ESG AS LAW

FIDUCIARY DUTY

REG 28

SCALABLE

PROCESS-DRIVEN
ESG AS LAW

KEY OUTCOMES:
- ESG IMPLEMENTATION TOOLS AND EXAMPLES RE. DIFFERENT TYPES OF FUNDS & INVESTMENTS
- ASSIST ESG ENGAGEMENT ON BOARD AND WITH SERVICE PROVIDERS

KEY PRESUMPTIONS:
- ESG BUSINESS CASE
- FAMILIARITY WITH ESG
ESG INVESTMENT TRENDS AND STRATEGY
Growth in UN PRI Signatories

[Graph showing the growth in assets under management (US$ trillion) and the number of signatories from April 2006 to April 2016.]
Most fund members want their investment managers to invest their money responsibly.

50% see governance failure to be the biggest risk to their retirement investments.
ESG EVEN MORE POSITIVE IN EMERGING MARKETS

Since inception return (p.a.)

MSCI EM ESG: 1.79%
MSCI EM: -2.64%

Tracking Error: 3.90%
ESG INTEGRATION LISTED EQUITIES

ESG Country Risk Profile

ESG Sector Risk Profile

ESG Company Rating

Target price & Conviction

Governance risks

Social / Safety risks

Environment risks

QUALITATIVE INPUTS

QUANTITATIVE INPUTS
ASSESSING ESG MATERIALITY BEFORE ENGAGEMENT
SO, WHAT NOW?

Understand ESG exposure and risk

Align ESG beliefs with investment goals

Tilt portfolio towards ESG

Seek green growth opportunities
Road Freight and Logistics Industry Provident Fund

ESG Case Study: The Truck Stops Roll Out
FUND ESG PHILOSOPHY

• Focus on high Impact SRI Investment that benefits members
  ✔ Truck Stops
  ✔ Infrastructure development in previously disadvantaged communities

• Hold companies accountable to upholding ESG principles
  ✔ Transformation is important
  ✔ Over 60% of fund’s asset are managed by black asset managers

• The Fund is an integral part of the South African Economy
  ✔ Display good corporate citizenship
  ✔ Build good relationships with all stakeholders including Government
  ✔ Investment in the economy is investment in the Fund’s members

• Fund Facts
  ✔ 72 000 active members
  ✔ R6 billion AUM
  ✔ Unitized portfolio and LSM
THE TRUCK STOPS CONCEPT

A one stop shop for truck drivers….

• Why?
  ✓ Majority membership of the Fund are truck drivers
  ✓ Combat driver fatigue that leads to accidents and mortality
  ✓ Increase security for drivers, trucks and goods
  ✓ Servicing and improved roadworthiness of trucks
  ✓ Improve driver wellbeing
  • Dealing with HIV/Aids, primary health care, suitable amenities etc.
  • Driver Refresher courses at truckstops (simulation)
THE HARRISMITH TRUCK STOP

Africa’s no1 truck stop……

• **Components**
  ✓ 102 000 trucks parked per annum
  ✓ 60 rooms for driver accommodation
  ✓ 23 million liters of diesel sold per annum
  ✓ Primary health care facilities – a doctor and nurse on site
  ✓ Services for roadworthiness
  ✓ Food court for specific driver nutrition

• **Truck owners have vested interest**
  ✓ Productive employees
  ✓ Safety of trucks and goods
  ✓ Added benefits i.e. discounted insurance premiums

• **Truck Drivers**
  ✓ Improved wellbeing
  ✓ Loyalty programme
  ✓ Positive returns on your fund
THE HARRISMITHE TRUCK STOP

Return Profile……

• Fund return from inception to date
  ✓ Returns based on 12 months of trading
    • 14% ungeared return versus CPI plus 3% (benchmark)
    • 8% cash and 6% capital growth
  ✓ Revenue components
    ✓ Diesel 50%
    ✓ Parking 45%
    ✓ Other 5%
• Balance sheet - R105 million
• EBITDA – R120 million
THE TRUCK STOPS LOCATION

* Current (4)
* Future (16)
R1.6b
THANK YOU