

**momentum**  
investments

# Annual **Stewardship** Report

2021



Signatory of:

**PR**I Principles for  
Responsible  
Investment

RISE

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**Cover photo (previous page):** The distinct, colourful balconies of Units on Park give its unique character. The RISE Student Living development is a fully furnished student accommodation close to the University of Pretoria. We are an anchor investor in the Units on Park student housing building of our majority-owned subsidiary, Eris Property Group. This represents a perfect example of where we can invest to generate a positive, measurable social impact alongside a sustainable financial return.

# Foreword

We are proud to present the second edition of the Momentum Investments Annual Stewardship Report.

As responsible investing continues to gain momentum and popularity, it's great that we can show how our own journey of responsible investing has progressed and the way we more deeply integrate responsible investing in how we manage our clients' money.

As active and engaged citizens in an evolving environment with ongoing regulatory change, we need to continually stay abreast of legislative changes and develop the necessary policies and practices. Our true north and primary objective are to deliver returns for our clients. When doing this, we consider how we can drive purpose and take advantage of the investment opportunities to create a better future for our investors, their communities and society.

Talking to the realities of millions of South Africans, empowerment is an essential component of what we need to address as investors and a business. Our transformation plan addresses how we invest capital to broaden the economic opportunities in our country. Closer to home, we launched our Phambili Internship Programme this year, which focuses on finding, developing and nurturing talent for the future. As a group, we have also launched the Isabelo Trust, where we broaden BEE ownership of our group by providing an ownership stake to all staff. This approach truly broadens the pattern of ownership in a way that goes to the heart of empowering and driving real change.

During the last year, the prominence of climate change has accelerated, as it is undeniable how weather patterns are changing around the world and taking a huge toll on humanity. This is a pressing problem, and we discuss some of the real and practical steps of how we are addressing this priority within the context of

the South African reality of massive social inequality. We are acutely aware of the need to balance the future imperative of climate action with the present-day social challenges, as advocated by the Just Transition Statement, of which we are a supporter and signatory.

To drive intention, the investment team has spent a considerable amount of effort understanding the United Nations' sustainable development goals (SDGs), selecting the ones we would like to focus on and interrogating how we can support these objectives in our portfolios. Among these, are a focus on sustainable and clean energy, as well as driving climate action, which demonstrates practically how we align our broader purpose in our business. In this report, we focus on the alternative investment space with a case study of our developing infrastructure programme and how this drives real-world effect and focuses on our selected SDGs.

I hope you enjoy reading this report as much as we have been inspired by delivering returns to our clients in a way that supports real and tangible responsible investment. This is a complex and evolving journey I am dedicated to.

If there are any aspects of this report you would like to understand and unpack in more detail, our door is open, so please get in touch with us.

As active and engaged citizens in an evolving environment with ongoing regulatory change, we need to continually stay abreast of legislative changes and develop the necessary policies and practices.

**Sonja Saunderson**  
Chief Investment  
Officer



# Responsible investing

Responsible investing is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions. Governance is the framework of rules and practices by which a board of directors looks after accountability, fairness and transparency in a company's relationship with all its stakeholders. Responsible investing makes sure that companies are aware of possible risks and can keep generating incomes in the long run.



## We advocate

We participate in market-related industry events and serve on the responsible investing committee of the industry body the Association of Savings and Investments South Africa (ASISA).



We form part of an international collaborative group that signed a 'Just Transition' statement to support the workforce in our transition to a resilient and low-carbon economy.



We are part of a Steinhoff Shareholder Group that works together in a number of legal actions against Steinhoff International Holdings NV.



We form part of the Investment Consultants' Sustainability Working Group, focussed on applying the UK Stewardship and UNPRI principles when advising pension fund trustees.



## We report on progress

We show you that we take our duty to act in your best interests to heart.



For the latest proxy history, please [click here](#)



To view the UN PRI annual transparency report, please [click here](#)



To view our integrated report, which shows the yearly update on our responsible investing initiatives, please [click here](#)



To view our responsible investment and climate change investment policies, please [click here](#)



## We seek disclosure

We have a register that shows how we engage with companies that we invest in to keep them accountable.



## We integrate ESG

We integrate ESG factors.

We have a responsible investing committee that serves as an oversight function of responsible investing practices across the investment team.

We follow an integrated ESG approach across all our asset classes.



## We are active owners

We use our influence to help maintain a well-governed corporate South Africa.



## We keep to these rules and regulations



Signatory of:  
 Principles for Responsible Investment  
 Signatory of the United Nations supported PRI since 2006

ASISA  
 Serve on the ASISA RI Committee

## How we voted in 2020

245 — Number of shareholder meetings

3968 — Total resolutions

60 — Abstentions

3419 — Votes in favour

489 — Votes against

\*We will abstain if there are conflicts of interest

# We participate and collaborate

## Important memberships and working groups

- **Code for Responsible Investment in South Africa (CRISA)**

We are long-time supporters of the CRISA. The CRISA code aims to guide institutional investors on the execution of investment analysis and investment activities, as well as the exercise of rights to promote sound governance.

**Our company responded to the CRISA 2020 revision consultation draft in February.**

Our CRISA statement is available [here](#).

- **The Association for Savings and Investments South Africa (ASISA)**

We are a member of the ASISA responsible investment committee. We contribute to the general discussions on how to enhance the uptake of responsible investment practices within the South African market on an industry level. The committee works closely with United Nations-supported Principles for Responsible Investing (PRI) on the integration of ESG factors within investment processes.

**We have wide representation across various ASISA technical and investment committees as well as working groups.**

**Our chief investment officer serves as a representative on the ASISA investments board.**

- **UK Stewardship Code**

The UK Stewardship Code 2020 (the Code) is a voluntary set of principles that sets high stewardship standards for asset owners and investment managers, as well as for service providers that support them.

Momentum Global Investment Management (MGIM), our UK-based investment manager, fully supports this code and has chosen to adopt the principles set out in the Code.

**The principles are supported by reporting expectations which indicate the information that organisations should publicly report to become a signatory to the Code.**

- **United Nations-supported Principles for Responsible Investing (PRI)**

We were one of the first South African signatories of the PRI in 2006. The PRI's goal is to understand the implications of sustainability for investors and support signatories to incorporate these into their investment decision making and ownership practices.

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

We also contribute to the research work led by the PRI. Most recently, we contributed to the paper 'Understanding and aligning with beneficiaries' sustainability preferences' initiated by the PRI in partnership with UN Environment Programme Finance Initiative and UN Global Compact ([visit unpri.org](https://www.unpri.org) for more).

We also serve on the PRI Investor Just Transition Working Group. This is a knowledge-sharing forum to create awareness of what action towards a Just Transition means in practice in the investment community. We signed the international Just Transition investor statement on 16 April 2020. For more information on this statement, please click [here](#).

As a PRI asset owner signatory, we publish a publicly available annual report detailing our integration of ESG criteria into our investment process. The PRI has encountered some challenges with its pilot of a new reporting framework for investors, which is intended to better capture responsible investment activities. These challenges have resulted in the release of participants' annual assessments until June 2022. As a result, we do not have a scorecard available for publication. Please [click here](#) to view the 2020 PRI transparency report and assessment results.

We form part of the PRI Africa asset owner forum, which aims to empower investors with African interests to implement responsible investing within the African context.

- **Task Force on Climate-related Financial Disclosures (TCFD)**

We support the recommendations of the TCFD, which was set up by the G20's Financial Stability Board. It's a voluntary, climate-related financial risk disclosure guideline for companies to provide information to investors, lenders, insurers and other stakeholders.

We became a formal TCFD supporter in May 2021.

- **CFA Society South Africa ESG task team**

We were part of a collaborative effort to respond to the CFA Institute ESG Disclosure Standards Consultation Paper.

The CFA Institute is developing a voluntary, global industry standard, namely the CFA Institute ESG Disclosure Standards for Investment Products (the Standards), to establish disclosure requirements for investment portfolios with ESG-related features. The purpose of the Standards is to provide greater transparency and comparability for investors by enabling investment managers to clearly communicate the ESG-related features of their investment portfolios.



## Engaging with policy makers and regulation

### Treasury

We support and welcome a green finance taxonomy for South Africa, a catalogue that defines a minimum set of assets, projects and sectors that are eligible to be defined as 'green' in line with international best practice and national priorities. It will also help curb greenwashing, and the disclosure practices will enable transparency and accountability among market participants. Our response to Treasury on the green finance taxonomy draft was sent on 22 June this year.

We also responded to the proposed amendments to Regulation 28 to accommodate infrastructure investments.

### Batseta Council of Retirement Funds for South Africa

The Batseta Council of Retirement Funds for South Africa is a distinct non-profit organisation, focused on the interests of principal officers, trustee and fund fiduciaries within the retirement industry. Batseta is a professional body registered with the South Africa Qualifications Authority (SAQA).

We were one of the sponsors at the Batseta Conference held in August 2021, where we presented on how social impact investing creates a positive effect.

### Business Unity South Africa (BUSA)

On behalf of BUSA, we were part of the representatives that responded to the current draft Green Paper on Comprehensive Social Security and Retirement Reform, which was submitted as the Consolidated Government Paper to the NEDLAC Comprehensive Social Security and Retirement Reform Task Team (CSSRRTT) and marked Nedlac Working Version 2 - 31 March 2021.



# We protect your investments

## Corporate activism

Sixty years ago, corporate activism was associated with people like Ralph Nader, who campaigned for car safety in the United States. This initial approach was more focused on health and safety issues sold to the public. Nader’s famous book was even titled ‘Unsafe at any speed’.

Credit rating agencies also have, for a long time, made judgment calls on the quality of company management to ascertain whether they would act ethically and responsibly with the money obtained from debt holders.

In the 1990s corporate activism went up a gear when documents such as the so-called ‘Cadbury Report’ (titled ‘Financial Aspects of Corporate Governance’) in the United Kingdom was published, starting to formalise the kind of governance shareholders should demand. This was soon followed by the King Committee reports in South Africa. These provided the foundation, with the Company’s Act and Johannesburg Stock Exchange (now known as the JSE) Listing Rules for corporate activism and oversight in South Africa.

An investment manager has one of three decisions when faced with ESG issues. The investment manager can either decide to live with the ESG risk and keep the shares in the portfolio, sell the shares or decide to adopt a corporate activist attitude and engage the company on those issues, vote against management proposals or propose resolutions at shareholder meetings.

The first option above is increasingly being viewed as introducing unnecessary risk into a portfolio, which may adversely affect an investment manager’s returns and reputation. The second option of selling the shareholding might be difficult in a market with a limited size, as is the case on the JSE. Some shares, by virtue of their size on the JSE, should preferably be part of a South African listed equity portfolio in some way or other.

The third option, which is corporate activism, has become the norm in the past decade. As signatory to the PRI and a supporter of the CRISA principles, we have actively pursued this approach, as illustrated by our proxy voting activities since January 2016:

Total number of meetings voted on between January 2016 and June 2021

1 217

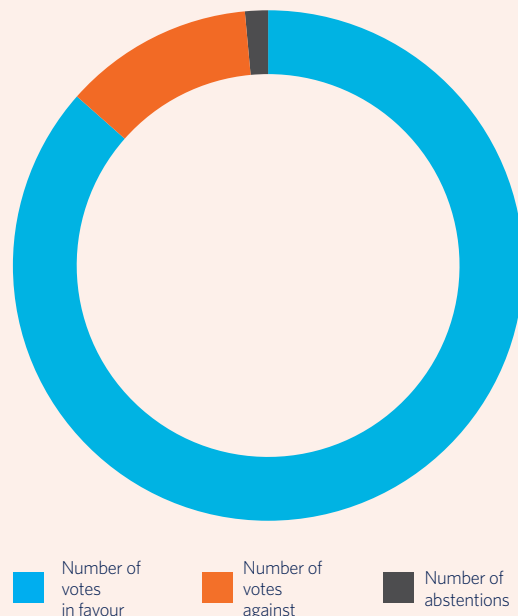
Total number of votes cast between January 2016 and June 2021

19 869

[Click here](#) for our proxy voting records.

Figure 1 provides insights into the voting activities:

Figure 1: Division of proxy votes 2021





Abstentions are mainly to mitigate conflicts of interest. We do not abstain otherwise, with our proxy voting and engagement policies providing the framework for how we address this fiduciary duty.

During the past few years, environmental resolutions have started appearing on the South African corporate activism scene. It started with shareholders using the Company's Act to put resolutions on bank's shareholder meetings. The very first ones demanded that banks publish their environmental policies on their websites. There were also demands that the banks calculate the carbon intensity of all their loan activities and terminate the appointments of non-executive directors who served or were serving on the boards of carbon-intensive companies.

The resolutions demanding public environmental policies were approved by shareholders, but other environmental-related demands did not generally achieve success.

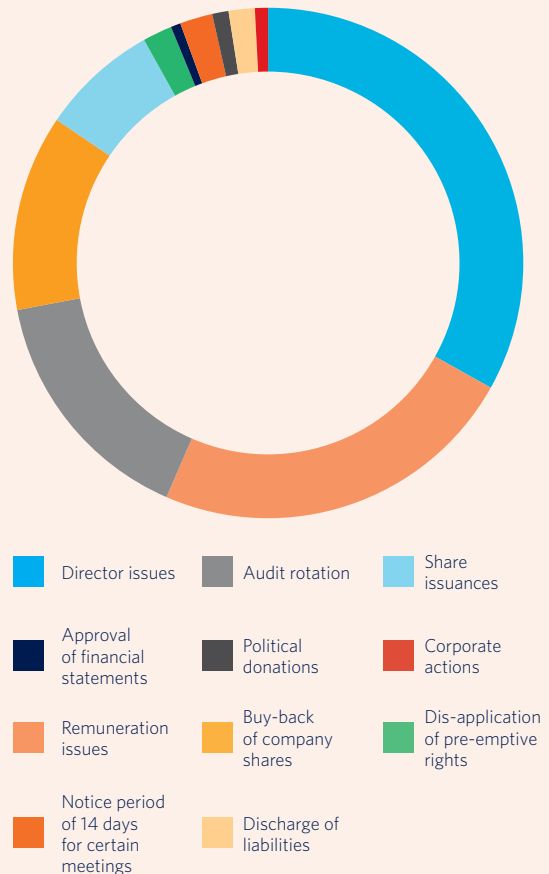
Banks weren't the only companies affected by this trend. Sasol also faced demands from shareholders and investment managers to publish its policies on carbon mitigation and policies addressing carbon emission targets.

There were, as could be expected, resolutions on environmental issues at other resource companies, such as BHP Billiton as well.

Some resource companies are going even further, ridding themselves of their coal assets. A good example is Anglo-American PLC, which decided to exit the South African coal business and spun their South African coal assets into a new company, Thungela Resources Limited.

While such a move is a plus for Anglo-American PLC, it only shifts the problem, as the coal issue remains the same due to the continued operation of these mines.

Figure 2: Proxy vote against by category during financial year 2021

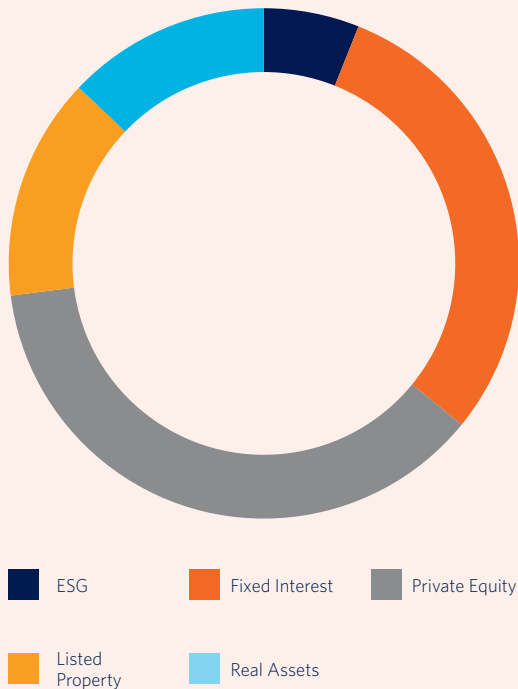


## Engagements

Our various investment teams had 248 engagements with various companies during the year ending 30 June 2021.

The ESG-focused engagements dealt mainly with remuneration structures and director independence.

Engagements during 2020 and 2021



In June 2021, we were part of a group of 35 investment managers that participated in a collective effort to engage the boards of directors of Naspers and Prosus.

It is highly unusual for so many investment managers to 'speak with one voice'. But it is an indication of how important these two companies are in the local investment industry.

Through a written submission we aimed to convey to the managements of both companies that an

upcoming share swap transaction, which the two companies were undertaking, would probably not be the best way to address the discount to the net asset value (NAV) of their share prices.

The participants noted, as a collective, that the proposed transaction would introduce further complexity in the overall company structures, reducing the likelihood of unlocking further value.

Our opinion, shared with the other investment managers, was that the share swap was not only very unlikely to address the NAV issue, but, in future, this action could necessitate future management actions, which could continue to complicate the business structures. The introduction of these cross-holdings would likely also inhibit and complicate any subsequent corporate restructuring.

Another key issue was related to the management incentives of Naspers Limited, which are more aligned with the performance of Prosus NV, whose performance is in turn dominated by that of Tencent Holdings.

As there is a reduced alignment between the management incentives and the performance of other unlisted entities in the portfolios, which has not been addressed in this transaction, it contributes in part to the lack of value attributed by the market to these unlisted investments.

Management responded that it disagreed with the premise of the engagement and would not amend or cancel the transaction. While the transaction was approved at the subsequent shareholder meeting, because of the highly skewed differential shareholder structure, effectively providing an automatic approval of this transaction, it was unusual for so many shareholders to voice a unified opinion different to that of management.

We fully expect that active ownership is a key mechanism for holding companies to account for, and we were emboldened that this action, albeit defeated, is a good example of unified and good practice. We fully expect there to be many more examples of investors unifying to hold management into account in the future, to the benefit of investors.

## We engage



### Background

We have pursued claims against Steinhoff NV on behalf of our clients and our pooled portfolios that held shares in Steinhoff International Holdings NV (Steinhoff) and suffered losses as a result of Steinhoff's share price collapse in December 2017.

As Steinhoff is a Netherlands-based company, the class action suit is being pursued through the Netherlands court system using the Dutch law firm Barentskrans. The legal vehicle for these claims is a special purpose vehicle established in the Netherlands specifically for this case.

### Updates

In February 2021, we were advised by our legal representatives that a proposed settlement by Steinhoff in July 2020, formalised in February 2021, was not acceptable. The proposal distinguishes between so-called 'contractual claimants' who had bought their shares in private off-market deals and so-called 'market purchase claimants' who had bought their shares on the open market.

The contractual claimants, according to our legal representatives, would receive a rate of recovery eight to fifteen times more than market claimants. The significant difference in valuing the different classes of claims was regarded as hugely discriminatory and was consequently rejected.

Subsequent to this rejection, Steinhoff made a new offer in August 2021, increasing the offer to market claimants from about €267 million to about €630 million.

There would also be a further R3,214 billion made available to market purchase claimants with claims against the former South African holding company.

Steinhoff has been pressing ahead with the formal requirements for having the settlement proposal sanctioned by the courts in the Netherlands and South Africa. These are ongoing.

## Engagement register for July 2020 to the end of June 2021

Date	Company		Topic
2 June 2021	Naspers/Prosus	Africa/ Europe	Consultation with other investment managers on letter to Naspers management.
10 May 2021	Nedbank	Africa	Governance roadshow.
11 March 2021	Nedbank	Africa	Press reports on Nedbank/Regiments transactions.
28 January 2021	Redefine Properties	Africa	General governance engagement.
11 November 2020	Hyprop Investments	Africa	We voted in favour of resolutions at AGM.
5 November 2020	Old Mutual Group	Africa/ UK	There was a discussion between the chairman and analysts to ascertain whether there were any disagreements on the group's governance. There were no notable disagreements.
20 October 2020	Brait SE	Africa	Members of the Responsible and Alternative Investment teams had discussions with the CEO on a new proposed company remuneration incentive scheme. We did not agree with the principles of this scheme. The disagreement could not be resolved.
18 September 2020	Vukile Property Holdings	Africa	At the pre-AGM we were informed that two independent non-executive directors who had been the reason for disagreement with us would retire next year. The company also undertook to have discussions with us on their expanding green and social initiatives.
15 September 2020	Omnia Holdings Ltd	Africa	Discussion on rotation of auditors after 42 years of continuous appointment – but we supported the re-appointment on news of ransomware hacking. Also, we maintained a negative vote on remuneration.
9 September 2020	Gold Fields Limited	Africa	At the pre-AGM there was discussion on director length of tenure and the remuneration policy, which resulted in the company understanding reasons for our policy stance on issues.
25 August 2020	NEPI Rockcastle	Europe	At the AGM voting discussion we voted in favour of almost all resolutions.
28 July 2020	<b>NBI Just Transition Pathways Project:</b> Sasol (Fleetwood Grobler); Eskom (Andre de Ruyter); British High Commissioner (Nigel Casey)	Africa	<b>Discuss the project to achieve:</b> 1. Expedition of a green stimulus strategy as part of South Africa's COVID-19 response, and 2. Develop ambitious, fact-based, and unified business views ahead of COP26 on what a 'Just Transition' could look like for South Africa.
22 July 2020	Investec Plc/Ltd	Europe/ Africa	At the pre- AGM there was a discussion on remuneration and succession issues with a successful outcome.
21 July 2020	Fortress REIT	Africa	There was an amendment to the MOI for dividend processes which we voted for.
2 July 2020	Equites Property Fund	Africa	Successful pre- AGM discussion on possible problematic resolutions.

# How we integrate ESG



## Momentum Global Sustainable Equity Fund



More about the portfolio:



### We aim to achieve

- At least a 20% lower environmental footprint than the benchmark, as measured by greenhouse gas emissions, waste generation and water consumption
- At least a 20% better sustainability profile, as measured by the RobecoSAM Smart ESG Score



Well-diversified, low-cost, systematic equity strategy providing exposure to global developed markets.



### How do we plan to achieve this?

As of June 2021, the portfolio's:

- Greenhouse Gas Emissions (Scope 1 and 2) are 38.6% lower than benchmark
- Waste generation is 22.2% lower than benchmark
- Water consumption is 22.1% lower than benchmark
- RobecoSAM Smart ESG Score is 21.4% higher than benchmark

Managed by Momentum Global Investment Management (MGIM)

Approved as an **Article 8** (ESG integrated) fund under the European Sustainable Finance Disclosure Regulation (SFDR)

FSCA approved in South Africa



## Momentum Africa Real Estate Fund (MAREF)



More about the portfolio:



### Governance

MAREF's governance benchmarking for all property development projects align with the International Finance Corporation Performance Standards 1 to 8.

**\$205m** institutional real estate portfolio that finances and develops commercial real estate within sub-Saharan Africa, excluding South Africa.



### Social impact



### Job creation

- During the construction phase of **SU Tower** and **335 Place**, two assets developed by MAREF in Accra, MAREF created 1 215 jobs.
- The Rose development, is forecasted to create 1 000 jobs during construction and 80 to 90 sustained permanent jobs for the serviced apartment operations.

Benefits from the unique blend of property developer, Eris Property Group and the investment management experience of Momentum Investments, both subsidiaries of MMH.



### Environmental impact:

- The Rose development, MAREF's on-going service apartment development in Nairobi, will be **LEED (Leadership in Energy and Environmental Design) Silver certified**. LEED is a green building certification programme used worldwide, an initiative of the US Green Building Council.
- Mon Tresor Business Gateway, MAREF's office development in Mauritius, completed in August 2018, won the **Best Green Building in Africa award** at the Africa Property Investment Awards 2019.

## Transformation

As custodians of our clients' investments, we place their interests first. We believe transformation is an important ESG concern in our country that needs to be successfully implemented. A transformed industry will help solve our country's legacy economic imbalances, lack of education and levels of poverty. It's also a key component to achieve the targeted SDGs we have committed ourselves to as a company.

Transformation, therefore, serves as a critical component of our responsible investment approach. Like any other impact investment, it must be fully integrated in our decision-making process, where active ownership is key, and plans need to be specific and measurable.

As fiduciaries of our client's investments, we seek to maximise the probability of delivering on the predefined investment objective of the portfolio and, in so doing, make sure the investment case always prevails. Being subscribers to authentic and broad-based transformation across the value chain, we believe that responsible investing will enhance the longer-term risk-return objective of the portfolio.

In our commitment to support transformation in the South African investment management industry, it is important to note that at 30 June 2021, total assets under management managed by black-owned firms were R1,15 trillion. This represents 14%

of the total estimated South African savings and retirement pool across public and private markets, according to the 27Four BEEconomics 2021 annual transformation survey. We do, however, believe the industry is embracing broad-based transformation and the opportunity set is expected to widen in the years ahead.

Our investment team needs to make sure our transformation plan is specific, measurable and verifiable. To this end, the metric we use is the allocated percentage in our portfolio to investment managers that have qualified for inclusion in the Alexander Forbes BEE Manager Watch™ Survey (AF BEE survey). We aim to have between 10% and 15% of our investments allocated to the investment managers in the AF BEE survey in the next three years. Inclusion in the AF BEE survey is a metric that is simple to measure and captures our strategic intent. This metric unfortunately masks the granular and more broad-based transformation credentials in our portfolios, for example the percentage of our investments managed by female portfolio managers and investment analysts as well as the level of procurement. However, this is not easily measured and can, at times, be very fluid. We favour broad-based transformation and, to that end, we have developed a detailed dashboard to monitor transformation metrics in our portfolios at a more granular level, so we can focus our engagement efforts with our investment managers.

It is worth noting that our commitment to transformation in this plan is expressed as a percentage of the local portion of the portfolio, as roughly 30% of our investments are global – a space where very few South African-based investment managers have successfully developed the required skill and expertise to deliver on portfolio objectives. We encourage the emergence of black-owned investment managers and professionals in this space and this is a key part of our research and engagement plan with investment managers.

## How we engage investment managers to transform

We do not only focus on black ownership but rather favour broad-based transformation. Majority black ownership is only one element of transformation. We encourage broad-based transformation, which will lead to more diverse investment teams and more black people and, specifically, black women in senior decision-making positions across large established firms as well as boutiques. This will help to achieve a more transformed, inclusive investment management industry.

The large established, big-brand investment managers that aren't necessarily majority black-owned but still have meaningful B-BBEE ratings have been fertile training grounds and sometimes the largest employers of black and female investment professionals in the past. This trend continues and has been accelerating of late. Many of the large established investment managers have pioneered corporate initiatives that have contributed to meaningful transformation and the development of skills in the financial services

industry. In many cases, these corporate initiatives have led to the establishment of independent black investment businesses. The large established investment managers also allocate meaningful size brokerage to black stockbrokers.

We continue to encourage and support the transformation initiatives of the large established and boutique investment managers, as they continue their journey of broad-based transformation. We are steadfast in our commitment to transformation and pride ourselves on being a responsible corporate citizen, and this most definitely includes our responsibilities as a fiduciary of hard-earned retirement savings as well as our commitment to support and drive transformation within our circle of influence.

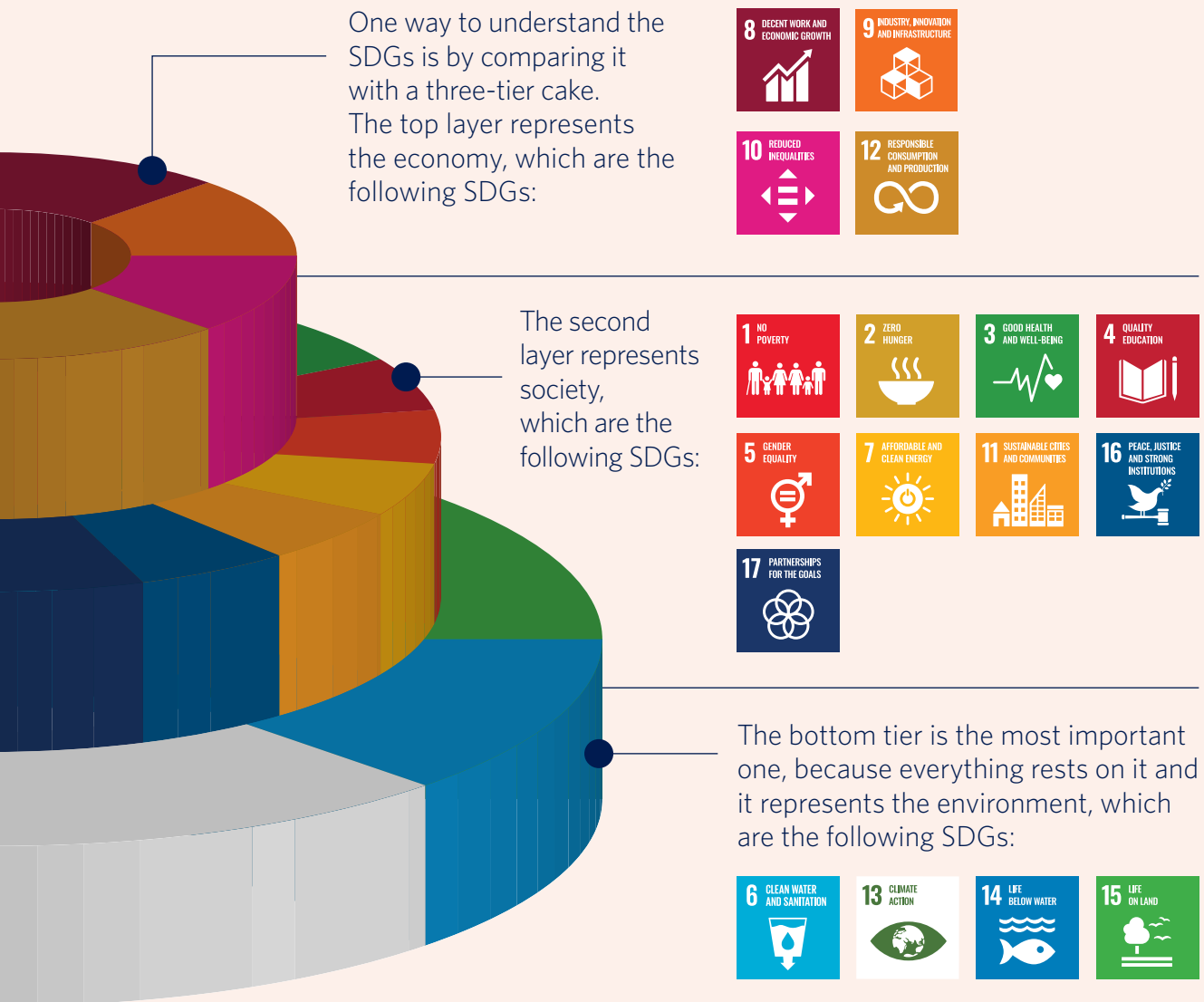
We are proud to be part of  
**Momentum  
Metropolitan  
Holdings** with a  
**level 1 B-BBEE**  
status.



## Our approach to SDGs

The bottom line of the SDGs is to leave no one behind. The 17 SDGs were adopted by all UN Member States in 2015, as a universal call to action to end poverty, protect the planet and make sure all people enjoy peace and prosperity by 2030.

The 17 goals are integrated, meaning action in one area will affect outcomes in others. The goals also recognise that development must balance social, economic and environmental sustainability.



The SDGs create an opportunity for investors to pursue a sustainable future when delivering investable solutions to clients. The unfortunate risk is that the market may view the SDGs as an easy-labelling exercise to its existing activities and then only link it to its positive associations, without strategic future intent, setting no targets or using no key performance indicators to demonstrate progress.

Our investment teams formally committed themselves to six of the SDGs to take a focused approach to achieve scale and meaningful effect. Our SDG framework serves to support our capital-allocation decisions and our stewardship responsibilities. Each of our investment professionals understands that it is about setting forward-looking goals to play a contributing role in achieving the SDGs by the target year 2030. Our framework is an illustration of our commitment to the SDGs, it shows our accountability through the targets we've set and includes an explanation on how progress is measured.



## Our focus on six SDGs



1 To ensure healthy lives and promote well-being for all at all ages.



2 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.



3 Ensure access to affordable, reliable, sustainable and modern energy for all.



4 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



5 Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.



6 Take urgent action to combat climate change and its impacts.

Our impact investment portfolios focus on three areas – alternative energy, diversified infrastructure and social infrastructure. These investments are closely linked to very specific SDGs, to which we subscribe.



Our three impact funds are:

# 1

## Momentum Alternative Energy Fund:

The portfolio is a local impact portfolio that targets fundamental social and environmental challenges while also seeking a financial return. The portfolio invests in the equity and debt instruments of sustainable energy companies and projects. Sustainable energy companies are those which are engaged in alternative energy technologies including renewable energy technology; renewable energy developers; energy storage; energy efficiency; enabling infrastructure. The portfolio will not invest in companies involved with fossil fuel and consumables, and related technologies.

Alternative Energy

Sub-portfolios

Renewable energy

**7** AFFORDABLE AND CLEAN ENERGY

# 2

## Momentum Diversified Infrastructure Fund:

This is a local impact portfolio that is invested in core infrastructure assets that provide essential services and have measurable impact outcomes. It provides diversification benefits and attractive financial returns including income and inflation protection. Underlying assets have stable and predictable cash flows as well as strong environmental, social and governance features. It is predominantly invested in South African as well as Southern African Development Community opportunities with positive social and environmental delivery objectives.

Diversified Infrastructure

Sub-portfolios

Core infrastructure

Telecoms

**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE

# 3

## Momentum Social Infrastructure Fund:

This is a local impact portfolio, where the investment manager deploys capital to address pressing social challenges, while also seeking a financial return. Investments are aimed at supporting the provision of student housing in the higher education sector, quality affordable housing as well as rural and peri-urban retail shopping centres. The portfolio holds equity and debt instruments in operating companies and projects that develop and manage qualifying facilities. Each investment has measurable impact metrics, which the portfolio team measures, monitors and reports as part of the impact measurement and management framework.

Social Infrastructure

Sub-portfolios

Student accommodation

**4** QUALITY EDUCATION

## Examples of our actions



### Solar power (as part of Momentum Alternative Energy Fund)

We have participated in the refinancing of a BEE shareholder's equity in the Ilangalethu Karoshoek concentrated solar power plant. Karoshoek is a round 3 plant in South Africa's Renewable Energy Independent Power Producer Procurement Programme and was commissioned at the end of November 2018. The facility has the capacity to produce 100MegaWatts of power.

Karoshoek Solar is situated about 30 kilometres outside of Upington in the Northern Cape. The Northern Cape is ideal for harnessing the sun's power for electricity generation, due to its abundant natural resource.

The plant has been operating reasonably well since its inception, with irradiation levels closely tracking initial expectations. It provides electricity to power the equivalent of 102 000 homes and contributes to carbon emission reduction of 384 000 tons. In addition to the series of concave mirrors, which is used to harvest the sun's energy, it also has a tank of molten salt that is heated and can therefore continue to produce electricity for up to four hours after sunset.

Unlike many other projects, this project has a significant community shareholding at 15%. Funding for this was provided by a development finance institution. Money flowing from this investment will be used to the benefit of the surrounding community. This is in addition to the substantial investment in community projects already undertaken by the project company. The company has made material investments in upgrading a number of early childhood development centres, and has identified several more for similar upgrades.



Scan the QR Code to watch our video on Karoshoek





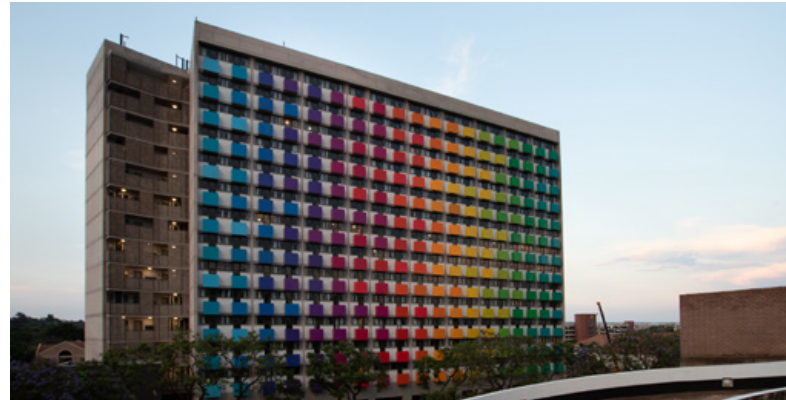
### Student accommodation (part of the Momentum Social Infrastructure Fund)

We have been a seed investor in the South African Student Accommodation Impact Investment (SASAI) Fund. The fund is managed by the Eris Property Group, a company in the Momentum Metropolitan stable. We have committed R150 million to the fund, and Eris has raised further capital from other third-party investors. The first project invested in by the fund is Rise Student Living, which is situated in Tshwane, about 600 metres from the University of Pretoria. The facility has 988 beds, and also provides recreational facilities, a gym and WiFi access. There is a dire need for more student accommodation that is safe, affordable, and within easy access to higher education institutions. The budgets of tertiary institutions are strained, hence they have found it difficult to invest in such accommodation. Accommodation needs for all students are critically short but are even worse for first-year students. With private sector capital now having been mobilised for this, it will also assist government in its aims to grow the number of students at tertiary institutions.

Since the financial year-end, the SASAI Fund has broken ground on a few more projects, which will further increase the bed capacity in the sector.



Scan the QR Code to watch our video on our student accommodation



### Community Investment Ventures Holdings (CIVH) (part of the Momentum Diversified Infrastructure fund)

We have been part of an investment in Community Investment Ventures since 2009. Subsequent to the most recent financial year-end, we have invested a further amount of R50 million as part of a rights issue Momentum Metropolitan was undertaking to more optimally structure its balance sheet and position it for further growth. CIVH owns two main businesses being Dark Fibre Africa (DFA) and Vumatel. DFA owns a fibre infrastructure network, which it makes available to a large network of customers on an open-access basis. These customers include telecommunication providers, academic institutions, municipalities, government and other corporates. Vumatel was acquired in 2019 and provides fibre access to homes and businesses through internet service providers.

Affordable access to the internet is a key enabler to spur economic growth and to enable more people to participate fuller in the economy. Fibre infrastructure is a very capital-intensive business, and CIVH has more than 30 000 km of fibre deployed between its two businesses. CIVH enables telecoms providers to more efficiently use their capital by using DFA's network, and hence drive down the cost of data access. The company has also successfully piloted lower cost uncapped fibre packages in certain neighbourhoods, including Soweto and Mitchell's Plain, and is now expanding the rollout of this. This is done on a prepaid basis.

Vumatel has a strategy of connecting schools for free where their infrastructure passes the school. So far, it has connected more than 300 schools with 1 Gbps fibre connectivity.

# Climate change

## Our approach to TCFD

Our parent company, Momentum Metropolitan Holdings, became a formal supporter of **Task Force on Climate Related Financial Disclosures (TCFD)** in May 2021, and the first insurance company in South Africa to do so. We want to demonstrate that we are taking action to build a more resilient financial system through our own climate-related disclosures.

The recent report published this year by the World Wide Fund for Nature South Africa **'The emerging importance of the TCFD framework for South African companies and investors'** accurately stated the honest reality:

"Climate change has been described as one of the biggest challenges of our time and the most pressing ESG issue facing our global society and economy today. The impacts of climate change on organisations are still to be fully understood as both companies and investors grapple with quantifying both the risks and opportunities presented by climate change".

This pressing challenge is why we as investors should advocate the importance of reporting on climate-related matters to the investee companies and appointed investment managers. It's important to move forward, even though there are still points one may grapple with and create awareness to climate change. The sharing of information enables higher quality engagements in the industry, and an environment of accountability is created. Through our commitments in our **climate change investment policy**, we also state our support to the TCFD recommendations that was set up by the G20's Financial Stability Board.

TCFD is a voluntary, climate-related financial risk disclosure guideline for companies to provide information to investors, lenders, insurers and other stakeholders. It also serves as an engagement framework that helps us understand where companies haven't addressed climate-related

concerns in their reporting. These disclosures lead to more informed investment credit and insurance underwriting decisions. To make responsible investment decisions, it is important to understand all risks involved. As investors we must understand how climate change will affect the businesses we invest with, and therefore we fully support the companies' need to be transparent and report on the climate-related risks they face.

The TCFD recommendations are structured around four thematic areas that represent core elements of how organisations operate, namely governance, strategy, risk management as well as metrics and targets.



### Under the governance theme:

The board and/or management need to provide adequate attention to climate-related risks.



### Under the strategy theme:

The business' strategy and financial planning needs to disclose material climate-related risks and opportunities.



### Under the risk management theme:

It is important that businesses disclose how they identify, assess and manage climate-related risks.



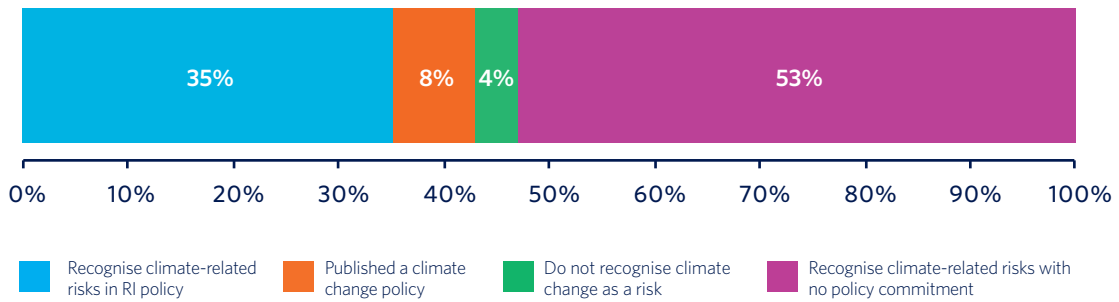
### Under the metrics and targets theme:

Companies should disclose their key climate-related targets such as those relating to greenhouse gas emissions, water usage and energy usage.

It is important that our investment professionals are equipped with the necessary skills to integrate climate-related risks in their investment processes. This is achieved through attending climate-change-related conferences for investors, internal training provided by our responsible investment team and completing formal climate courses. This year, 17 investment professionals completed the PRI African Asset Owner Climate Awareness Course that is also certified by Batseta.

Through our annual investment manager **responsible investment rating assessment**, we encouraged investment managers to adopt a focus on climate change for a sustainable and Just Transition future. We assessed if climate-related risks were acknowledged and evident in the respective investment manager’s policies. Information on how to write a climate change investment policy and information on TCFD recommendations were shared, because we want our appointed investment managers to be aligned with our responsible investment approach. The total universe assessed was 46 investment managers in South Africa. The below diagram is an illustration of our findings:

Investment managers’ policy commitments on climate-related risks



## What is a Just Transition?

A Just Transition acknowledges that strategies to tackle climate change need to incorporate all three ESG factors of responsible investment. It recognises that the social dimension of the Just Transition to a resilient and low-carbon economy has been given insufficient attention, notably in terms of the implications in the workplace and wider community<sup>1</sup>.

**There are three prominent issues affecting South Africa:**

- Direct effect of climate change on weather-related hazards: Only five months into 2021 and all nine provinces have experienced floods, and devastating fires in the Western Cape, according to the **Institute for Security Studies**.
- Communities are exposed to weather disasters, especially the 4,8 million informal dwellings across South Africa in 2021<sup>2</sup>.
- Growing vulnerability of communities and infrastructure: The design and construction of roads, bridges and storm-water systems were based on historical rainfall data and would be less likely to be resilient in future<sup>3</sup>.

As investors, we must address the risks of climate change and support the Just Transition to a low-carbon economy. It is not only about phasing out polluting sectors, but also about creating new jobs, new skills, new investments and the opportunity to create a resilient economy. Social dialogue is key to collaborate and acknowledging in policies that a Just Transition is necessary.

“Taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities.” - Paris Agreement (2015)

Companies need to plan for a Just Transition, as it holds benefits for investors by reducing transition risks and costs, making sure there is general economic and social resilience as well as protecting that company's social license to operate.

Being part of the PRI international investor working group on the Just Transition provides us with useful insight and opportunity to learn what information and data we need as investors to understand companies' approaches to the Just Transition. A research group consisting of the Transition Pathway Initiative (TPI), the Grantham Research Institute on Climate Change and the Environment at the London School of Economics (LSE) and Chronos Sustainability presented the following considerations to the working group:

- Just Transition is an immature issue, for investors and for companies.
- There is limited company disclosure.
- There is limited consensus on good/best practice.
- Just Transition is a highly place-based (location-specific) concept, but will develop indicators that will have global relevance and application.

We will remain closely involved with this working group and envisage using these indicators when we engage with our investee companies.



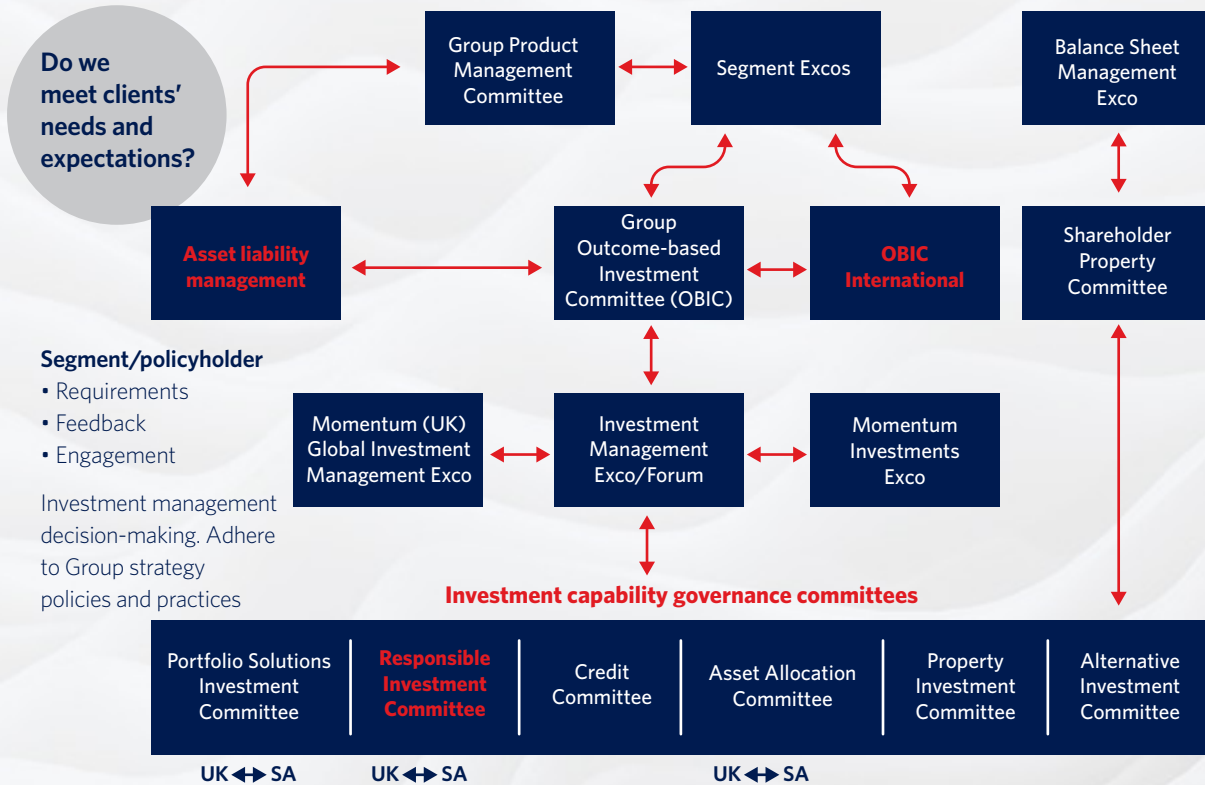
<sup>1</sup> Statement of Investor Commitment to Support a Just Transition on Climate Change

<sup>2</sup> <https://geoterraimage.com/>

<sup>3</sup> <https://issafrica.org/iss-today/urban-south-africa-is-ill-prepared-for-the-coming-climate-change-storm>

# Business sustainability matters

## Governance structure



### Segment/policyholder

- Requirements
- Feedback
- Engagement

Investment management decision-making. Adhere to Group strategy policies and practices

## The responsible investment team

### Jana van Rooijen

Responsible Investment Specialist

She focuses on our overall responsible investment approach on strategy, and advocates activities across business, research, reporting and SDGs

#### She also serves on:

- Momentum Responsible Investment Committee
- MGIM Responsible Investment Committee
- MMH Sustainability Forum

### Piet van der Merwe

ESG Analyst

He has extensive experience and focuses on proxy voting and engagement. He has specialist knowledge in the credit and private markets.

#### He also serves on:

- ASISA Responsible Investment Committee
- Momentum Investment Responsible Investment Committee
- MGIM Responsible Investment Committee
- Alternative Investment Committee
- Momentum Investment Credit Committee
- MMH Sustainability Forum

**30 years of combined responsible investing experience**





Phambili  
internship  
programme

# Phambili

Be what's next. Change our world

We are committed to diversity through creating opportunities and developing talent in the investment management industry, and that is why we launched our internship programme called 'Phambili', which means 'go forward' or 'go forth'.

The programme supports our commitment to transformation through creating opportunities and developing ACI talent in the industry. Phambili aims to create a bench of junior staff who, besides getting immersed into our DNA and processes, will be exposed to all our capabilities before choosing an area of specialisation.

Out of 900 applicants, we selected two successful interns who began their internship in August 2021 for an 18-month programme. They are rotating between all our management areas, including portfolio management, institutional operations and distribution, to gain a holistic understanding of the investment business.

Our interns will be given a business-related research project identified by the Institutional executive team to work on throughout their internship programme. This will include a proposal to solve a challenge or improve our business in some way. The project will

enable us to see their learnings through the year translate into the development of their skills. They will be required to present the outcome of their project through a 'Shark Tank' experience to our senior executives.

The intern who provides the most promising proposal will be awarded the opportunity to gain access to global exposure and training in the MGIM and/or Robeco analyst and portfolio management teams.



Scan the QR code to  
watch our video on  
Phambili



To achieve our long-term strategic business objectives and to strengthen our broad-based black economic empowerment (B-BBEE) ownership, Momentum Metropolitan has made available an employee share ownership plan (ESOP) called 'iSabelo' to its employees. iSabelo is structured to benefit all permanently employed South African-based employees to promote inclusivity.

As a B-BBEE Scheme, iSabelo will allocate at least 85% of benefits to Black beneficiaries, of which at least 55% will be for the benefit of Black women. At the moment, about 78% of our staff is defined as Black (which includes Indian and Coloured employees).

The name iSabelo means 'a gift from God or the ancestors'. It is of African origin and can also be interpreted as a 'share'. The ESOP was launched in April 2021.

We've structured iSabelo to benefit all employees to promote inclusivity among all our South African employees. BEE regulations do not restrict the participation of all races but emphasise the participation of Black people. It allows for employees of all race groups to be included, provided that the Scheme always complies with the requirements of the BEE regulations.

As a Group, we all benefit from having a transformed and Broad-Based Employee profile, and the structure of this transaction reflects that. iSabelo also honours our entrepreneurial spirit by giving all SA-based employees the opportunity to be co-owners, thereby creating a culture of pulling together in service of our clients, members, advisers and shareholders.

The pursuit of broad-based transformation recognises employees as key contributors to the growth of the group, and seeks to align them to the group's strategy through ownership, creating a pride of ownership and a nurturing sense of belonging, and in turn, motivating employees to strive for excellence. iSabelo is about acknowledging the role that our people play in the growth and sustainability of Momentum Metropolitan, aligning them more closely to shareholder value creation.

## How we manage conflict of interest

	Potential conflict	Mitigation
	<b>Profits and losses incurred as a result of errors</b>	We apply the principle that clients should be put back into the position they would have been in had the error not occurred and there is no materiality level applied to trading errors. Further information on the treatment of profits and losses incurred as a result of errors and breaches are contained in our Error Treatment and Reporting Policy.
	<b>Employee personal account dealing</b>	Personal account trading of staff members is captured by our policy on personal account dealing, requiring scrutiny and pre-authorisation by senior management, before engaging in a trade for their own account. All employees are required to declare annually that they have complied with the policy and to provide details of personal dealings and holdings.
	<b>Rebates</b>	It is a legislative requirement that rebates should be for the benefit of the client.
	<b>Commission arrangements</b>	Equity broker allocation follows a best-execution principle, while also taking into account the pay-for-flow model, whereby brokers will get allocations based on their research capabilities that will serve in the best interest of our clients.
	<b>Gifts, benefits or inducements</b>	Financial Interest and Conflict of Interest Policy stipulates that employees may not solicit or provide anything of value directly or indirectly to other financial services providers (FSPs) or third parties (except under limited circumstances), which would impair the FSP's duty to act in the best interests of clients. Accordingly, no financial interest of more than R 1 000 may be offered or accepted.
	<b>Segregation of key functions</b>	Segregation of duties has been given due consideration in all areas of the investments value chain. Portfolio management and execution are conducted by different functions. Portfolio management is conducted by the portfolio managers, and execution is done by the Dealing and Implementation teams. Back office functions are completely separated from portfolio management activity.
	<b>Client order and aggregation</b>	Our primary focus is to ensure timely and fair allocation of all client orders. Client orders are prioritised based on arrival time and can be aggregated with other client orders and worked simultaneously if not detrimental to any client. Orders are managed by our dealing desk, which is independent from the portfolio management teams. All orders are allocated on a proportional basis across all client accounts in the event of the total order not being completed in the market. The allocation process is automated and each client account's portion is calculated by the company's order management system (OMS). The OMS also provides an audit trail detailing all actions implemented at each stage of the order's life cycle.
	<b>Proxy voting arrangements</b>	In our proxy voting philosophy and the practical application thereof we consider the clients' interests in preference to our interests.
	<b>Insider trading</b>	Should any staff member become a party to material non-public price sensitive information from any source the affected security/ies and/or entity/ies will be placed on embargo by the investment compliance department on the portfolio management system. Personal deals by the affected individual/s will also not be permitted.



## Nature

Nature is our heritage  
What binds us, and defines us  
The destiny we jointly own  
That's all of us, not one alone

Nature is our future  
Its fruits and vibrance our reward  
For treading lightly, doing right  
That's all of us, not one alone

Nature is in all of us  
Encoded in our DNA  
It's in the names we call ourselves  
Nomvula. Lana. Luan. Tau.

Listen. Say it. Hear it speak.  
To all of us, not one alone.

\*Nomvula – The Mother of Rain (Zulu) | \*Lana – little rock (Gaelic)  
\*Luan – moon (Afrikaans from Portugese) | \*Tau – lion (SeTswana)

Our contribution to our planet's  
sustainability will ensure a

*#FutureForAll*

# momentum

## investments

[momentum.co.za](http://momentum.co.za)

### Disclosure

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