a break-in! Imagine that!

for the deliveries and set them up as separate entities. They started little micro enterprises within their stores – if you need glass, they had a glass cutter on site who operated as his own entity.... All of which made them essential to the wellbeing of those communities. They also sold good quality building material at rock bottom prices...

Pat did most of this because he wanted to improve the quality of life wherever he went, but he also understood the value of having the license to operate! A social one. Those communities protected the turf of Cashbuild, they made it almost impossible for competitors to move in and ultimately the model allowed for the Business to grow to todays market Cap of approximately R7B.

Stakeholder engagement; social license to operate; empowering communities; skills development; employee ownership; transparent management structures and absolute clarity on governance structures – each of these factors contributed to the success story yet were not represented on the Balance Sheet.

This is a classic example of the value of ESG. Back then the term didn't really exist and the templates and systems to manage it were non-existent, but that's all it was. Wholistic thinking about a business, its place in the environment and society within which it operates and attempting to manage those aspects as effectively as one would the figures.

So how do we take this kind of thinking and systematically assess the risks of not, and the opportunities of applying it effectively to our own operations? What are the current barriers to entry for more engagement on the topic?

Our mission at Kudos, is to demystify this process and open it up to the unlisted 80% of economic activity on the continent.

We've built the platform that can do this, (see page 10). Enjoy your learning on the following pages. My hope is that we deepen your understanding, further the conversation and in some small way awaken African business as the true force for change.

Thank you.

VALUABLE ESG

MOVING FROM WHY TO HOW

Carl Reynolds

In the absence of any standardised way of assessing 'sustainability', across civil, commercial and governmental spheres, The UN SDG's are slowly emerging as a convenient lens for multi-stakeholders to understand their responsibilities in terms of the growing needs of our society and the planet. Achieving these 17 goals, is arguably the single biggest challenge of our generation and our success or failure to do so will ultimately determine the course of history.

Various stakeholders will inevitably be motivated by different means to engage with these goals. Governments have different needs than businesses, as do individuals, and so it becomes important to frame the urgency for change effectively for each sector.

People are more motivated by a moral or ethical case for sustainability than by an economic one. (1) (2). According to the research, for individuals the moral case is significantly more likely to yield results. Companies however, have an altogether different set of drivers. Even though they are

> *The opportunity to grow an entire economy with sustainability in its DNA, is too big to pass up.*

run by people, the separation of individual from the collective (company) action, coupled with the need to address only the needs of shareholders leaves us with a different dilemma. Do corporate morals exist beyond what is legally enforceable?

Fortunately, we don't need to answer that question right now. We're more interested in how we mobilize the significant power of small business across Africa to address the challenges of the next 10 years and in particular, their ability to aid the world in achieving the SDG's.
In the case of Africa, SME's represent approximately 80% of the economic activity on the continent. Indeed, without harnessing their potential, achieving the SDG's are not even remotely a likelihood.
Most of us will know the difficulties associated with running a small business. The daily pressures leave little time to spend on any activity not associated with profitability. However, if we were to conclusively show that there are financial benefits to more responsible business practice and at the same time remove the combined obstacles of admin and time constraints, the opportunity to grow an entire economy with sustainability in its DNA is too big to pass up.

We have already written extensively on the business case for sustainability and increasingly the evidence is unavoidable, companies that score high on ESG criteria are better performers. (3) (4) (5) (6)

Neilson reported U.S. companies with a demonstrated commitment to sustainability were growing at a rate of 4% over the past year. This is compared to a growth rate of less than 1% for companies without demonstrated commitments to sustainability.

The UK reported that United Kingdom certified B Corp's are growing 28 times faster than the national average. Unilever reported that their sustainable brands are growing 50% faster than their traditional brands.
The University of Oxford conducted a literature review of over 200 studies where they looked at the relationship between sustainability performance and financial performance. The findings of their review included:

• 90% of the studies indicate that sustainability leadership leads to a lower cost of capital.

• 88% of the studies indicate sustainability leadership leads to increased operational performance.

• 80% of the studies show that sustainability leadership leads to better stock performance.

It has become clear that sustainability must be an important component to any business strategy in the coming years and decades to ensure long-term health and success. As the information and research on this topic continues to come out, the business case for sustainability will only become stronger.

Private equity (PE) remains one of the asset classes with the least systematic data analysis, but with possibly the greatest variety of case studies emerging of the tangible value being created through strategic ESG interventions.

For responsible investing to gain traction in PE, this return on investment (ROI) through ESG needs to be systematically tracked to inform more effective investment and engagement strategies, and to satisfy growing LP interest.

So, how do we harness the power of active ESG management to grow value in companies and investment portfolios? Although many and varied an approach exists, they can broadly be divided into the following three categories:

Risk reduction & management:

Aside from the obvious climate related risks, supply chain disruptions, water shortages and all the environmental risks, consider too the public relations risks. A proactive approach to sustainability is going to help companies avoid those PR-related risks in a world of rapid transparency where information is shared at an instant across the world. Sustainability also helps mitigate regulatory risks. Across Africa municipalities, cities, provinces and governments are developing climate action plans and developing new policies and regulations to reduce greenhouse gas emissions.

Risk reduction has long been one of the main drivers for integrating ESG issues into the PE investment process. However, PE firms are in the business of creating value, not just avoiding risks and a compliance mindset anchors the engagement with investee companies in a risk management frame, with an emphasis on pre-investment due diligence and post-investment monitoring. These are often perceived more as burdens and costs to a business which leaves much value unrealised during the life of an investment.

Operational efficiencies:

The most straight forward benefit of sustainability, and the easiest to understand and quantify, is the reduced operating costs. When a business is reducing waste, reducing energy, reducing water use, reducing greenhouse gas emissions, operating more efficiently, obviously they will be saving money. William McDonough is a sustainability and circular economy thought leader, architect and author of the books Cradle to Cradle and The Upcycle. McDonough will point out that when we look at nature, there is absolutely no waste. Everything has value and everything has a purpose. Waste is really just the result of design flaw. We need to rethink and redesign the way we make our products, rethink the way we operate our facilities and rethink the way we operate as a society. Sustainability is all about eliminating waste and maximizing efficiency, which of course leads to cost savings.
This approach to resource efficiencies also extends to company supply chains. Not only is risk within a supply chain your own business risk it is also an opportunity to grow and secure your suppliers (and therefor supplies). Growing this network of stakeholders makes absolute economic sense and ultimately builds a flourishing and networked economy.
Likewise, evidence is clear that a happy and engaged workforce leads directly to increased performance. Involving the workforce in the bigger picture of a business, particularly one with a vision and mission, is the surest way to drive both productivity and innovation.

IMPACTAFRICA - VALUE CREATION THROUGH ESG

Opportunity identification:

Using sustainability as a lens to look at your business can lead to innovatively creating new ways to get things done. A focus on sustainability in all aspects of a business can lead to process changes, new products or services, the use of new technology, the creation of new technology, new management techniques and other innovations. A Deloitte report entitled Sustainability Driven Innovation, studied hundreds of companies and labeled them as sustainability leaders and innovation leaders based on a number of criteria. The study found that a company labeled a sustainability leader was 400 times more likely to also be labeled an innovation leader.

The case is self-evident but what happens next? How do we scale these learnings into practical and winning investment strategies? Fortunately, there is an array of methodologies to choose from and a growing filed of experts who are keen to show the way. The thing to keep in mind is that your fund is unique. A framework is helpful but real engagement with the issues and a targeted approach are imperative.

An organising framework

The creation of value in portfolios from ESG is significant3. The main themes in value creation within portfolios are:
Avoidance of eroding of capital and cost by improved risk management improvements, this includes:
- Reducing potential for business interruptions from significant incidents (health and safety)
- Enhancing supply chain management
- Protecting companies' social license to operate

Increased efficiencies in systems and operation and enhanced productivity, this includes:
- Resource efficiencies
- Improved supply chain
- Higher employee productivity and improved employee retention

New product and services growth, this include:
- Developing sustainable products and services
- Improving and leveraging sustainability of existing products to reach new customers or markets
- Brand enhancement and customer satisfaction related to ESG

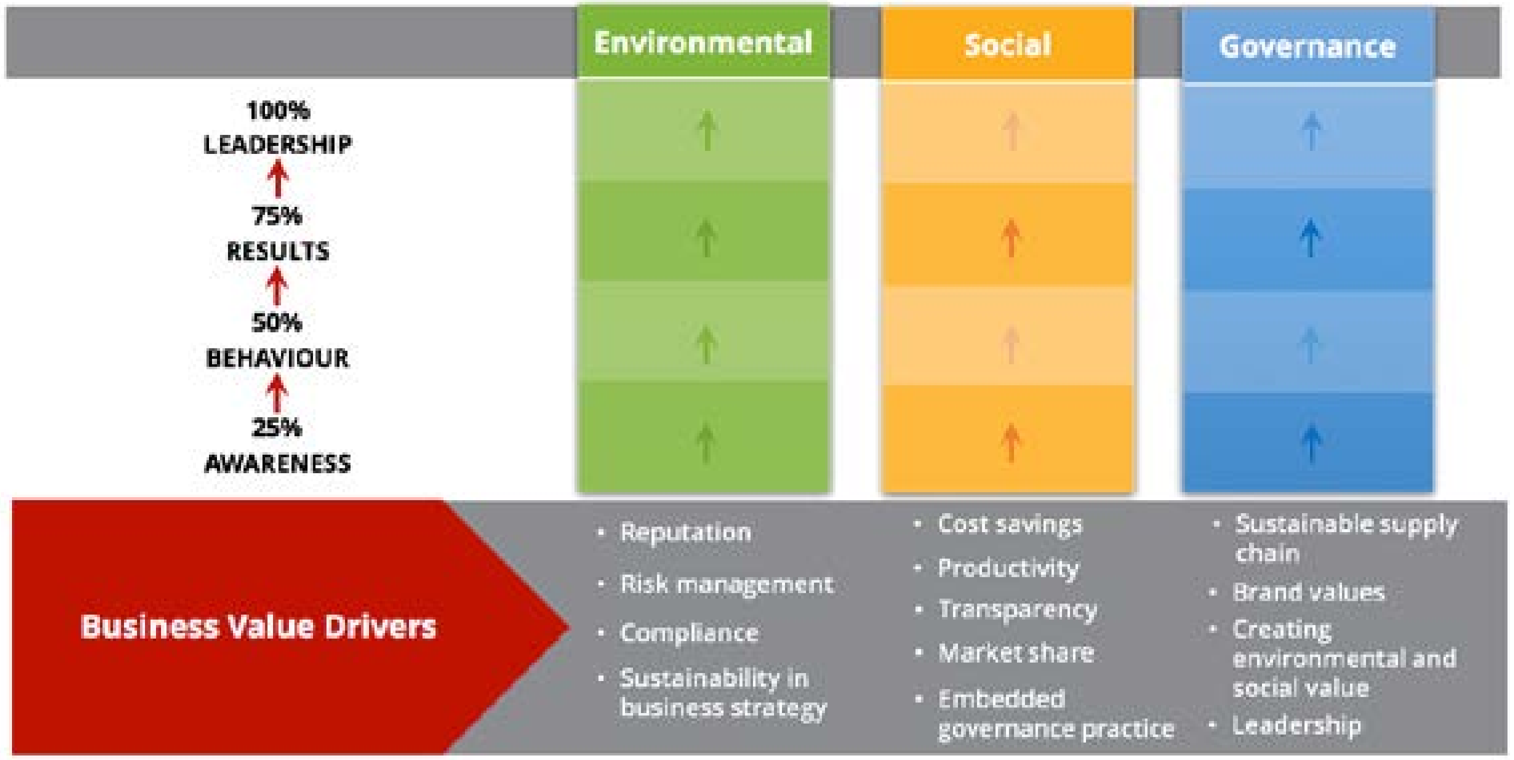
Strategies for integrating these approaches into PE Fund management

More and more funds are already setting up internal ESG departments which cover everything from screening to risk assessment and implementation strategies. The following are features of successful approaches:

- First of all, PE funds need to communicate to investee companies their awareness and expectations of the concerns around ESG issues from investors and clients.
- The PE funds needs to obtain more in-depth material ESG issues in and around the investee company
- Compare risk at portfolio level
- Embed collaboration between portfolio managers, analyst teams, ESG analysts and the investee companies.
- Develop a methodology to link ESG with commercial impact
- Communicate with their stakeholders, including customers and employees, about how ESG performance improvements have resulted in successful business outcomes, attain a leadership position amongst its peers, and help them realise value at exit.
- Agree on ESG action plan with the investee company and embed this in the legal agreement.
- Systematically monitor progress and provide ESG implementation support

In a more practical way implement a systematic approach for ESG data collection for PE portfolio. Key is to create and implement ESG metrics that consists mostly of quantitative ESG indicators (ESG KPI's). This will save implementing and monitoring time. It also provides for progress comparison between the different assets and gives the opportunity to report on thematic portfolio achievements.

Start with screening as many material ESG risks and opportunities to identify which issues are most material for the sector and region and crate an ESG action plan with goals and responsibilities to address those material issues. The periodic monitoring and evaluation reporting need to have a system in place for due-diligence and verification.



In the African scenario PE and ESG are both in strong growing phases. KudosAfrica is glad about the current development experienced in this industry and aims to facilitate a change. Helping PE funds understand what are the best ways to assess risks and implement strategies can in turn help SME companies to receive further funding and contribute to company's and community's growth.

The Kudos approach can effortlessly deliver great insight into risks and opportunities both pre-investment and during the investment life cycle. By assessing the companies' performance in the most relevant material issues for investors, while keeping an international investors mindset but with the point of view of African companies, we help funds navigate the ESG scenarios and make sound business decisions based on hard, reliable data stemming from accurately conducted research.

This is done is a way which promotes gradual improvement of ESG factors over the course of the investment at the investee company, with annual review of progress achieved and valuable toolkits and action plans to help both the fund and the company to walk the path towards a more sustainable, and profitable, business process.

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With additional credit to the Harvard Business Review and Louise Gardiner.

THE IMPACT PULSE SURVEY

2019

Koen van Noorden

Taking the pulse of Africa's Businesses

Following our last publication, it is becoming even more relevant to continue the search for sustainability data as related to unlisted, private businesses in Africa. Our ongoing research, interviews with various stakeholders and key experts in this field, show an increasing demand for sustainability benchmarking in Africa.
Yet sustainability reporting is not high on the agenda of private companies when compared to listed companies. There is no mandate, and smaller companies have other priorities. The obvious benefits of encouraging more responsible business behaviour is therefore lost to the sector of the market with the most potential to achieve real change. A massive missed opportunity!

Small and medium companies are crucial to the world achieving the Sustainable Development Goals (SDGs) before 2030. In Africa, they are the major creators of jobs and contributors to their economies. The small and medium companies account for up to 80% of Africa's economy and it is safe to assume, hold the biggest potential for positive impact on the continent. While governments and large listed companies are showing promising participation, and reporting on the SDGs, the small and medium enterprises are largely excluded from the measurement process.
With the Kudos Impact Pulse survey, KudosAfrica initiates the inclusion of private/non-listed companies into the next sustainable economy. This sustainability data and the aggregated results will be shared regularly. This year's survey is improved by reducing the completion time to around 5 minutes, compared to around 10 minutes that it took to complete previously. Participants are incentivised through a personalised report for each business. The automation of this report is under development and will continuously be improved upon as more data is made available. We've also included larger emphasis on the educational aspect of the questions as well as clearly defined opportunities to address the UN-SDG's.

More about the United Nations Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) set out a framework of 17 Goals and 169 targets to tackle the world's most critical social, environmental and economic challenges by the year 2030. Governments have adopted these goals and businesses are in a position to help to achieve these goals. Some companies are recognising that their businesses need stable economies to operate within and that climate change, growing inequality, water risks, and poverty are threats to their businesses.
Since 2015 governments all over the globe have been making progress, especially in North America and Europe. South America, Asia and Africa, the regions where the SDGs are most applicable, are behind. Fortunately, big corporations and listed companies are increasingly adopting SDGs into their strategies and operations.
Small and medium enterprises don't have high level thinking about the worlds critical sustainability issues, or frameworks like the SDGs, in their strategic operations. Ideally, awareness should be incorporated at the outset, even at a business plan level and this is where investors can play a big role.
Private companies have no platform to report on and that is why governments are missing out on this essential big opportunity to reach their SDGs goals. Many small and medium companies are already contributing to the SDGs, without being aware of it themselves. Also, small adjustments and slightly different focus points can easily result in deeper and more focused support.
There is a business case to adopting SDGs. Small and medium companies can set themselves apart from their competitors by embracing these goals. Consumers like good news stories and by creating a better future there will be many benefits and business opportunities.
If a business wants to start contributing to the SDGs it is necessary to get an understanding of these goals. Every operation differs. Find out which goals the business is already addressing and find out which ones can easily be addressed before setting relevant targets. Then integrate a plan of action including a way to monitor and measure before reporting and communicating on the progress.

WHO RESPONDED

WHAT WE FOUND

We found that the vast majority of businesses that participated want to be more sustainable – as much as 75% of the businesses consider themselves as in the process of becoming more sustainable, a considerable increase on last years' figures.

As the data set grows, key industries and regions will be identified as leaders or laggards, particularly as related to their potential. As yet we've identified a few key trends over the past two years.

Among the vast majority of the companies, there is awareness around all the sustainability topics that were cited in the questionnaire and an upswing in activity toward addressing these. As of yet the maturity or urgency of incorporating the broad range of sustainability (environmental, social and governance) issues, needs more awareness and concerted effort.

Africa has specific regional Environmental, Social and Government issues that are not adequately addressed, influencing both operations as well as reputation. In particular African business should place a high priority on Human Rights, vulnerable labour force, changing extreme weather patterns, reliable electricity, water shortage, and vulnerable communities.

RESOURCE EFFICIENCY

The standout statistics here were the fact CO_2. emissions, while very high in South Africa, are in a global context, negligible for the rest of Africa.

The results of how businesses are trying to protect their water resources are not that promising either. Only 27% of the respondents properly disposed of their toxic waste while, outside of South Africa, storm water management and other water source protection measures and green cleaning initiatives are largely ignored.

82% of the companies are reducing their waste.

15% of the businesses recycle more than **75%** of their waste while **18%** are doing nothing at all

Almost 60% recycle up to **25%** of their waste

The most common practices are the minimisation of waste, recycling of waste and exploiting waste as a resource.

82% are making an effort to source materials that are recycled, recyclable, renewable or biodegradable.

While 14% of companies don't do anything to manage their energy use, most companies have multiple strategies in place to manage their energy consumption.

35% are reducing their energy use through behavior change

are measuring their energy usage and setting targets for reduction 30%

19% introduced energy-efficient technology

While 14% are incorporating renewable energy into their energy consumption.

83% of the companies are reducing their water footprint.

32% of the businesses are reducing water consumption in operations through behavioural change

of the business are measuring water usage and setting reduction targets 28%

Only **6%** of the businesses have installed water-saving fittings and up to **17%** of the businesses are not doing anything to manage and reduce their water usage.

BROADER OPERATIONS

60% of the respondents are investing in the local community in many diverse ways.

Education and addressing equality are the most often used methods.

85% of the companies are **not** calculating their greenhouse gas (GHG) emissions.

Education is one of the most essential contributors to the availability of a capable workforce. There is clearly considerable scope for improvement.

51% of the companies have a program in place where their employees have the opportunity to enhance their skills in the workplace.

58% of the businesses see the benefit of being more sustainable to set them apart from their competitors. Only 20% see value creation in adopting sustainable technologies to reduce cost and increase efficiencies.

LOOKING FORWARD

We will continue with the Kudos Impact Pulse annual survey to create a database for sustainability benchmarking in order to facilitate sustainable growth. Private companies are potentially the biggest drivers for the sustainable development of Africa. They can promote social inclusive and sustainable economic growth, job creation, industrialisation and innovation and can contribute to most of United Nations Sustainable Development Goals.
Find the Kudos Impact Pulse questionnaire with educational content and reference to the SDGs via our website. (https://kudosafrica.com)

BENCHMARKING TO UNLOCK POTENTIAL FOR SUSTAINABLE DEVELOPMENT

IDO VERHAGEN

Securing a sustainable food future is one of the main focus areas of the World Benchmarking Alliance

An important part of the legacy of Kofi Annan, the seventh Secretary-General of the United Nations, was showing the world that it makes sense to set shared global targets for development. During his term in office, the UN adopted the Millennium Development Goals, a set of eight targets to be achieved by 2015. An evaluation in 2013 pointed out that a lot of progress was made, albeit not enough. One of the major lessons drawn from this experience was that the UN should do more to mobilize the potential of the private sector to achieve the next set of goals, the Sustainable Development Goals (SDGs) to which the UN unanimously agreed in 2015.

Benchmarking provides the key to do so, concluded the Business & Sustainable Development Commission (BSDC) in 2017. In its flagship report, Better Business, Better World, it showed that sustainable development presents an enormous growth opportunity—if business can understand economic, social, and environmental challenges as future value drivers.

According to the commission, 'a well-designed benchmarking process allows individual companies to decide for themselves how to develop sustainably, in line with the Global Goals, while at the same time setting them all on a competitive "race to the top".' It allows individual investors and civil society to hold companies effectively to account for investing in and promoting good corporate performance on sustainable development. And it provides an incentive for companies to improve on their corporate sustainability performance.

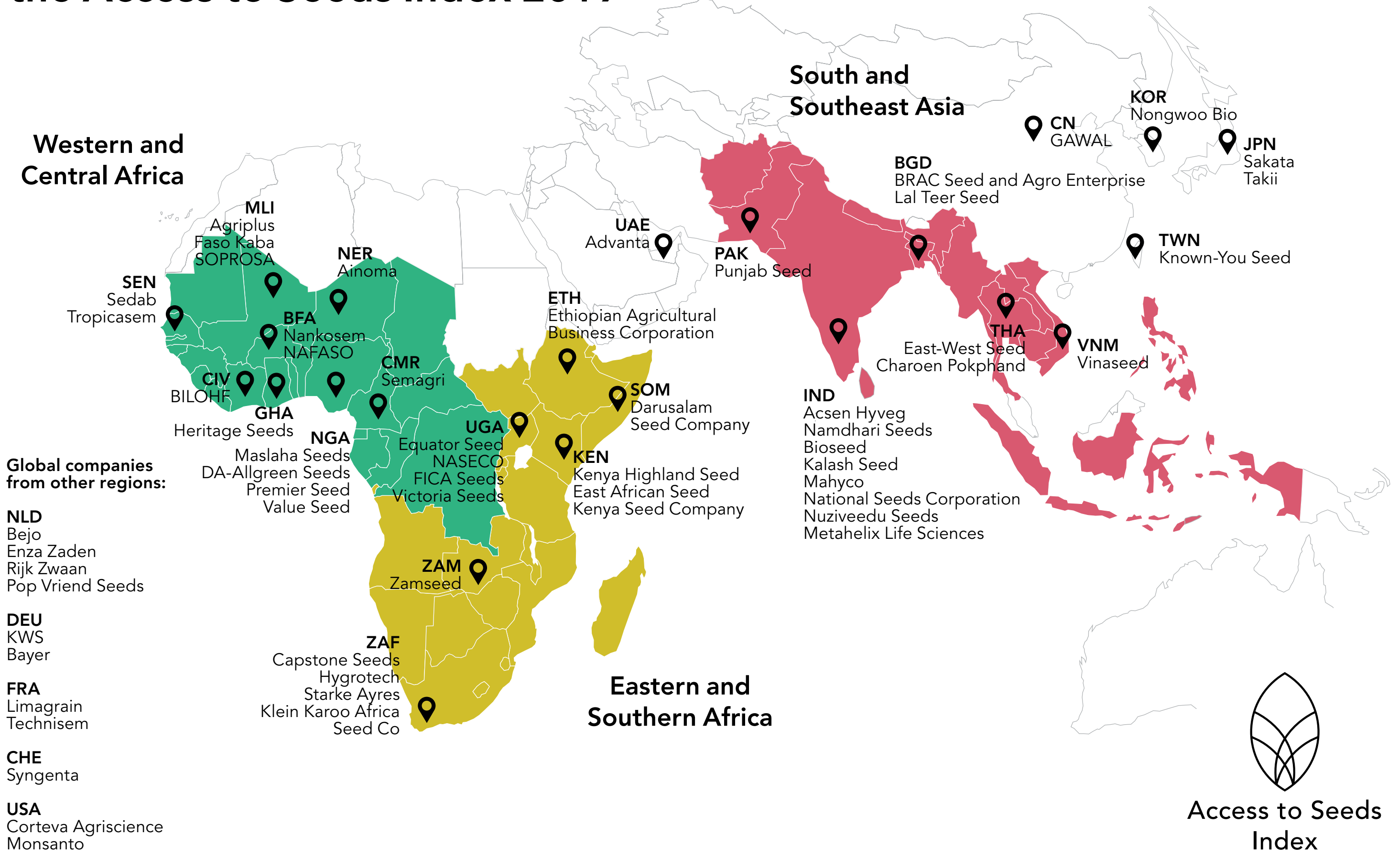
An example was set by the Access to Medicine Index. By benchmarking pharmaceutical companies biennially since 2008 on their efforts to make medication available and affordable in developing countries and to dedicate more research efforts on the eradication of neglected tropical diseases, it has effectively influenced the strategies and portfolios of Big Pharma.

The initiator understood that by ranking and comparing companies against each other, the competitive spirit that drives every industry could be channeled towards making a positive impact. By basing the metrics on what society at large – investors, governments, science and NGO's – expect from an industry, the benchmark also provides guidance to companies on what this positive impact should look like.

Although most existing benchmarks tend to focus on industry leaders, another benchmark,

By ranking and comparing companies against each other, the competitive spirit that drives every industry could be channeled towards making a positive impact.”

The 62 companies in scope of the Access to Seeds Index 2019



the [Access to Seeds Index](), has shown that benchmarking can be expanded towards the long tail of an industry. In its recent edition published beginning of 2019, it has benchmarked 62 seed companies on their efforts to make quality seeds accessible for smallholder farmers in sub-Saharan Africa and South and Southeast Asia. Next to leading seed companies from the United States, Europe and Japan, it included 45 smaller homegrown companies from the regions itself. Interestingly, many of these smaller companies outcompeted their global peers in many areas such as breeding for local crops, the reach of their adoption strategies or activities focused on women farmers. The league tables for Eastern and Western Africa were topped by a Kenyan and Nigerian seed company respectively. It indicates that for impact investors but also for public agencies seeking to build partnerships with seed companies, it is relevant to look beyond the usual suspects of the big multinationals.

To leverage the impact of benchmarking, BSDC also called for a more standardized system of reporting on SDG performance. In its absence, different companies use different reporting standards. And the current landscape of benchmarks leaves many industries, sub-industries and companies out of scope. The profusion of reporting frameworks on the one hand and the incomplete patchwork of existing benchmarks on the other is a headache for investors, a large majority of whom say they are unhappy with their ability to compare sustainability reporting between companies in the same industry, according to BSDC. Metrics should be standardized across industries and geographies to allow for easy comparison by companies, investors and other users. As such financial actors can make SDG-performance an integral part of their considerations to ensure that sustainable development is at the heart of their dialogue with business leaders.

Scientists have calculated that without change, the global food system will destabilize the planet. ”

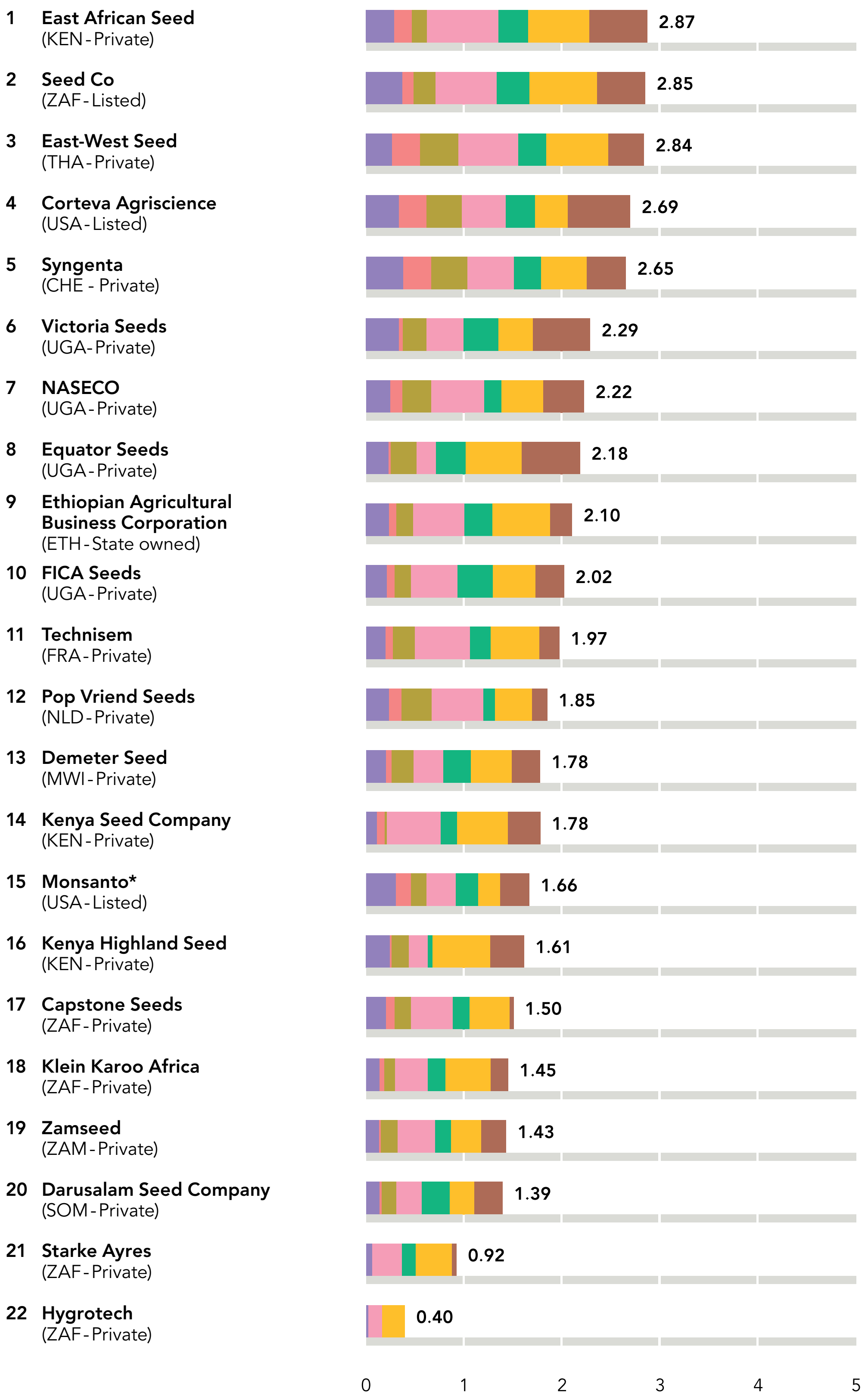
The World Benchmarking Alliance was created to do just that. Launched in New York during the UN General Assembly in 2018, it has within a year grown into an alliance of over 100 organizations ranging from the International Chamber of Commerce, financial institutions and academia to civil society actors like WWF and Oxfam. They all unite around WBA's mission to bring more alignment in reporting metrics, scale up and broaden the coverage of benchmarks and reduce reporting burden for individual companies. At Davos 2020 WBA will announce the 2000 key stone companies it aims in include in its benchmarks that focus on seven major systems transformations that are fundamental to achieving the SDGs.

One of these transformations is focused on the food system. Scientist have calculated that without change, the global food system will destabilize the planet. While the world population will grow in the coming decades towards 10 billion mouths to feed, the use of land, water and fertilizers as well as biodiversity loss is on course to exceeding their planetary boundaries. The good news is scientists also have an optimistic scenario in store. It is possible to feed the growing world population, but it requires a shift towards healthier diets and more sustainable production methods. Not easy, but possible, and it requires all to contribute to the desired change. That is the sustainable food future WBA's Food & Agriculture Benchmark will work towards.

WBA will launch its first Baseline Benchmark for Food & Agriculture end of 2020 at the Tokyo Global Nutrition Summit. It includes 300 of the global leaders from across the global food value chain, from input providers to retailers. Likely, as the Access to Seeds Index has demonstrated, it makes sense to accompany this global benchmark with 'regional spotlight benchmarks' that play a key role in reaching food system transformation targets in specific regions, such as sub-Saharan Africa.

At WBA we are pleased with allies such as GAIN that is currently building investor coalitions to mobilize their capital for regional companies that can contribute to a food secure future in the African continent. And actors from the region itself, such as KudosAfrica, that is already on course to help unlock the full potential of the African private sector, while driving positive social and environmental change. WBA can only set up regional spotlights benchmark when endorsed and supported by actors from that region. We invite anyone who wants to come on board on this mission to reach out to us.

Access to Seeds Index 2019
Eastern and Southern Africa



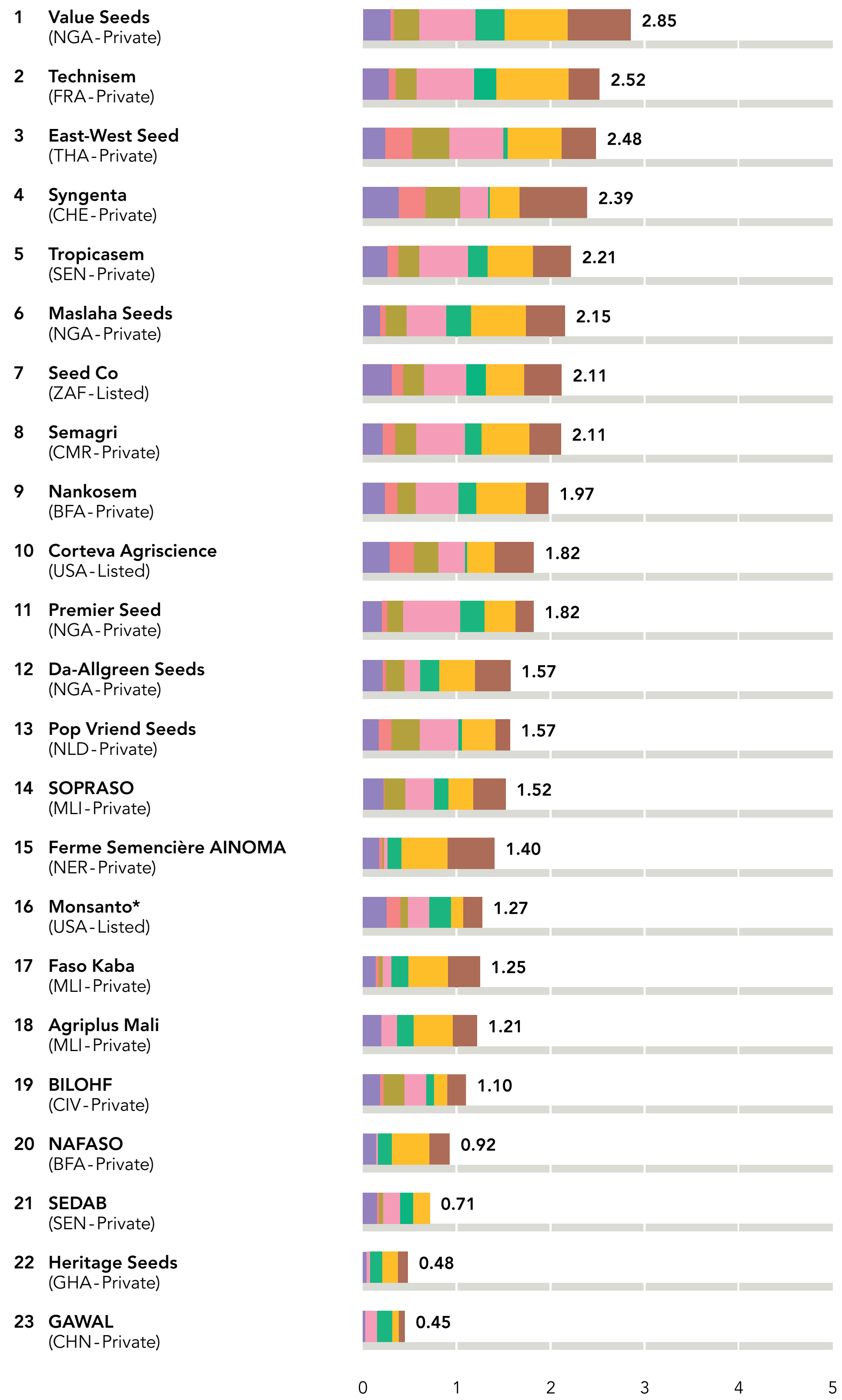
Measurement areas

- Governance & Strategy
- Genetic Resources
- Intellectual Property
- Research & Development
- Seed Production
- Marketing & Sales
- Capacity Building

Access to Seeds Index

https://www.accesstoseeds.org/

Access to Seeds Index 2019
Western and Central Africa



Measurement areas

- Governance & Strategy
- Genetic Resources
- Intellectual Property
- Research & Development
- Seed Production
- Marketing & Sales
- Capacity Building

Access to Seeds Index

https://www.accesstoseeds.org/

IMPACTAFRICA - VALUE CREATION THROUGH ESG

SEARCHING FOR ALPHA THROUGH ESG

WALEED HENDRICKS | ESG INVESTMENT ANALYST

ABOUT THE AUTHOR

Waleed is responsible for ESG quantitative research and analysis, the development of ESG Investment tools and integrating ESG factors into our stock selection and portfolio construction processes.

KEY TAKEOUTS

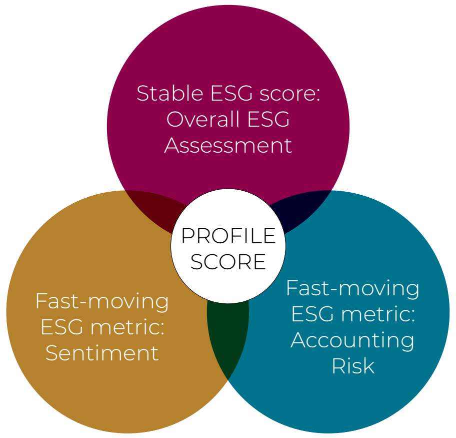
- SUSTAINABILITY IS RESHAPING THE INVESTMENT LANDSCAPE
- OUR BESPOKE ESG RISK SCREENING MODEL ASSESSES LONG-TERM RETURNS
- THE FOCUS IS ON PORTFOLIOS WITH BETTER-RATED ESG PROFILES

We have always contended that investing in a portfolio of companies that rate well based on environmental, social and governance (ESG) factors need not result in sacrificing returns. In fact, empirical research shows that carefully considering these factors can lead to superior returns and that there are intuitive explanations for this. To gather our own evidence , and to enhance both our ESG quantitative research process and risk screening across markets, we developed a proprietary ESG Risk Screening Model using external data vendors[1] to assess long-term investment risk and opportunities associated with a company.

CREATING THE ESG RISK SCREENING MODEL

To gain insights into the sustainability practices of any company and, consequently, its long-term investment returns, we need adequate ESG data. And ESG data has a temporal dimension, meaning that some ESG data is long-lived while other ESG data points are short-lived in nature. Looking at the short- and long-term data sources independently has both pros and cons. We believe the optimal approach to assessing long-term investment risk associated with a company requires combining the short- and long-term ESG data sets into a single metric.

Our proprietary ESG Risk Screening Model is a blend of the long-term ESG risk profile of a company, which is derived from analysing a company's risks and opportunities that arise from ESG factors that may not be captured by conventional financial analysis of a company[1], and the faster, more short-term ESG news flow on potential controversies and accounting risks. Additionally, we developed a one-year ESG Profile Momentum score to capture changes in the ESG profile of a company, investor sentiment and price behaviour.



THE QUANTITATIVE RESEARCH

Our research hypothesis was that the better-rated ESG companies should outperform both the lower-rated ESG companies and the benchmark over time, and therefore incorporating ESG factors when investing across all markets can lead to superior returns.

Using our model, each underlying ESG metric was individually tested for volatility and performance attributes as the basis for ensuring the optimal weighting when blending the metrics. To account for the different ESG methodologies, statistical measures were used for calculating each metric separately to ensure standardisation when combining the scores.

While we conducted the research globally across various markets, this article only focuses on the MSCI All Country World Index (ACWI) and the MSCI Emerging Markets (EM) Index.

We applied our proprietary ESG Risk Screening Model to the above indices' constituents from 30 June 2015 to 31 January 2019. We used this period as we only had consistent accounting risk measures from June 2015.

The constituents in the aforementioned indices were ranked into quintiles from the highest performing companies within the index (Quintile 1) to worst (Quintile 5) per our proprietary model and ranked relative to their peers. Each quintile basket of stocks was equal weighted and rebalanced monthly.

THE FINDINGS

The summary table on the following page shows the key elements of the attribution analysis on the MSCI ACWI Index (developed and emerging markets). The attribution analysis evaluates and compares the performance of each quintile portfolio (best to worst rated per our proprietary ESG model) within the MSCI ACWI Index. The attribution analysis by our proprietary ESG Risk Screening Model provided compelling support for our hypothesis. As you can see, there is an almost ordinal distribution in cumulative returns from quintile 1 through to quintile 5. This means that if you invested in the quintile 1 portfolio, which is our best measure in terms of ESG for the research period, you would have had a 25.96% return, which is an active return of 6.84%. However, if you invested in the quintile 5 portfolio you would have had a return of 10.86%, which underperformed the benchmark by -8.25% and the quintile 1 portfolio by - 15.1%. Very interesting to note is that the quintile 1 portfolio also outperformed the MSCI ACWI ESG Leaders Index (MSCI best-in-class ESG index) over the time period by 3.52%. I must point out that certain risk control measures, such as tracking error and sector neutrality, are not discussed in this article, given that the main focus is to highlight the ESG alpha signal of our proprietary risk screening model.

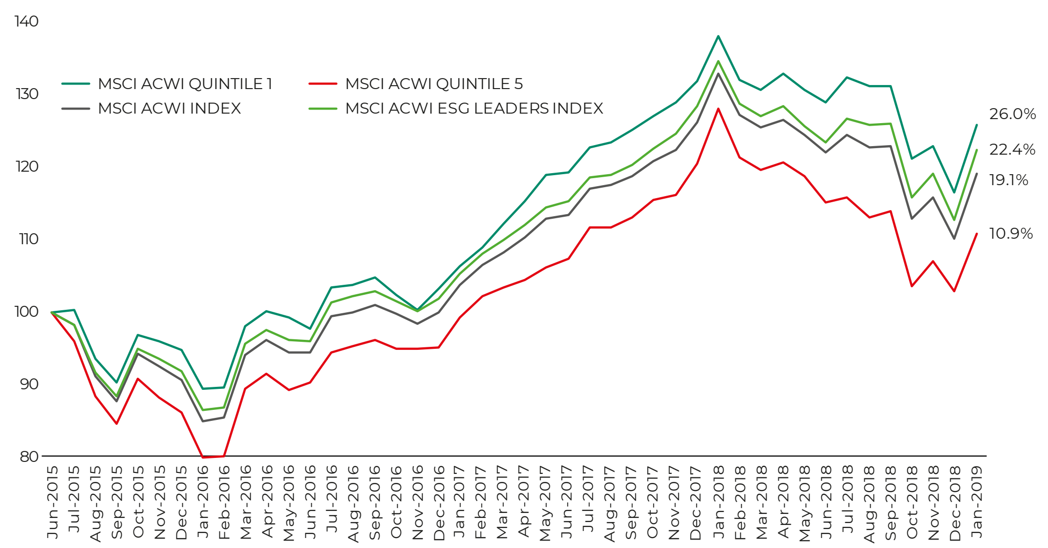
[1] MSCI Inc., which is a global provider of equity, fixed income, hedge fund stock market indices and multi-asset portfolio analysis tools.

If you look at the second last row in the table labelled "ESG profile specific factor", you will see that quintile 1 profile specific factor return of 1.85% compares with quintile 5, which is at -2.08%. The ESG profile specific factor is the residual source of return that is not explained by the common traditional factors, which in this case is the ESG profile score from our risk model, as this is the only additional factor we introduced. This evidence gives us conviction in our model, as this is attributable to the quality of the ESG profile scores in each quintile portfolio. What is noteworthy is that the ESG specific factor for quintiles 4 and 5 is negative, which implies that poorer rated ESG companies lead to lower returns when aggregated with other sources of returns from common factors.

MSCI ALL COUNTRY WORLD INDEX (ACWI) PROPRIETARY PROFILE SCORE ATTRIBUTION (CUMULATIVE RETURNS IN US$)

SOURCE OF RETURN	ACWI QUINTILE 1	ACWI QUINTILE 2	ACWI QUINTILE 3	ACWI QUINTILE 4	ACWI QUINTILE 5	MSCI ACWI ESG LEADERS INDEX
Cumulative return	**25.96%**	**22.31%**	**22.99%**	**14.07%**	**10.86%**	**22.44%**
MSCI ACWI Benchmark cumulative return	19.12%	19.12%	19.12%	19.12%	19.12%	19.12%
Total active return	**6.84%**	**3.20%**	**3.87%**	**-5.05%**	**-8.25%**	**3.33%**
Residual	9.02%	3.23%	3.35%	-5.89%	-9.00%	2.74%
Common factor	7.16%	1.63%	2.16%	-3.61%	-6.92%	1.45%
Industry	0.24%	-0.43%	0.35%	-0.23%	0.05%	-0.92%
Country	5.07%	1.54%	1.42%	-2.79%	-4.95%	2.21%
ESG profile specific factor	**1.85%**	**1.60%**	**1.19%**	**-2.27%**	**-2.08%**	**1.29%**
Currency	-2.17%	-0.03%	0.52%	0.84%	0.75%	0.59%

MSCI ACWI PERFORMANCE (CUMULATIVE RETURNS IN US$)

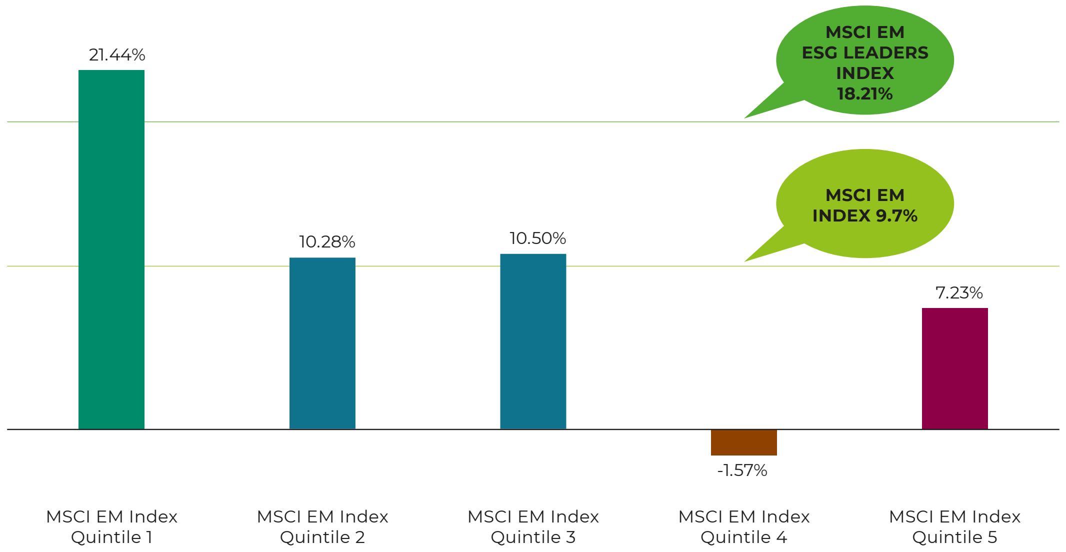


Sources: MSCI, Old Mutual Investment Group | Time series: 30 June 2015 – 31 January 2019

To ensure our research was relevant to South Africa, we also tested the performance in emerging markets. The constituents in the MSCI EM Index were also ranked into quintiles from highest performing companies to worst per our proprietary ESG Risk Screening Model and each quintile basket of stocks was equal weighted and rebalanced monthly. And as can be seen in the chart below, the quintile 1 portfolio outperformed its peers, the MSCI EM Index and the MSCI EM ESG Leaders Index.

During the period under assessment, companies with higher ESG profile scores per our proprietary ESG Risk Screening Model outperformed their peers and the benchmark (MSCI EM Index). Our quintile 1 portfolio (which is our best measure in terms of ESG) outperformed the MSCI EM ESG Leaders Index. The quintile 1 portfolio had a return of 21.44%, outperforming the MSCI EM Index by 11.74% and the MSCI EM ESG Leaders Index by 3.22%. The quintile 1 portfolio specific factor attribution is 7.02%, which is attributable to the better quality ESG rated companies per our Proprietary ESG Risk Model.

MSCI EMERGING MARKET INDEX PERFORMANCE (CUMULATIVE RETURNS IN US$)



Sources: : MSCI, Old Mutual Investment Group I Time series: 30 June 2015 – 31 January 2019

CONCLUSION

Sustainability is a macro-thematic trend that is reshaping the competitive landscape. Companies that are able to respond to this trend early on, will reap the benefits of stronger growth prospects, enhanced operating efficiencies, stronger social licence to operate, enhanced staff retention, lower cost of capital and, ultimately, a stronger and more sustainable competitive advantage. They will also reduce operational risk and be positioned towards more sustainable growth, ensuring improved financial performance. And for investors searching for alpha, greater emphasis will have to be placed on portfolios whose ESG profile is better rated.

HUMAN RIGHTS REPORTING **INSIGHTS**

Richard Karmel

In 2015 the UNGP Reporting Framework (www.UNGPreporting.org) on Business and Human Rights was launched following a collaboration between Mazars, the large professional services firm and Shift, the leading centre on Business and Human Rights.

Since its launch, this Framework has allowed companies to more successfully operationalise the UN Guiding Principles into their business operations. The UN Guiding Principles on Business and Human Rights, or UNGPs, were unanimously endorsed by the UN Human Rights Council in 2011, and clarify the responsibility of governments and business as regards the impacts businesses can, and do, have on people and how business should provide or enable remedy to those who have been harmed. The UNGPs are the most authoritative guidance and the blueprint for embedding human rights practices in business. Since 2011, the EU has required all of its 28 states to prepare National Action Plans setting out how businesses need to align with the UNGPs.

In today's inter-connected world, wherever people are harmed by business, some form of media is likely to have reported the event. It, therefore, seems inconceivable that companies, which spend billions of dollars on building up their brands and reputation, would be pursuing and conducting business practices without putting in place processes to protect people, be they customers, workers at suppliers, the wider communities in which their factories operate, their own employees to name but a few.

One of the key philosophies behind the UNGPs is that of 'know and show'. Companies need to:

(1) understand how they can potentially harm people and put processes in place to mitigate against those risks happening in practice (the 'know' part) and

(2) report on those risks are and what they are doing about them (the 'show' part).

Eight years on since the endorsement of the UNGPs and four years since the release of the Reporting Framework, how meaningful is human rights reporting?

By looking at public reports (annual reports, sustainability reports, human rights reports), this article sets out some of the trends that can be seen whether by industry or by region and the areas on which companies are reporting well and those with which they are struggling. This is not a definitive study but the perception of the author from having worked in this area over the past eight years.

The Big Picture

There is an upward trend in the number of companies reporting separately on human rights. In 2015 only 13 companies had separate human rights reports. This figure rose to 52 by 2017 (Forbes, 2018); still a drop in the ocean considering the number of publicly listed companies, but with global companies such as Unilever, Nestle and ABN AMRO addressing this area, their leadership is proving invaluable for others to follow. Indeed, they have each produced more than one report so they have been able to demonstrate and report on progress as well as their successes together with the challenges.

As regards industries that have more mature reporting than others, the extractives (oil, gas and mining) and the apparel sector appear to be leading with those with an agricultural element such as tobacco or cocoa also making notable improvements. Ironically, the two industries which have a major impact on people's 21st century lives are lagging; financial services and media technology industries haven't yet meaningfully got to grip with how best to report on the risks that they are potentially contributing to or being linked with. There are exceptions such as ABN AMRO and Microsoft, but they are in a minority within their sectors.

Nevertheless, the overall quality of human rights reporting still needs to be more meaningful and prolific. On the one hand it is pleasing to see many companies stating publically that they are aligning behind the UNGPs; on the other hand, reporting is at such an embryonic stage that it is difficult to see whether they are actually doing so in practice.

On the whole, other than some exceptions, human rights reporting is currently not robust enough. Indeed, through analyses of company reporting of many large and listed organisations across several sectors, only 5% are classed as 'leading' on human rights reporting. Nearly half of companies fall into or below the improving category. (https://www.ungpreporting.org/database-analysis/methodology/)

The struggle many companies have with embedding respect for human rights is that they are less easy to quantify than environmental issues. It is easier to place sensors and meters in the waste outflow from factories than it is to measure the impact of not paying a living wage. For human rights reporting to be meaningful, it requires a narrative.
For example, to address improvement in working conditions in a factory a company may train all its managers. And the company, will report that it is addressing improvement in factory working conditions through training. On the face of it, this reads well. However, as a reader we are none the wiser as to the effectiveness of this training; we don't know the outcomes on the workers who are impacted or on the business itself.

A key ethos behind the UNGP Reporting Framework is straightforward; companies shouldn't report on every single human rights issue; just report on those salient issues where the business poses the greatest risk to people. By doing this, it provides the company with a methodology for prioritisation and focus. However, only 8% (https://www.shiftproject.org/resources/publications/corporate-human-rights-reporting-maturity/) of companies reviewed actually identify salient issues which is leading to less mature reporting.

The struggle many companies have with embedding respect for human rights is that they are less easy to quantify than environmental issues. ”

Sector differences

It can also be seen that sectors that have inherent issues such as tobacco and oil and gas companies are performing better than other sectors. Eg in the tobacco sector, several large companies are not only addressing how they are produce less harmful products but also how they are working with governments and others to eradicate child labour in their supply chains.

Despite the lack of robust reporting, the general trend remains upwards. In this sense, some sectors are pulling away from others with differences in the maturity of reporting

between sectors. In recent years, the apparel sector has been continually improving its human rights reporting. H&M and Marks and Spencer have been producing strong reports for the last few years but others in the sector are catching up. In fact, Adidas now sits at the top of the Corporate Human Rights Benchmark (CHRB, 2019) after making improvements on their previous reporting. Inditex have also made improvements as companies in the sector compete on human rights. The impacts of the clothing industry – think GAP and Nike at the end of the last century – have been well known for a while. It is only really now that it is becoming more mainstream for consumers to turn to more sustainable sources of clothing. Fast fashion's environmental and human rights impacts are now becoming unacceptable to consumers and companies within the sector are having to put greater efforts and resources into combating the negatives impacts.

Food and beverages also perform higher compared to other sectors, with Unilever, Nestle and Coca-Cola all providing strong reporting. Mondelez appears to have taken note and is starting to produce improved reports.

One of the big issues that we have recently seen in the media are the human rights impacts in the online world ”

IMPACTAFRICA - VALUE CREATION THROUGH ESG

However, one of the big issues that we have recently seen in the media are the human rights impacts in the online world. They might not be classed or referred to under the umbrella of human rights, but they are. Three of the biggest companies in the world, have such a big influence on our daily lives yet are not keeping up with their human rights reporting, and one assumes performance.

If you look at Facebook, Google and Amazon you will struggle to understand what they see as their key risks to people. The rapid emergence in online technology has led to firms in this sector almost by-pass their responsibilities as regards human rights and governing bodies are now scrambling to keep up with appropriate and effective laws. Microsoft, however, appears to be bucking the trend, producing a detailed human rights report that identifies their salient issues and tells us how they are tackling them.

Regional differences

Whilst there are differences between sectors, there are also differences within regions. From our findings, an even bigger determinant of maturity of human rights reporting is location. By this, we mean location of the company's headquarters rather than location of their operations, since most companies will cover several geographical regions. Law has played a part in this, such as the UK Modern Slavery Act and the Duty of Vigilance law in France. In addition, improvements to the UK Modern Slavery Act and the governments National Action Plan (NAP) for implementing the UNGPs, along with a new NAP on Business and Human Rights in Germany are expected during this year.

A leading country is the Netherlands. Finance and banking are sectors that are globally lagging in addressing human rights issues, or at least, reporting what they are doing. There is minimal meaningful reporting from UK and German banks. However, banks headquartered in the Netherlands are bucking the trend. ABN AMRO in particular has strong human rights reporting. ABN was one of the first companies to engage and report against the UNGPs and with their 2019 public reporting releases they have made significant steps. Furthermore, ABN have become leaders in pushing human rights reporting onto the agenda for business as a whole.

Yet, they are far from the only Dutch bank who are proactively addressing human rights. ING Group, De Volksbank and Rabobank are all improving their reporting. Human rights reporting at banks is crucial; they have much influence not only as corporate lenders but also as investors. In fact, this is part of a wider process of the Dutch Ministries of Foreign Affairs and Economic Affairs who are creating sector-based covenants to ensure human rights are at the core of business processes.

We also see a similar trend in the extractives sector. Due to the UK Modern Slavery Act, Anglo mining firms have stronger human rights reporting than many Canadian mining firms, where human rights reporting is weak and human rights abuses are widespread. The exception is Newmont which is far ahead of its regional peers. Total, the French oil company, outperforms other oil firms in human rights reporting. The French Duty of Vigilance Law is probably a key driver in this and helps them sit above their American and Asian competition. Indeed, our general view on human rights reporting is that European companies produce more mature human rights reports than their American and Asian counterparts. Once again, there are exceptions – Coca Cola, Citi, Microsoft in the States and Ajinomoto Group in Japan.

Conclusions and Recommendations

The general trend in human rights reporting is upwards. With that being said, it was from a very low base. Whilst more companies report in some way on human rights, much of the reporting is superficial, ticking a box and lacking depth and purpose. Even the companies with the most mature reporting compared to others know that they still have more to do and are generally not afraid to state this. Most companies, though, are yet to get to the start line.

Perhaps this is where laws, regulations and voluntary guidelines are starting to have greater influence. Many people are sceptical of law playing its part in human rights reporting, believing it will make it a compliance target rather than one of commitment. However, the difference in maturity of reporting in different regions suggests that law does have a role to play. At the very least, it is crystallising recognition in companies that they need to be committing resources to this area and is giving companies a baseline.

At Mazars, we have been helping some of the world's largest organisations better understand their actual and potential impacts on people. It brings a new way of thinking about the role that business has to play in our 21st century societies. The more enlightened companies are already addressing this bringing value to themselves and their stakeholders. Just because an area that at first glance appears complex doesn't mean it shouldn't be addressed.

Overall, good reporting can be a driver for improved human rights performance and for potentially reducing the negative impacts on people. Helping to improves lives provides a tremendous opportunity for companies. Investors need to take note and encourage companies to address this area in order to reap the rewards. Companies that have a strong human rights performance will become the companies of choice for the future.

THE PURPOSE OF A **PENSION FUND**

Kuda Mukova

There are two types of pension funds - a defined benefit fund and a defined contribution fund.

Most pension funds, other than some government-related pension funds, are defined contribution funds, which means the pension fund collects contributions from its members and invests these contributions into investments that provide the members with a retirement income. With this type of pension fund, the retirement income is directly related to how well the investments perform.
The world of investing has been evolving. For example, we have seen the emergence of impact investing - cryptocurrencies and robo-advisers. Correspondingly, investment risks have also evolved given the emergence of climate change, the rising socio-political unrests and the decline in ethics and governance levels.

For example, investing in an insurance company now carries significant climate change risk – a drier and hotter climate has a significantly higher fire risk and drought effect. Therefore, one has to consider this 'new' risk when considering an insurance company in an investment portfolio. It is then possible that if your pension fund invests in an insurance company, the investment may yield lower returns due to the consequences of climate change.
Investing in a predetermined pension fund is often part of an employment contract, and members have little control over the investment strategy. One of the ways a member has influence is by participating in the appointment of diligent trustees.

Fiduciary Duties of Trustees

The trustees occupy a position of trust, and thus, have a fiduciary duty to the pension fund. A fiduciary duty is the duty of a person in a position of power to act in good faith, with due care and diligence in the exercise of their duties. Trustees need to act with fair consideration to all the facts and conditions that are relevant to any decision made by the board, including investment decisions.
The trustees are bound to act within the policies and rules of the funds and within the Pension Funds Act.
With fiduciary duty comes personal liability. Each trustee must apply their mind to the issues before the board and cannot blindly accept information and advice from third parties. They should take steps to obtain the necessary information and competence to understand the risks involved in making an investment decision.
Even if a competent third party is appointed to assist the board in its duties, it is still the board's responsibility to monitor compliance of the functions performed by the third party with the relevant rules governing the fund.

Changes in the Legislative Landscape

The Code of Responsible Investing South Africa (CRISA) principles were introduced in 2011, which compels investors to incorporate sustainability aspects - environmental, social and governance (ESG) into investment analysis and activities, to deliver superior risk-adjusted returns.

The King codes of good governance require the board of trustees to ensure the pension fund is and is seen to be, a responsible corporate citizen.
The legislation then supported the sustainability factor through Regulation 28, which came into effect in 2012, requiring the board to consider the long-term performance of the investment, including ESG factors.
Most recently, in March 2018, the draft sustainability reporting directive was issued by the Financial Services Conduct Authority (FSCA) and proposed a requirement for pension funds to report on their adherence to the ESG principles. Pension funds will soon be required to explain how they have adopted ESG principles in investment decision making.
A failure to take in the risks associated with ESG, which could materially impact the long-term performance of an investment, is likely to be a breach of the duty of care and diligence by a trustee, for which a trustee can be held personally liable.
The three main changes are centred around a pension fund's investment policy, on-going monitoring of ESG risks and opportunities and annual reporting to their members

What do Trustees Need to Do?

IQbusiness has teamed up with KudosAfrica to assist pension fund trustees with:

- Awareness of ESG principles by offering a training capability, enabling trustees to have a better understanding of Responsible Investing, as well as on how to assess the risk and opportunities that ESG presents
- Assistance with formulating an investment strategy and internal policy, which incorporates ESG principles
- Providing an ESG monitoring tool, which allows trustees to monitor any ESG risks within their fund's portfolio
- Reporting to their pension fund members on how the fund has complied with the ESG legislative requirements and any changes adopted during the year.

INVESTING WITH CONSCIENCE TO DRIVE POSITIVE CHANGE

JEANNE FOURIE

"When I first entered the world of professional investment banking, specifically credit risk, I was introduced to the "Five C's of Credit". These are Character, Capacity, Capital, Collateral and Conditions. However, over the last few years, it has become apparent that there is a sixth "C" that exists, which risk professionals would do well to take heed of. I call it Conscience and it refers to an investor's duty as a corporate citizen to invest in a responsible and sustainable manner." Nick Naidoo, Deputy Head – Credit Risk: Credit Alternatives, Stanlib.

For too long, investors have turned a blind eye to this important facet of investment analysis that is Environmental, Social and Governance (ESG), to the detriment of the market as a whole.

ESG has traditionally been confined to the few pages of a company's annual integrated report, which typically provide generic descriptors of said company's commitment to acting in an ethical and sustainable manner.

However, this concept of investing with conscience is gaining momentum around the world and for good reason. Only when investors begin to hold companies to account, will the winds of positive change begin to sweep over our marketplace.

One doesn't need to venture much further afield than corporate South Africa to realise why this is such a fundamental basis of any investment thesis.

At Liberty Holdings Limited, we appreciate the meaningful role business can play in society. We strive to understand and manage our social and environmental impacts primarily through two lenses - where our company has a direct impact, or where, indirectly, we can be catalysts for positive change.

Breaking down the 5 Cs of Credit

Character: The track record or reputation of the borrower, but more importantly, the reputation of its management team.

Capacity: Measures the borrower's ability to repay a loan, by assessing the solvency and liquidity of the entity.

Capital: Considers the borrower's 'skin in the game'. Typically, shareholders who have a lot to lose by virtue of the equity they have invested in a business are more likely to stick around during tough times.

Collateral: Helps a borrower secure loans - it gives the lender a plausible 'second way out' of a loan.

Conditions: The legal construct of the deal, captured in the form of a legal agreement.

Improving people's lives by making their financial freedom possible

Liberty's approach to ESG is underpinned by our purpose which is to improve people's lives by making their financial freedom possible. Creating societal value and preserving our natural capital helps us drive our ESG strategy while mitigating and managing potential negative impacts. Our ultimate aim is to deliver shared value by supporting the communities in which we operate.

There is growing empirical evidence globally that supports the business case for integrating ESG factors into investment strategies. A 2012 Deutsche Bank survey of academic research was one of the first studies asserting this point. More recently, studies conducted by Hamburg University as well as Harvard University confirm that companies with high ESG ratings had a lower cost of capital in terms of both debt (bonds and loans) and equity to those with low ratings.

We must understand that a culture of good governance and appreciation of risk within an organisation can be the difference between a successful or uncompetitive organisation. ESG must be a fundamental part of an organisations DNA and culture. It should not be seen as something to comply with, but rather one of the pillars upon which a sustainable business practice should rest on.

Embracing Good Governance

The overall tone of governance in an organisation is set by the executive management team, and overseen by the Board of Directors. The fundamental principles of ESG are embodied in the King Code of Good Governance™. This has been against the backdrop of South Africa taking a leading role, globally, in embracing good governance by adopting the King Code™. The King IV Code™ has been lauded internationally for its insightfulness and principles based approach.
Liberty Holdings Limited's Social, Economic and Environmental (SEE) strategy is closely aligned with the United Nations 2030 Sustainable Development Goals (SDGs). It provides a shared blueprint for peace and prosperity for people and the planet, now and well into the future. We believe that ending poverty and other South African specific deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality and spur economic growth, while tackling climate change.

To support and deliver on these objectives, Liberty's approach to the SDGs is also aligned with the objectives of Africa Agenda 2063 - a strategic framework that outlines the socio-economic transformation of the African continent over the next 50 years to drive growth and sustainable development. Both the SDGs and Africa Agenda 2063 require citizens and corporations to contribute to individual and national development plans. As such, Liberty supports the South African Government's National Development Plan 2030 (NDP). The NDP has set out a coherent and holistic approach to confronting poverty and inequality.

There are 17 UN SDGs. The five specific SDGs Liberty is focused on are closely aligned with our business strategy and allows us to make a significant difference in the lives of our people, clients, financial advisers and the communities in which we operate.
With this as a backdrop, Liberty is clearly committed to responsible corporate citizenship and recognises the importance of building a responsible investment sector for sustainable economic growth. Our investment decisions consider a company's ESG performance, and in cases where we find sound financial investment opportunities, but ESG is lacking, we encourage companies to address these issues.

Over and above our moral obligation to hold companies to account, we also consider the impact of Regulation 28 of the Pension Funds Act, when allocating money for investment purposes. Regulation 28 requires Trustees of retirement funds to, "...Understand the nature of the assets in which the fund invests. To this end, they must conduct reasonable due diligence before making contractual commitments to invest in assets managed by a third party for both local and foreign assets. They must also understand the changing risk profile of assets over time, as well as the need to consider environmental, social and governance characteristics."

For more on Liberty's journey to shared value, see our 2018 Report to Society on our Liberty Holdings website: https://www.libertyholdings.co.za/sustainability/report-to-society/Pages/default.aspx

A PROUD Responsible Corporate Citizen

LIBERTY

In delivering on our purpose of improving people's lives by making financial freedom possible, Liberty understands the importance of creating shared value as a means to achieving social, economic and environmental (SEE) success. Ultimately, we strive to deliver shared value to all our stakeholders and the communities in which we operate.

Our SEE strategy is guided by the United Nations 2030 Sustainable Development Goals (SDGs) which are aligned to South Africa's National Development Plan (NDP) and the African Unions Agenda 2063. These initiatives drive the socio-economic transformation for societies.

In 2018, Liberty prioritised five SDGs in line with our SEE impact material matters

DECENT WORK AND ECONOMIC GROWTH

Promoting financial freedom and inclusion

Living with dignity is a fundamental human right
- Financial advice and product offering
- Financial literacy programmes

> 5700 full time employees

> R35 million invested in employee training and development

> 6 million lives insured

R9,6 billion paid in death and disability claims

R718 billion assets under management

> 41 000 participants attended financial literacy training

REDUCED INEQUALITIES

Promoting greater economic inclusion through transformation

Addressing historic inequalities amongst our workforce and society
- Recognition of human rights
- Embracing diversity
- Promoting gender equality

R49,1 million invested in CSI projects

86% of all employees trained were Black

Level 2 B-BBEE contributor

QUALITY EDUCATION

Promoting quality education

Enabling freedom through understanding
- CSI (Corporate Social Investment)
- Mathematics, Science and English programmes

R22,1 million invested in Maths, Science and English programmes

> 20 000 students benefited from our CSI programmes

22% of employees participated in leadership or management programmes

INDUSTRY, INNOVATION AND INFRASTRUCTURE

Innovative products and funding national infrastructure

Laying the foundations for a better future
- STANLIB responsible (ESG) investment
- Investing in infrastructure and renewable energy
- Innovation that creates value

R4,3 billion invested in renewable wind and solar energy

R3,4 billion invested in road infrastructure developments in South Africa

R3,2 million invested in hospitals

RESPONSIBLE CONSUMPTION AND PRODUCTION

Contributing to the green economy

A responsible approach to our environment
- Managing and reporting our carbon emissions
- Investing in renewable energy

35% of all waste recycled

Solar PV project installed at head office

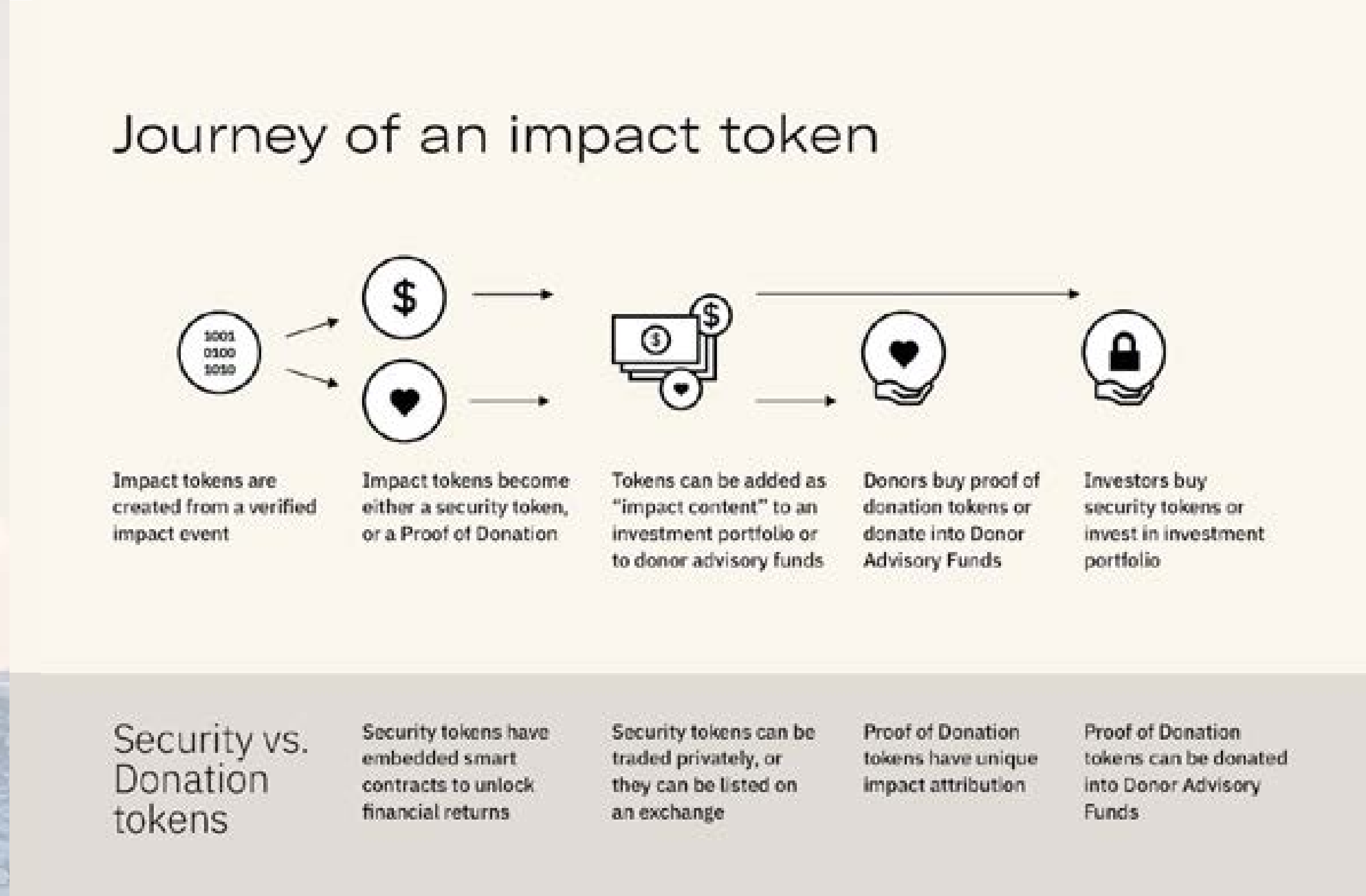
Liberty - Doing the right business the right way

For full access to the Liberty Holdings Limited report to society for 2018 and the intergrated report visit www.libertyholdings.co.za

JOURNEY
OF AN IMPACT TOKEN

Fleur Heyns

Thanks to the extraordinary application of exponential technologies, we are in a position to reverse the archaic system of top down inefficient and seemingly ineffective impact funding. Instead, sensors, devices and IoT deliver objective data points that collectively provide the proof of an impact event in real time. This digital data can be written onto a public ledger, the blockchain; and then, the immutable impact token is born. These tokens can be sold directly to donors as the digital certificate of the impact event the donor funded, as collateral for performance-based-impact investment products (tokenized impact bonds and digital loans) or provide proven impact content in ESG/SDG investment portfolios or Donor Advisory Funds (DAFs).



The current state of the world

The world is not making much progress on meeting the social and environmental challenges it faces. A June 2019 report from the African SDG Center for Development suggests that Africa is on target to attain only 3 of the 17 SDGs. Moreover, the annual funding gap required to meet these goals in Africa alone is estimated, and likely underestimated, at more than $1.3 trillion per year. For reference, the nominal GDP for all of Africa in 2018 was $2.2 trillion. The need is substantial.

Traditional impact funders (donors and increasingly impact investors) blame the lack of progress not on their own reluctance to change their investment mindsets and processes, but on the lack of viable and investable implementation opportunities. The implementers claim onerous reporting requirements and lengthy funding application processes are stagnating their ability to grow and deliver impact exponentially.

Yet, at least USD1trillion is given away each year (50% from private donors in the USA), mainly in the form of annual donations. Imagine if this money was spent achieving verifiable impact results. This USD1trillion would be the catalyst to unlock trillions more to cover the SDG funding gap.

Drivers for change and disruption

A new generation of Changemakers is emerging, who no longer accept the status quo. They do not want to donate to receive the annual proverbial NGO postcard. They want to engage with their causes, they want to directly see the impact results they funded, and they want impact to be visibly priced in products they consume. The global demand to prove impact and purpose is here.

Historically one could have argued that even though people want this transparency, we just do not have the ability to offer it. A bit like investing in Africa in the 1920s, you would have had to go there as an explorer or investor yourself to do the due diligence and close the deal. This made the entire investment process risky, lengthy and prohibitively expensive!

Until now. We are no longer in the 1920s. Technology has come a long way. Most of Africa is covered with (sporadic) access to internet and data services. We can now serve the needs of 4 billion people we previously had limited (or only very expensive) access to. The use of sensors or IoT in various sectors from healthcare to agriculture has increased enormously to where some community verification and certification programs collect over 70% of their data points from automated sources.

If there are accidents on a motorway,
do you reduce the speed limit or improve the standard of the drivers?

We have never had the possibility to connect these data points (that validate impact events) to funding sources directly. Money, especially impact money, is transferred from donors through various intermediaries, some more trustworthy and affordable than others, to the impact implementer. Then even these impact implementers cannot always deliver on their promise. Some donors have indicated that the percentage of capital wasted is roughly 70-90% in this process!

If there are accidents on a motorway, do you reduce the speed limit or improve the standard of the drivers?

We desperately need to increase the speed of capital mobilisation in the impact space. The most effective lever we have is to improve the standard of drivers (or at a minimum assess their standard!) so we can empower and fund those that perform the best.

Reversing the traditional impact funding model

As it is so inefficient and costly to retrospectively assess the impact results in a timely fashion, let's flip the process on its head. Let's find and validate impact events and fund them directly as they happen. iData points are collected from the impact implementer sellers. These data points are checked and if deemed valid by the Proof of Impact protocol, a Proof of Donation token (essentially a digital certificate) is minted on the Ethereum main net that can then be bought by an impact funder buyer. The funds can be sent and traced all the way to the impact implementer without intermediation. As the token is only minted upon valid presentation of proof points, and the blockchain in immutable, there is no further requirement of an impact audit nor monitoring & evaluation (M&E) consultant to come in and validate these events.

Creating liquid impact investment markets

The investment industry has been flooded with impact- washing and ESG-washing portfolios to respond to the demand of next generation asset owners who would like to deepen the purpose of their capital ranging in intent from do-no-harm to impact-as-a-benefit and increasingly, to impact-as-an-imperative to drive positive change in the world.

The investment managers burden of proof is as low as signing up to the Principles of Responsible Investing (PRI) which suggests they agree to comply with the six principles of responsible investing. $78 trillion is supposedly managed responsibly this way, yet the challenge is to find investment managers who can quote the six principles, let alone invest by them.

A portion, 15% of the responsible investment capital, is managed according to Environmental, Social and Governance ("ESG") criteria.

However, there are fund managers who will proudly claim to have made their $150bn portfolio ESG compliant within three weeks, without having acquired or divested a single asset!

A more genuine category of responsible investing falls under the definition of impact investments. These are largely long term buy and hold, illiquid assets and at total of $508BN AUM comprise less than 0,2% of all global assets and undergo a laborious and expensive audit process of Monitoring and Evaluation to validate the impact.

The market demands a higher burden of proof, more transparency and innovative impact investment products that connect impact events directly to funding offering liquidity to investors.
The opportunity to build from the bottom up is there. Impact events are recorded and verified.

A security token is issued with an embedded smart contract that stipulates the conditions under which a financial return is generated e.g. the repayment of the solar panel by a user in Rwanda (reduce his borrowing costs), access to clean water on a pay-as-you-go contract with the user, reduced mortgages conditional to the borrower proving his financial literacy and access to healthcare policy (reducing his own default risk); liquid social impact bonds triggering payment from the outcomes payer when impact outcome is achieved etc.

There are literally 100's of billions of dollars of immediate opportunities to create win-win situations for users, investors and benefactors.

Blockchain technology can support scalable inclusion of verified impact content (impact tokens) into any impact funding product. This methodology reduces the administrative and management costs of these funding products while significantly substantiating the impact claim, and making otherwise illiquid assets, tradeable. A whole new world of liquid impact funding products is born!

There are literally 100's of billions of dollars of immediate opportunities to create win-win situations for users, investors and benefactors.

HYWEL GEORGE
Director of Investments

GLOBAL SHIFTS IN THE ASSET MANAGEMENT INDUSTRY – AND WHY RI MATTERS

More than 40% of US asset owners have incorporated ESG factors into their investment decisions, up from just 22% in 2013, states the annual Callan ESG Survey Report (August 2018). The top two reasons cited for this ESG incorporation were expectations to achieve an improved risk profile and fiduciary responsibility.

Many investment management advisers have also identified the need to launch "ESG funds", for example, UBS Global Wealth Management is now offering its clients sustainable funds in cooperation with the Swiss giant's asset management arm. From January to August 2018, UBS's sustainable mandates, which the new strategies are built on, have doubled in size from CHF1.2 billion (€1.05 billion) to CHF2.45 billion (€2.15 billion).

From a real asset perspective, the Netherlands' largest pension fund investor, APG, has set internal ESG targets. The €482 billion pension investment manager now invests €21.7 billion of its nearly €42 billion property portfolio in sustainable assets – an increase of €1.3 billion from 2017. The trend is similar in infrastructure, where €2.3 billion of the €11 billion portfolio is deployed in sustainable investments.

Responsible investment is evidently becoming an important part of institutional clients' investment decision-making. So what are the key drivers causing the need for these responsible investment strategies? Well, we have identified some dominant global shifts that call for greater, more intentional ESG integration.

These shifts will define the future of the asset management industry, both globally and here in South Africa:

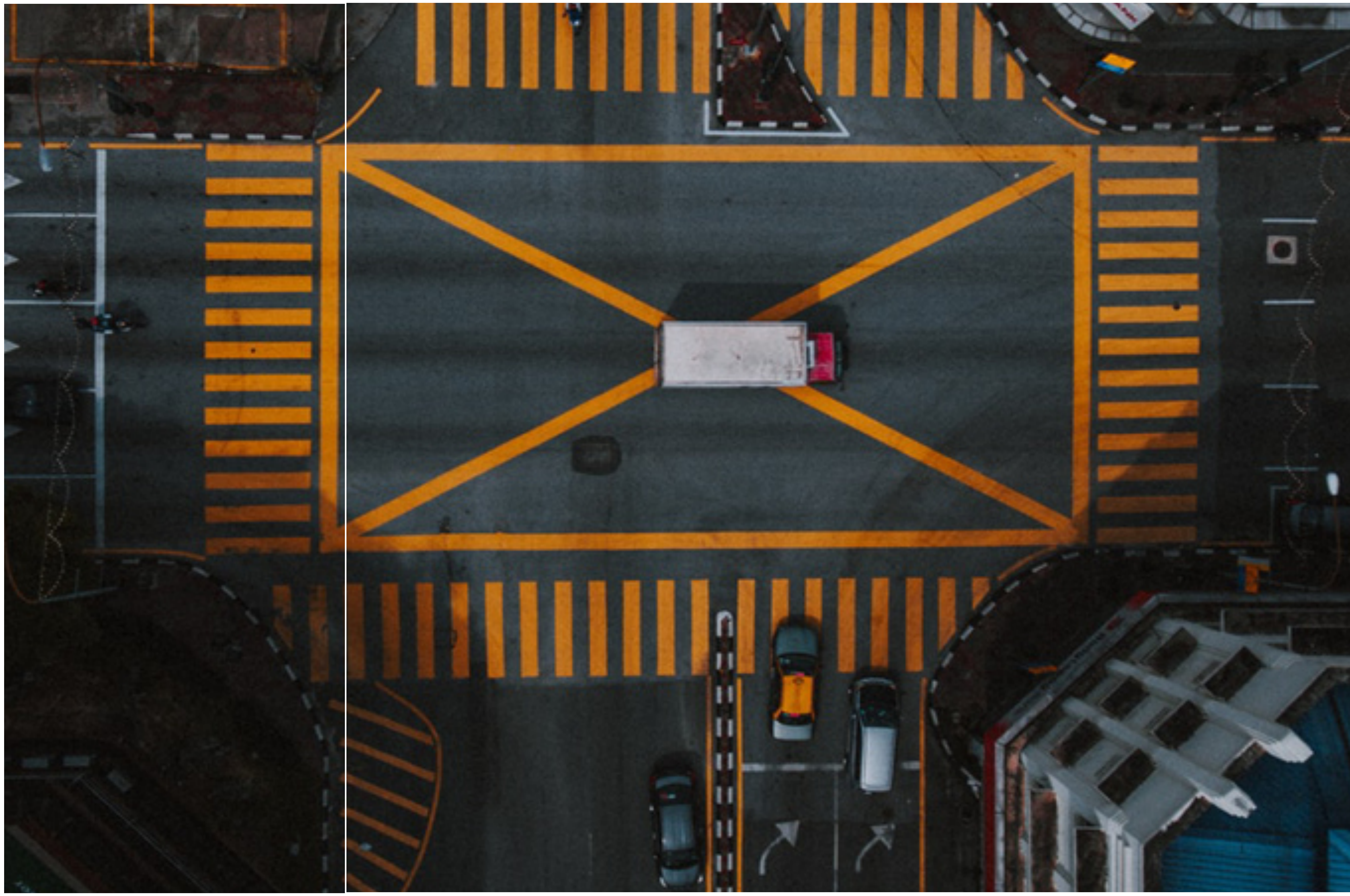
1 The growth of indexation (passive management)
As indexation/passive funds continue to grow, pressure on active asset manager fees to be reduced will continue.

2 Technological transformation / Evolution
Technology and digitisation are expected to be increasingly disruptive to the industry – this will further put pressure on asset manager margins as well as the need for them to invest in technology.

3 Client-driven bespoke solutions / Partnerships
Investors increasingly want specific outcomes rather than plain vanilla funds, e.g. bespoke multi-asset investment solutions for institutional investors, often with an ESG ethos. In the coming years, the value of active and passive management will be more clearly defined. While passive investments may form the foundation of multi-asset solutions, active and alternative investments that deliver high and non-correlated alpha will be important components that boost performance.

4 Search for sustainable alpha
The increased demand for alternative, non-traditional investment products continues to grow, particularly the demand for impact Investing, smart beta strategies, infrastructure investments, private equity, and credit (yield-enhancing) strategies.

These global shifts highlight two key pressures facing asset managers: lower fees and the need for sustainable profitability. Let's now explore ways in which ESG could address these global shifts and their consequent pressures.



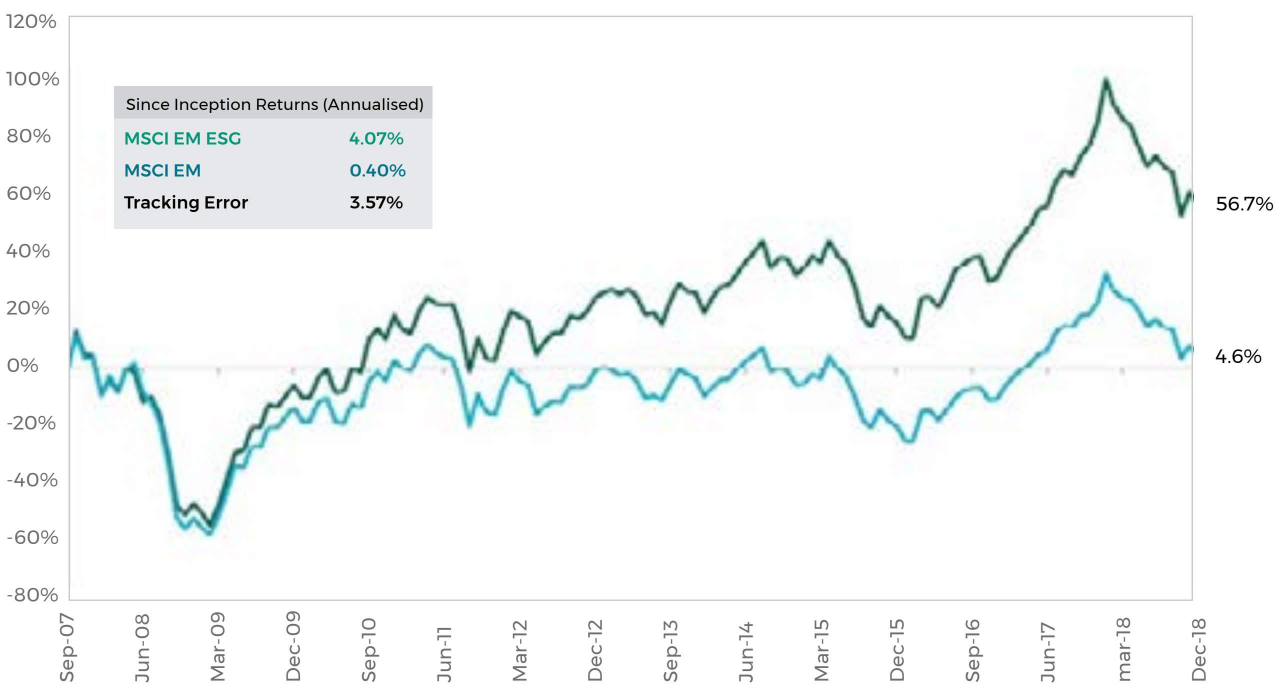
PASSIVE AGGRESSION?

With the growth of indexation, ESG can be used as a differentiator in terms of ESG passive offerings. In this respect Old Mutual Investment Group already offers a variety of both local and global ESG funds. In fact, our Customised Solutions investment boutique manages the very first responsible investment equity index fund in South Africa. For active managers, we have incorporated ESG into the investment processes of our actively managed funds.

The search for sustainable alpha through alternative, non-traditional investment products is a strategy well known to Old Mutual Investment Group. Across our alternative strategies – including impact investing, smart beta strategies, infrastructure investments, private equity, and credit (yield-enhancing) investments – we apply an ESG filter/consideration to each investment offering. This incorporation of ESG is also often an essential component of a bespoke client solution.

Even with this increasing adoption of responsible investment practices, many critics still argue that ESG does not necessarily represent an alpha opportunity but that it is more effective as a risk management tool. In our view this is not necessarily true, as indicated by Chart 2 below, which compares the MSCI Emerging Markets ESG Leaders Index to the MSCI Emerging Markets Index (USD).

CHART 2: MSCI EMERGING MARKETS ESG LEADERS INDEX VS MSCI EMERGING MARKETS INDEX (USD)



(Net Total Returns as of 30 June 2018) | Performance price to 6 June 2013 has been back-tested.

So, as these global shifts continue to gain momentum, the need to look to ESG as a cornerstone to manage the impending changes to their landscape has never been more important to investors, which include millennials, many pension and provident funds, and asset managers.

A GREAT STORY TO TELL

As a responsible investor, we've committed to sustainable investments to both generate long-term returns and positively impact our communities. Here's a glimpse at some of our impact on the green economy.

R1BN IN AGRICULTURE

5 658
workers employed at 15 mega-farms in AFRICA

750
employees with access to pre-paid **primary healthcare**

167
employees receiving **adult education**

R19BN IN AFFORDABLE HOMES FOR LOW-INCOME FAMILIES

9 620
affordable homes built and transferred (incl 1 433 RDP houses)

7 347
students with **affordable accommodation**

7 016
rental units

1ST EDGE*
certified **residential project** in SA

EDGE (Excellence in Design for Greater Efficiencies) is a green building certification system developed by the International Finance Corporation (IFC), a member of the World Bank Group.

R122bn

COMMITED TO A SUSTAINABLE ECONOMY ON BEHALF OF OUR CLIENTS

R34BN IN CLEAN ENERGY

3 052 638
tonnes in **carbon emissions reduction** (equal to taking 587 963 cars off the road for a year)

800 000
homes **powered**

R2.3BN IN QUALITY EDUCATION

18 600
learners enrolled at 33 schools

94.4%
average matric **pass rate**

1 300
teachers **employed**

50.2%
average **bachelor** pass rate

Figures as at 31 December 2018 | Sources: Old Mutual Alternative Investments, African infrastructure Investment Managers (AIIM), Old Mutual Specialised Finance, Futuregrowth Asset Management, UFF African Agri Investments, Old Mutual Investment Group.

D.LIGHT:
100 MILLION LIVES TRANSFORMED BY CLEAN, RELIABLE ENERGY

Ned Tozun

Just outside Nairobi, Kenya, the Mutuku family lives only 600 meters from an electrical utility transformer—yet they do not have an electrical connection. Instead, John Mutuku Kiilu, his wife Penina, and their three children relied on two kerosene lanterns for light.

But kerosene is a dangerous and dim light source, leading to respiratory illnesses, burns, and fires for millions of families worldwide. And kerosene is expensive. The Mutukus spent about KES 500 each week on kerosene oil; even then, they had to use it sparingly.

Then, in 2017, they learned about a new energy solution: a pay-as-you-go solar home system. The D30 system can power three bright LED lights, a radio, a mobile phone charger, and a torch. John and Penina paid an upfront cost of KES 2,565 (equivalent of USD 25), and an ongoing payment of KES 280 shillings (equivalent of USD2.80) per week.

Now, two years later, the Mutuku family has fully paid for the system. They have free, continuous access to reliable solar energy for years to come—and their lives have been transformed. Their health has improved. They experience significant savings. And their children have achieved high marks in school, thanks to the ability to study under bright, safe light every day.

Similar stories are taking place all around the world, where off-grid families are permanently discarding kerosene and other unreliable sources of light and power for clean, reliable energy.

The 1.2 billion people across the globe who lack a grid connection no longer have to wait for energy infrastructure that may take decades to arrive. They are empowered to generate their own electricity today, allowing them to use some of the most innovative and energy-efficient products available.

Energy is so essential that the United Nations has established "access to affordable, reliable, sustainable, and modern energy for all" as one of its sustainable development goals.

At d.light, we are proud to be the market leader in designing and distributing high-quality solar solutions for communities that lack reliable electricity. We offer a range of products, from a US$4 solar-powered study lamp to pay-as-you-go home systems that can power a broad range of electronics, including a flat-screen television.

From the first days of the company in 2007, our customers have been at the centre of what we do. The needs and desires of off-grid consumers continue to be a central value for our entire team. What our customers tell us determines the design of our products, our sales and distribution strategies, our financing approaches, and our after-sales service.

My co-founders and I also wanted to prove a new model for sustainable development. When we founded the business we initially set ourselves up as a for-profit business with a strong social mission because we knew that would hold us accountable to maintaining high quality standards at competitive prices while giving us access to capital that would allow us to scale.

Since then we have proved the business can be profitable and have raised US$100 million of financing from some of the world's leading impact investors, banks, development institutions and commercial investors. In December 2018, Inspired Evolution, an Africa-focused investment advisory firm that specialises in the clean energy sector, led a US$41 million equity investment into d.light from its Evolution II Fund and other consortium partners including Dutch Development Bank FMO, Swedfund and KLP Norfund. Evolution II Fund's current investors include the FMO, Global Energy Efficiency and Renewable Energy Fund ("GEEREF"), Swiss Investment Fund for Emerging Markets ("SIFEM") managed by Obviam, African Development Bank ("AfDB"), Swedfund, the Finnish Fund for Industrial Cooperation ("Finnfund"), Cyane Holdings, Morgan Stanley Alternative Investment Partners ("MS AIP"), Ascension Investment Management ("AIM"), the European Investment Bank ("EIB"), CDC (UK DFI) and KLP Norfund Investments AS.

d.light is on the cusp of reaching an even more significant milestone: our 100 millionth customer and we celebrate this milestone because 100 million individuals using solar energy translates into wide-scale, societal-level impact. The planet as a whole benefits. With 100 million off-grid customers switching to solar, more than 165 gigawatt hours of renewable energy has been generated and more than 22 million tons of CO_2 offset. There are entire villages in Africa and Southeast Asia using d.light products. The illumination across these communities represents far more than safe and reliable light; it also represents hope and an enhanced quality of life with improved health and safety, education, economic opportunity, and stronger families.

Each of the 100 million lives impacted by d.light solar has a story behind it, just like that of the Mukuku family. Customers tell us how they have been able to expand income-generating activities. Others have seen vast improvements in their children's academic achievements. Some have even had the opportunity to watch television for the very first time.

Each of the 100 million lives impacted by d.light solar has a story behind it

On a global scale, 21 billion hours of productivity have been enabled because of d.light products. More than twenty-five million children are studying under the light of a solar-powered lamp. And customers have saved at least US$4 billion in energy-related costs, which can be put toward critical needs like education, health, and income-generating activities.

But in our day-to-day work at d.light, our commitment remains to the individual customer. If you ask any member of our team, they can tell you about at least one specific customer whose life was positively impacted by our products: the shopkeeper who was able to attract more customers; the father who cried at being able to provide electricity for his family; the widow who made an income off of charging her neighbors' mobile phones; the child who graduated at the top of their class after studying under a d.light lamp.

From Kenya to Benin, and from India to Haiti, d.light remains dedicated to providing the best, most innovative solar solutions to off-grid customers. We've seen firsthand how access to clean, reliable electricity can open up a breadth of possibilities for families—and it is our great privilege to play a part in that journey.

RESPONSIBLE INVESTMENTS IN AFRICA: **KEEPING OBJECTS IN MOTION**

Nicole Martens

When I was in high school, I was fascinated by physics. I remember being enamoured by the tangible nature of the principles I learned in the lab. Take gravity as an example. I learned the theory behind the theory, and then had the opportunity to test it. I was able to witness this concept play out in real-life through action that translated into the last moments of an unfortunate egg. A cliched project, sure, but nonetheless the perfect way to concretise my understanding of that concept. There was a principle, a law, a rule, and there was tangible evidence to back it up. It was simple and it was clear. There was no subjectivity involved, and there were almost never any exceptions.

Through my work with PRI across Africa, I have seen first-hand the real-world implications of one of the most widely accepted rules of physics; namely, Newton's first law: that objects at rest tend to stay at rest. Investors do not like risk, and as such, often do not like change. As a result, my work every day revolves around supporting investors in breaking through their own inherent inertia when it comes to the rapidly evolving world of ESG integration and responsible investment. I see my role as helping them to get into motion. Overcoming a physical phenomenon as powerful as inertia, as any scientist would tell you, is not easy. Thankfully, as we know to be true, and has been proved in the local investment market over the last few months, it is not impossible either.

Earlier this year, I published an opinion piece focused on the South African market. It highlighted the fact that regulatory developments, legal support for ESG integration as part of fiduciary duty and increasing shareholder activism were eroding any excuses that investors had not to act – to remain at rest – on these issues. A few months later, the initial momentum generated in the first half of the year continued to grow, to the point where a group of PRI signatories made the decision to take significant action.

> *Overcoming a physical phenomenon as powerful as inertia is not easy, but, it is not impossible either.* ”

In the past few weeks, African investors including: Old Mutual Investment Group, Sanlam Investment Managers, ABAX, Coronation, AEON Investment Management and Mergence Investment Managers, fuelled in no small part by the work of Just Share NPC, have come together to file a shareholder resolution for the upcoming Sasol AGM. The resolution demands greater transparency from the company on how its long-term greenhouse gas emission reduction strategy and executive rewards align with the Paris Climate Agreement. This is active ownership. This is stewardship. This is responsible investment in action.

What these investors have shown is that with enough force – in this case through collaborative engagement – it is possible to get the local investment market into motion. It is possible to break out of the quagmire that has developed as a result of decades of inertia around archaic investment approaches. It is possible to catalyse change.

It is incredibly satisfying for me, both personally and professionally, to witness Newton's Law in action in this way. And I eagerly await the consequent ripple effects that this initial action will generate throughout the African market – transforming not only company-level operations, but also investor-level attitudes and actions. After all, it's a scientific fact that objects in motion do tend to stay in motion.

About the PRI

The PRI is the world's leading proponent of responsible investment.

It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its 2,700 signatories who represent more than $90 trillion in AUM, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The PRI is truly independent. It encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policymakers but is not associated with any government; it is supported by, but not part of, the United Nations.

IMPACT COMMUNICATIONS

ANATOMY OF A **CAMPAIGN**

REGENCY **GLOBAL**

SA INC.

Regency Global is an internationally recognized and award-winning communications and development agency that is focused on documenting stories of shared value. We make the concept of **purposeful business tangible** and facilitate the building of trusted stakeholder relationships.

Our mission is to amplify the idea that **brand equity** is best served by an authentic social narrative. As people we connect with people and, in turn, we care about brands who authentically create value for people. **Behaviour change** that serves the triple bottom line of **people, profit and planet** requires wide-scale collaboration and meaningful stories that bring to life the context, implementation and impact of this approach.

It's not about the story,
it's about the conversation.

The Idea (solving a hair on fire problem)

After a protracted period of problems, corruption and inadequate progress in South Africa, we wanted to use the concept of authentic human storytelling to help change the conversation in a more positive direction.

The plan was to shift the spotlight away from the perpetual doom, gloom and challenges we are bombarded with in the media daily, and to highlight some of the positive stories of transformation happening all around us, conveyed through the voices and experiences of real South Africans.

CAMPAIGN **CRAFTING**

The Objective

- **Shifting public perceptions:** Changing the narrative on business in South Africa in a way that would enable the public to understand that we need a profitable, flourishing business sector in order to have a prosperous and inclusive society.
- **Shifting business perceptions:** Exploring the power of authentic storytelling with corporate South Africa in order to enable broader business value to be realized from the investments and interventions made across the scope of operations. The goal is to build authentic and credible brand positioning and meaningful stakeholder relationships, as well as to encourage inclusive business growth.

The Tactics

- We established the partnership of relevant and aligned organisations such as BLSA, Proudly SA and Brand South Africa to build our network and the campaign's credibility.
- We engaged the corporate sector with our campaign rationale and a clearly defined value proposition for participation.
- We sourced distribution partners in the form of television broadcasters, digital specialists and influencers to work with us in getting the content to diverse South African audiences.
- We set to work on creating high quality content, innovating around distribution methods and gathering intelligent audience data.

CAMPAIGN **EXECUTION**

Pre-production

- Corporate partners are engaged to identify the most relevant story themes that best embody their commitment.
- Understanding the key brand messaging and positioning objectives is essential.
- Together we identify the various stakeholder voices needed to create the layered narrative and the holistic view of the story.
- Connecting with each character during the pre-production process enables us to understand their personal stories in their own words and to get a richer sense of their connection to the brand.
- This enables us to plan out the visual narrative needed to bring the story to life and to compile the interview questions necessary to draw out both the narrative and brand messaging in authentic unscripted voice.

Production

A 3 day shoot includes 2 locations, +-7 interviews, and cinematic visuals to bring to life the narrative of each of the interviewees.

Post-Production

Narrative crafting and visual selections are followed by offline edits of multiple content formats. Client input and feedback is incorporated for sign-off with final mixing.

THE BRAND | THE STORY | **THE REACH***

#SAINC STORY

Absa's strategic engagements shape society

KEY STORY THEMES

- Unlocking potential through education
- Developing skills for employability
- Enabling financial literacy for small business growth
- Supporting the development of new enterprises

UNIQUE REACH	699 244
COMPLETED FILM VIEWS	54 297
ENGAGEMENT	209 759
MEDIA MENTIONS	1,200,000

#SAINC STORY

Lighting a brighter future for South Africans

KEY STORY THEMES

- Delivering innovative power solutions
- Creating job opportunities and local economic development
- Supporting sustainable growth through education, training and skills transfer

UNIQUE REACH	549 020
COMPLETED FILM VIEWS	53 178
ENGAGEMENT	175 425
MEDIA MENTIONS	54 234

#SAINC STORY

Making meaningful contributions

KEY STORY THEMES

- Holistic school interventions for optimized educational outcomes
- Bridging the worlds of work and study for young investment professionals
- Nurturing graduates and employees with programs for development and support.

UNIQUE REACH	440 144
COMPLETED FILM VIEWS	38 929
ENGAGEMENT	135 169
MEDIA MENTIONS	163 756

#SAINC STORY

Bridging finance empowers rural economies

KEY STORY THEMES

- Stimulating rural economies
- Assisting under-resourced municipalities
- Building sustainable infrastructure

UNIQUE REACH	599 434
COMPLETED FILM VIEWS	68 930
ENGAGEMENT	211 590
MEDIA MENTIONS	160 756

#SAINC STORY

Technology to drive inclusive growth

KEY STORY THEMES

- Supporting entrepreneurs and growing value-chain partnerships with emerging enterprises
- Delivering Maths, Science and Technology education to expand opportunities for SA youth
- Nurturing graduates and creating jobs

UNIQUE REACH	768 070
COMPLETED FILM VIEWS	70 186
ENGAGEMENT	245 538
MEDIA MENTIONS	163 256

*TV engagement is difficult to measure accurately - these results are for the purely digital impact. The total potential TV audience reached by the campaign exceeds 300 million viewers.

THE BRAND | THE STORY | **THE REACH***

#SAINC STORY

Engen promotes broad-based economic transformation

KEY STORY THEMES

- Expanding educational outcomes and opportunities
- Growing workplace diversity
- Building the success of SMME's
- Driving economic transformation

UNIQUE REACH	1 051 812
COMPLETED FILM VIEWS	117 702
ENGAGEMENT	268 134
MEDIA MENTIONS	294 048

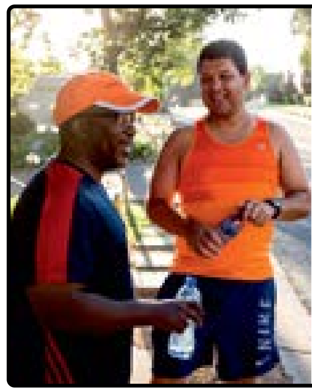
#SAINC STORY

How Exxaro Powers Better Lives

KEY STORY THEMES

- Utilizing technology for safer more responsible mining
- Minimizing the environmental footprint and impact
- Developing sustainable communities in host locations
- Creating jobs and supporting the growth of local enterprise

UNIQUE REACH	524 625
COMPLETED FILM VIEWS	58 920
ENGAGEMENT	176 402
MEDIA MENTIONS	163 256



#SAINC STORY

Financial inclusion for broad economic empowerment

KEY STORY THEMES

- Unlocking economic empowerment opportunities for previously disadvantaged South Africans
- Growing financial inclusion
- Creating value through a client-centric business

UNIQUE REACH	625 529
COMPLETED FILM VIEWS	39 047
ENGAGEMENT	145 207
MEDIA MENTIONS	91 334

#SAINC STORY

MultiChoice Grows Local Content, Talent and Industry

KEY STORY THEMES

- Providing a platform to tell authentic South African stories
- Developing local enterprise and a new generation of artists
- Creating opportunities in the broader media value chain

UNIQUE REACH	456 643
COMPLETED FILM VIEWS	38 980
ENGAGEMENT	109 953
MEDIA MENTIONS	172 756

#SAINC STORY

Delivering social impact alongside financial returns

KEY STORY THEMES

- Investing in social impact
- Renewable energy to transform communities
- Opportunities for affordable, quality, private education
- Growing happy communities through home-ownership

UNIQUE REACH	1 115 211
COMPLETED FILM VIEWS	120 855
ENGAGEMENT	427 205
MEDIA MENTIONS	241 456

*TV engagement is difficult to measure accurately - these results are for the purely digital impact. The total potential TV audience reached by the campaign exceeds 300 million viewers.

THE BRAND | THE STORY | **THE REACH***

#SAINC STORY

Pearson's innovative education solutions

KEY STORY THEMES

- Addressing South Africa's educational challenges
- Making internet and technology for education accessible
- Growing employable graduates

UNIQUE REACH	456 643
COMPLETED FILM VIEWS	38 980
ENGAGEMENT	109 953
MEDIA MENTIONS	172 756

#SAINC STORY

Public investment commitment to grow a better world

KEY STORY THEMES

- Supporting emerging and commercial farmers
- Investing in entrepreneurs
- Developing black-owned enterprises and value chain opportunities

UNIQUE REACH	578 688
COMPLETED FILM VIEWS	50 732
ENGAGEMENT	203 949
MEDIA MENTIONS	78 056

#SAINC STORY

Sharing the value of economic empowerment

KEY STORY THEMES

- Catalysing broad based economic empowerment
- Creating opportunities for business to grow and families to prosper
- Supporting education with holistic, multi-faceted interventions

UNIQUE REACH	551 013
COMPLETED FILM VIEWS	51 826
ENGAGEMENT	124 412
MEDIA MENTIONS	163 256

#SAINC STORY

Beyond mining - into a transformed future

KEY STORY THEMES

- Providing innovative Maths, Science and Technology solutions for schools
- Developing future focused digital mining capabilities
- Supporting beneficiation and entrepreneurial development

UNIQUE REACH	546 306
COMPLETED FILM VIEWS	45 721
ENGAGEMENT	151 049
MEDIA MENTIONS	56 100

#SAINC STORY

SPAR empowers communities through responsible retailing

KEY STORY THEMES

- Supporting small-scale farmers and business owners
- Transforming retailing to create sustainable growth
- Building a chain of empowerment through training and new resources

UNIQUE REACH	702 366
COMPLETED FILM VIEWS	79 638
ENGAGEMENT	254 092
MEDIA MENTIONS	176 000

*TV engagement is difficult to measure accurately - these results are for the purely digital impact. The total potential TV audience reached by the campaign exceeds 300 million viewers.

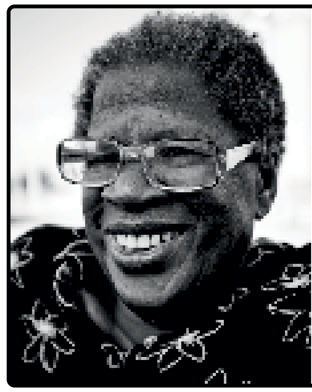
CONCLUSIONS & CAMPAIGN TOTALS

TOTAL DIGITAL REACH	DIGITAL ENGAGEMENT	COMPLETED VIDEOS	TELEVISION REACH
12 083 757	3 713 175	1 116 750	300 000 000

Budget isn't everything

The total ad budget for the entire #SAINC campaign was roughly the same cost as shooting and editing one of the featured stories. This is a fraction of the cost of a normal 30 second TV advert and yet we were able to mobilize entire communities to watch and share our content. This fantastic result leads to certain conclusions about our IMPACT communications.

- **Collaboration:** 20 brands working together to communicate a message about shared values is significantly more powerful than a single brand working in isolation.
- **Social-Proof:** An authentic brand narrative comes off much more effectively if it is communicated under the auspices of an accepted social movement.
- **Network effect:** The network effect of thousands of micro-stories shared across dozens of platforms is an extremely powerful force. Seeing the same story on national television repeated on a tiny boutique community station or closed social media group has a big impact upon the observer.
- **Good News:** Despite everything we have been conditioned to believe, people are prepared to pay attention to life-affirming, positive media. Good news, especially along themes of sustainability, is rapidly gaining traction.



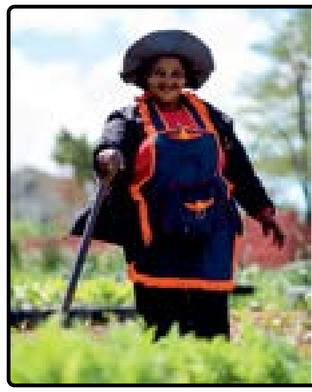
#SAINC STORY

More than just a bank

KEY STORY THEMES

- Catalysing economic and social inclusion
- Creating innovative education solutions
- Growing home ownership and social integration

UNIQUE REACH	473 231
COMPLETED FILM VIEWS	48 625
ENGAGEMENT	181 749
MEDIA MENTIONS	163 256



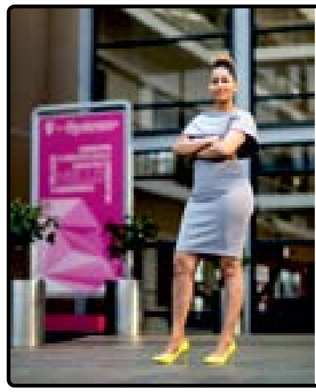
#SAINC STORY

Tiger Brands nourishes and nurtures lives

KEY STORY THEMES

- Reducing hunger and malnutrition
- Creating self-sustainable food production
- Collaboration with food security organisations

UNIQUE REACH	696 239
COMPLETED FILM VIEWS	84 064
ENGAGEMENT	245 738
MEDIA MENTIONS	188 670



#SAINC STORY

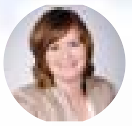
Technology to drive inclusive growth

KEY STORY THEMES

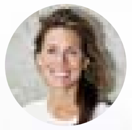
- Supporting entrepreneurs and growing value-chain partnerships with emerging enterprisers
- Delivering Maths, Science and Technology education to expand opportunities for SA youth
- Nurturing graduates and creating jobs

UNIQUE REACH	551 013
COMPLETED FILM VIEWS	51 826
ENGAGEMENT	124 412
MEDIA MENTIONS	163 256

2020 CONTRIBUTORS

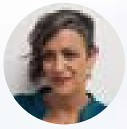


Nicole Martens:
Head of Africa & Middle East of the PRI, Nicole's focus is on identifying and addressing the needs of African investors with respect to integrating ESG into investment processes.

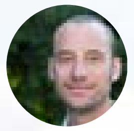


Fleur Heyns:
Co-founder of Proof of Impact and co-initiator of 17Africa.
Entreperneurial success allowed her in 2008 to pivot into what is now known as "impact investing".

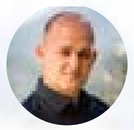
Ido Verhagen:
Lead Food & Agriculture World Benchmarking Alliance, lead programmer at an Amsterdam think tank and boardroom consultant for larger Dutch global companies.



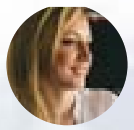
Shani Kay:
Impact Strategist delivering growth strategies through authentic discourse in sales and marketing communications and T&D. Shani is the MD of Regency Foundation and Executive producer of SAInc.



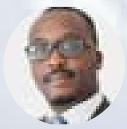
Koen van Noorden:
Head of Rating and Verification at KudosAfrica, with more than 16 years of working experience in sustainability and tool development. He holds degrees in Technology& Innovation Sciences for Sustainability and Mechanical Engineering from the Netherlands.



Carl Reynolds:
The Founder and CEO of KudosAfrica. He has a particular interest in business as an agent for positive impact and a long track record of launching innovative and developmental business-to-business platforms.

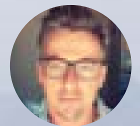


Jeanne Fourie:
Head of Sustainability & Ethics at Liberty Group South Africa. She is a Passionate supporter of the UN Sustainable Development Goals and determined to make a difference.

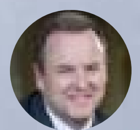


Kuda Mukova:
Business Unit leader at IQ Business. South Africa's largest independent management Consulting Group.

Richard Karmel:
Managing partner of Mazars' London office and the co-author of the UNGP Reporting Framework and Assurance Guidance.



Shane Killeen:
Brand and Digital Strategy at Regency Global. Shane loves technology that supports humanity and has a special interest in the mobile user experience and building quality, highly engaged audiences.



Hywel George:
Director of Investments at Old Mutual Investment Group. Hywel joined Old Mutual Investment Group in August 2013 and is responsible for the delivery of performance across the listed asset management business.

Waleed Hendricks:
Responsible for ESG quantitative research and analysis, the development of ESG Investment tools and integrating ESG factors into Old Mutual stock selection and portfolio construction processes.