

Fixed Income: Sustainability and infrastructure

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8 November 2021

momentum

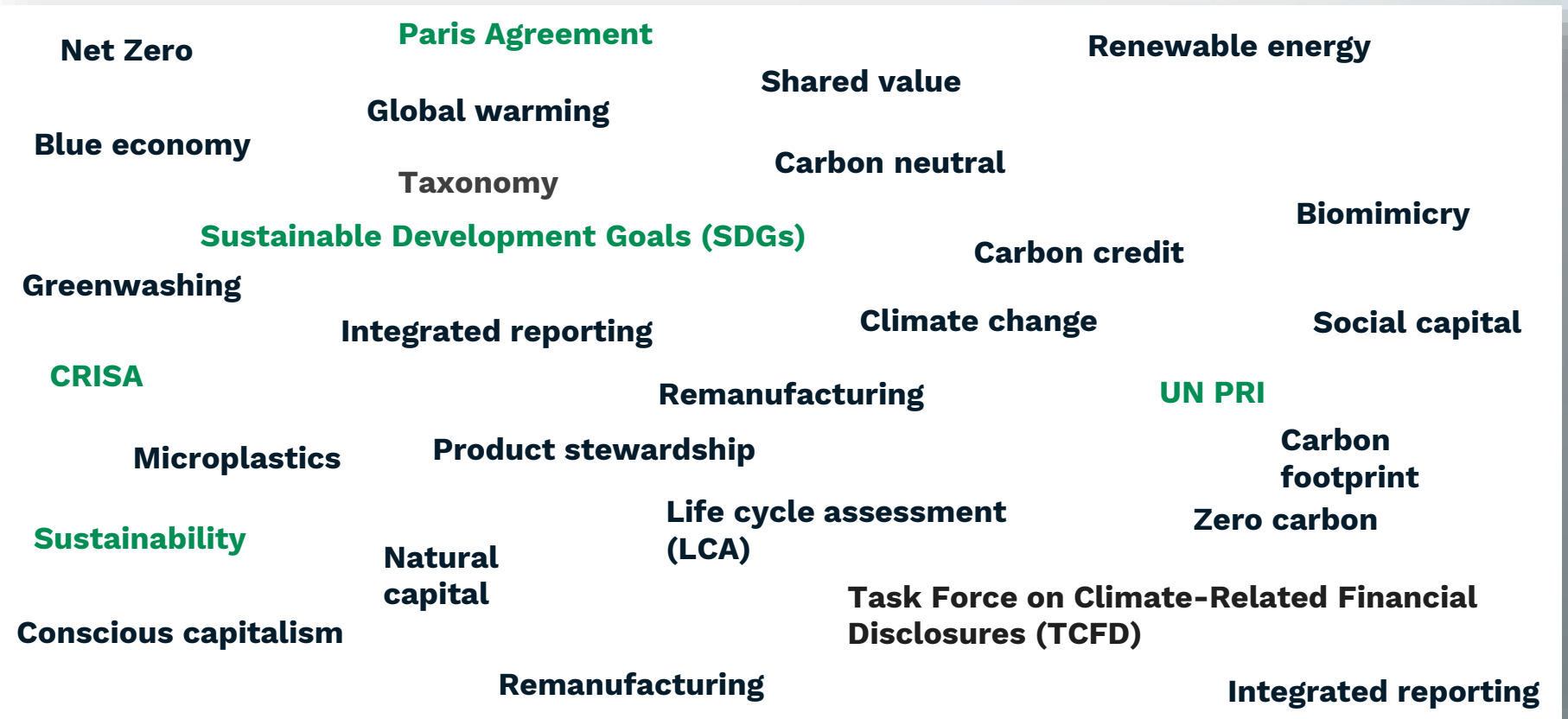
investments

Agenda



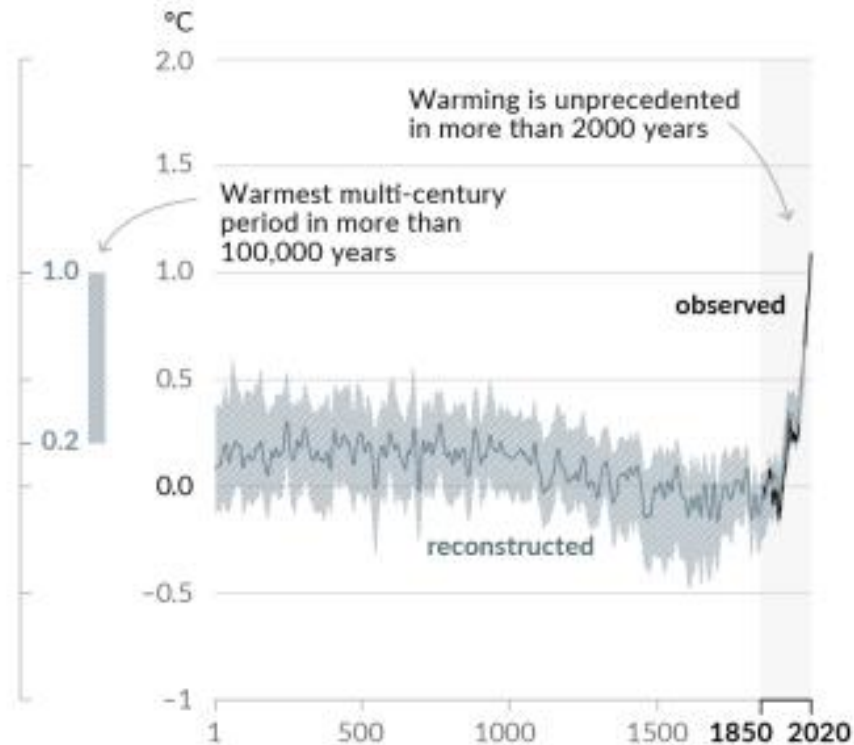
- Sustainability investing in context
- Sustainability investing
- Infrastructure investing
- The way forward

A world of new jargon



Climate background

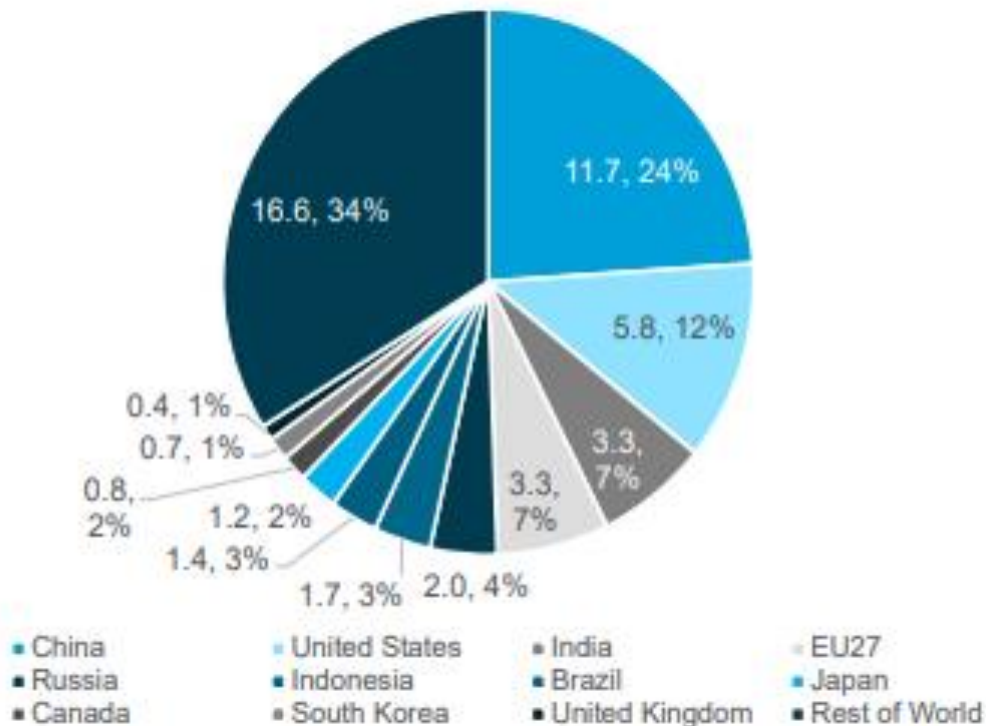
The heat is on



Source: Citi Global

Climate background

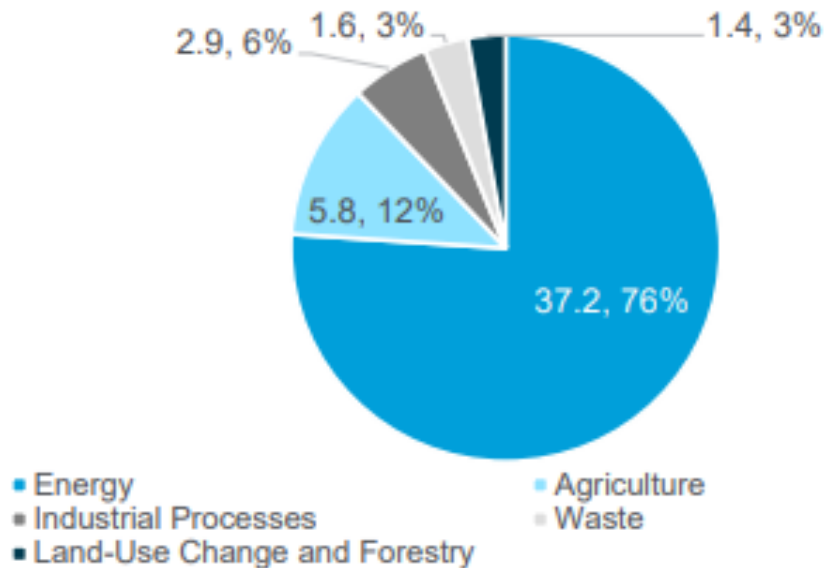
Hands in the cookie jar



Source: Climate Watch Data

Climate background

The naughty corner



Country net zero commitments

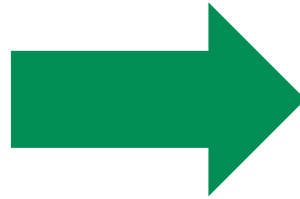


Source: Citi Global Insights (European Union member countries not marked, fall within the EU's 2050 law)

What we want to achieve



Just Transition



Eskom and Sasol?



What is responsible investing?

An approach to investment that explicitly acknowledges the relevance of environmental, social and governance (ESG) factors and long-term health and stability of the market as a whole.

It recognises that the generation of long-term sustainable returns is dependent on stable, well-functioning and well-governed social, environmental and economic systems.

Source: Fiduciary Duty in the 21st Century. Supported by United Nations Global Compact; United Nations Environment Programme Finance Initiative; Principles for Responsible Investment Initiative; Inquiry into the Design of a Sustainable Financial System initiated by the United Nations Environment Programme

Image source: <http://www.investors.com/news/management/financial-advisor-briefing/advisors-court-clients-who-value-socially-responsible-investing/>

Sustainable development goals: Our focus

m



Source: <https://www.undp.org/sustainable-development-goals>

Investing responsibly for more than a decade

We signed the international statement of investor commitment to the just transition. This builds on our commitment to address climate change risks.

Participation in proxy voting events
This allows us to use our market presence to create a well-balanced economy for investors

Signatory of the
United Nations supported Principles for
Responsible Investment Initiative
(UN PRI) since 2006

Supporter of the Code for Responsible
Investing in South Africa (CRISA)

We disclose our responsible investment
policies and proxy voting history to the
public on our websites

Serve on the ASISA Responsible
Investment Committee

Responsible investment roadmap

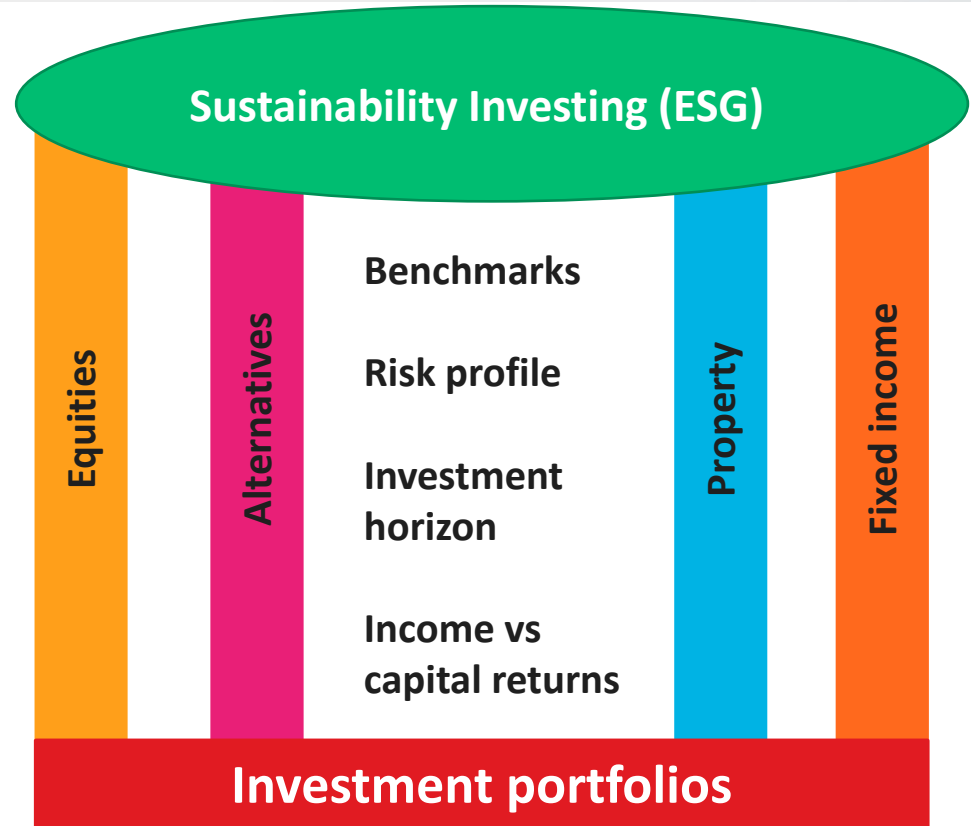


Source: Momentum Investments responsible investing team

A new way of investment thinking?

Current approaches to ESG

- Negative screening
- ESG Integration
- Impact investing

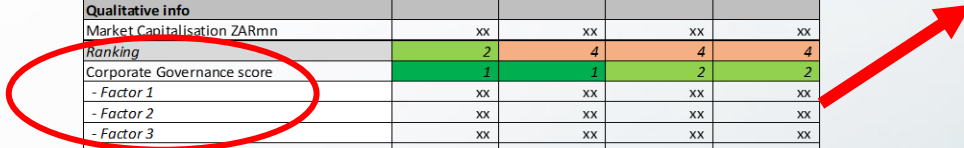


Sustainable investing in our process

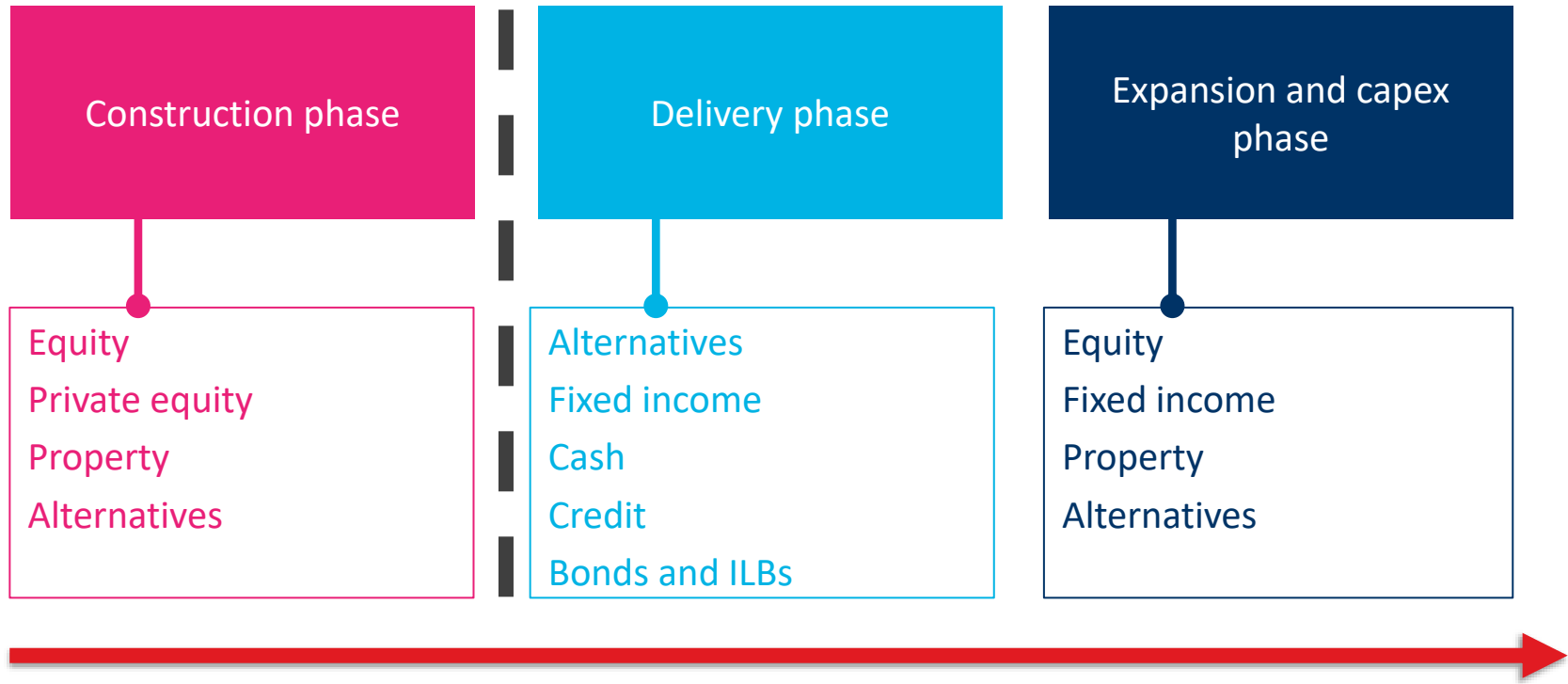


Industry peer analysis	Peer 1	Peer 2	Peer 3	Peer 4
Financials ZARmn	30-Jun	30-Jun	30-Sep	30-Jun
Revenue	xx	xx	xx	xx
Ranking	1	4	3	4
Other financial figures	xx	xx	xx	xx
Other financial figures	xx	xx	xx	xx
Ranking	3	3	3	3
Other financial figures	xx	xx	xx	xx
Other financial figures	xx	xx	xx	xx
Other financial figures	xx	xx	xx	xx
Ranking	1	3	3	4
	2	1	2	2
Geographic split	Concentrated	Diversified	Concentrated	Concentrated
Region 1				
Region 2	xx	xx	xx	xx
Region 3	xx	xx	xx	xx
	2	2	2	2
% per sector breakdown (Revenue)	Diversified	Concentrated	Diversified	Diversified
Sector 1	xx	xx	xx	xx
Sector 2	xx	xx	xx	xx
Sector 3	xx	xx	xx	xx
Sector 4	xx	xx	xx	xx
Ratios				
Ratio 1	xx	xx	xx	xx
Ranking	4	2	2	4
Ratio 2	xx	xx	xx	xx
Ranking	1	1	4	4
Ratio 3	xx	xx	xx	xx
Ranking	3	4	4	4
Qualitative info				
Market Capitalisation ZARmn	xx	xx	xx	xx
Ranking	2	4	4	4
Corporate Governance score	1	1	2	2
- Factor 1	xx	xx	xx	xx
- Factor 2	xx	xx	xx	xx
- Factor 3	xx	xx	xx	xx
Credit rating	Ba2/Aa1.za	zaAAA	Ba2/Aa2.za	A+(ZA)
Outlook	Negative	-	Negative	Stable
Rating agency	Moodys	S&P	Moodys	GCR
Liquidity	Sufficient	Sufficient	Sufficient	Sufficient
Credit edge implied rating (5yr EDF)	Ba2	Ba3	Ba3	B1
Internal rating adjustment	Unchanged	Unchanged	Unchanged	Unchanged
Overall ranking	1	2	3	4
Overall score	xx	xx	xx	xx

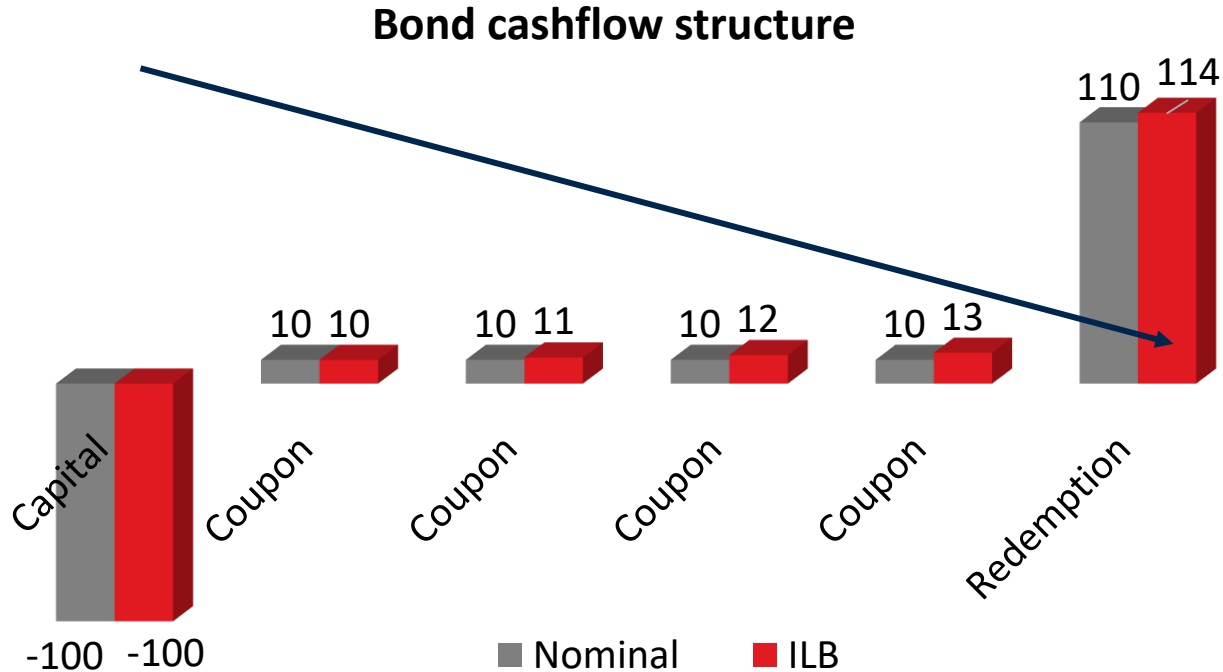
ESG Components	Risk categories	Per	General Considerations	ABC Corp
	Moody's			
Environmental				Environmental
1.1	Carbon Transition			1
1.2	Physical Climate Risks			1
1.3	Water Management			1
1.4	Waste and Pollution			1
1.5	Natural Capital			1
Social				Social
2.1	Customer Relations			1
2.2	Human Capital			1
2.3	Demographic & Societal Trends			2
2.4	Health & Safety			1
2.5	Responsible Production			2
Governance				Governance
3.1	Financial Strategy & Risk Management			2
3.2	Management Credibility & Track Record			3
3.3	Organizational Structure			3
3.4	Compliance & Reporting			3
3.5	Board Structure, Policies & Procedures			2



Investing IPP example



Bond funding suits sustainability projects



An aerial photograph of a dam with water cascading over it. A large, bright red letter 'S' is superimposed on the left side of the image, partially overlapping the dark blue background area.

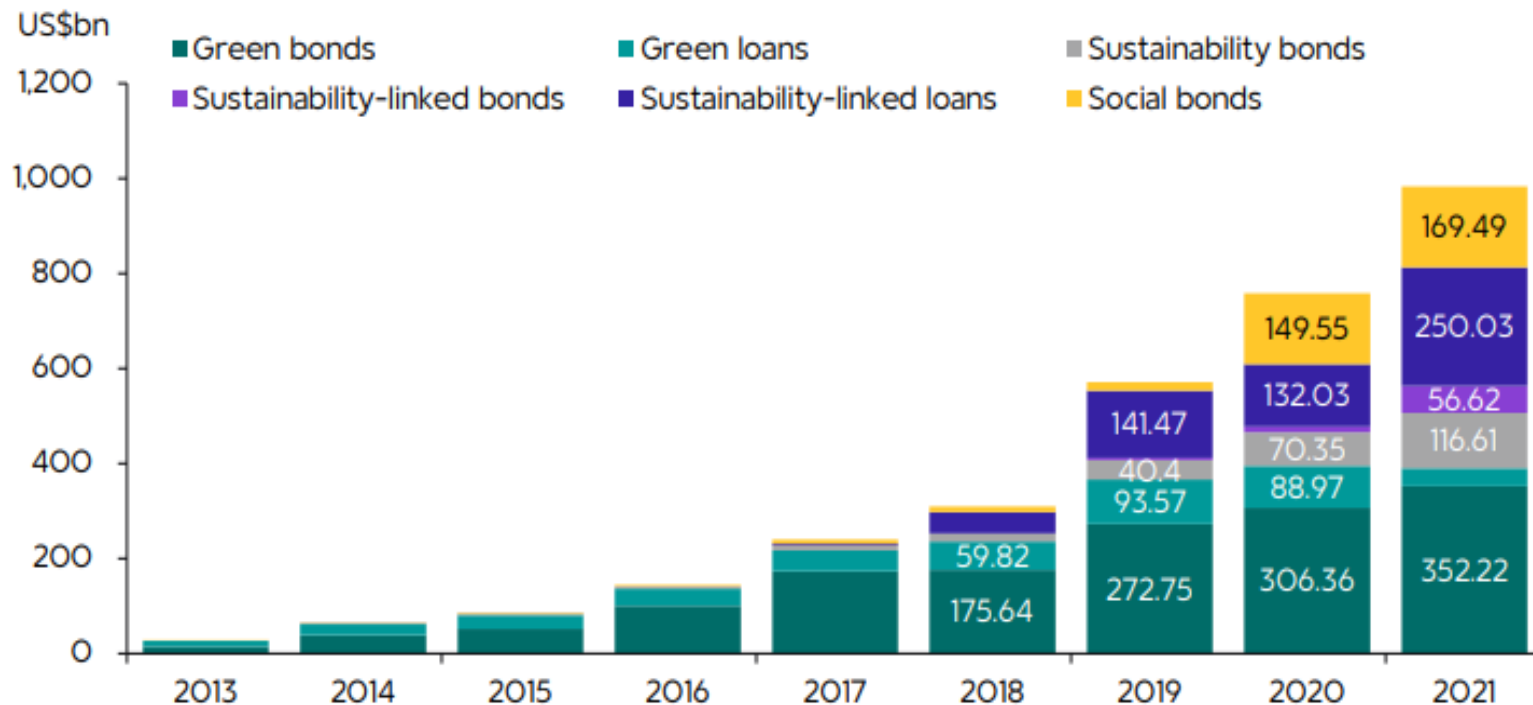
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investing

Sustainability bond framework



Global sustainability debt issuance

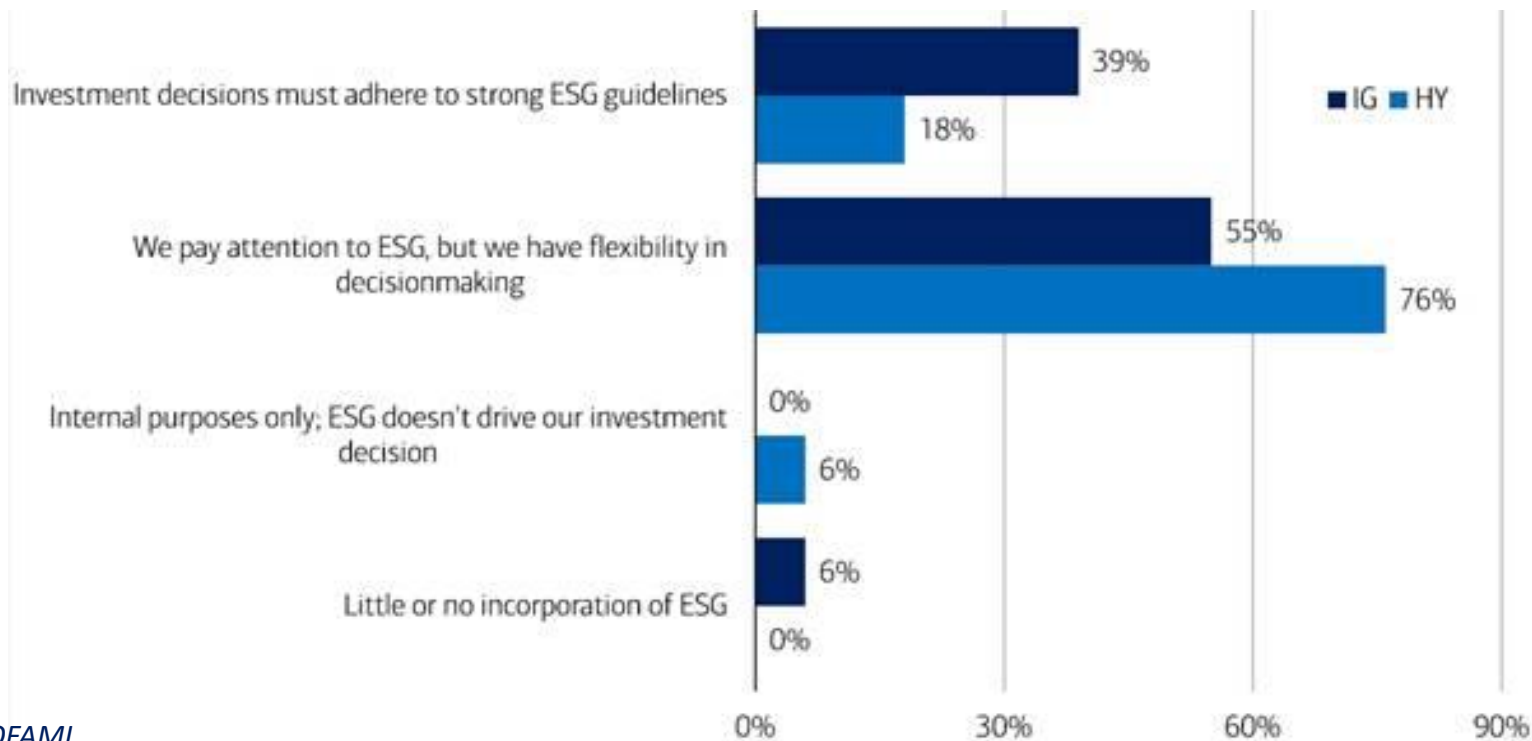


Source: Bloomberg NEF, RMB Markets (data at 7 October 2021)

Global continued



Europe

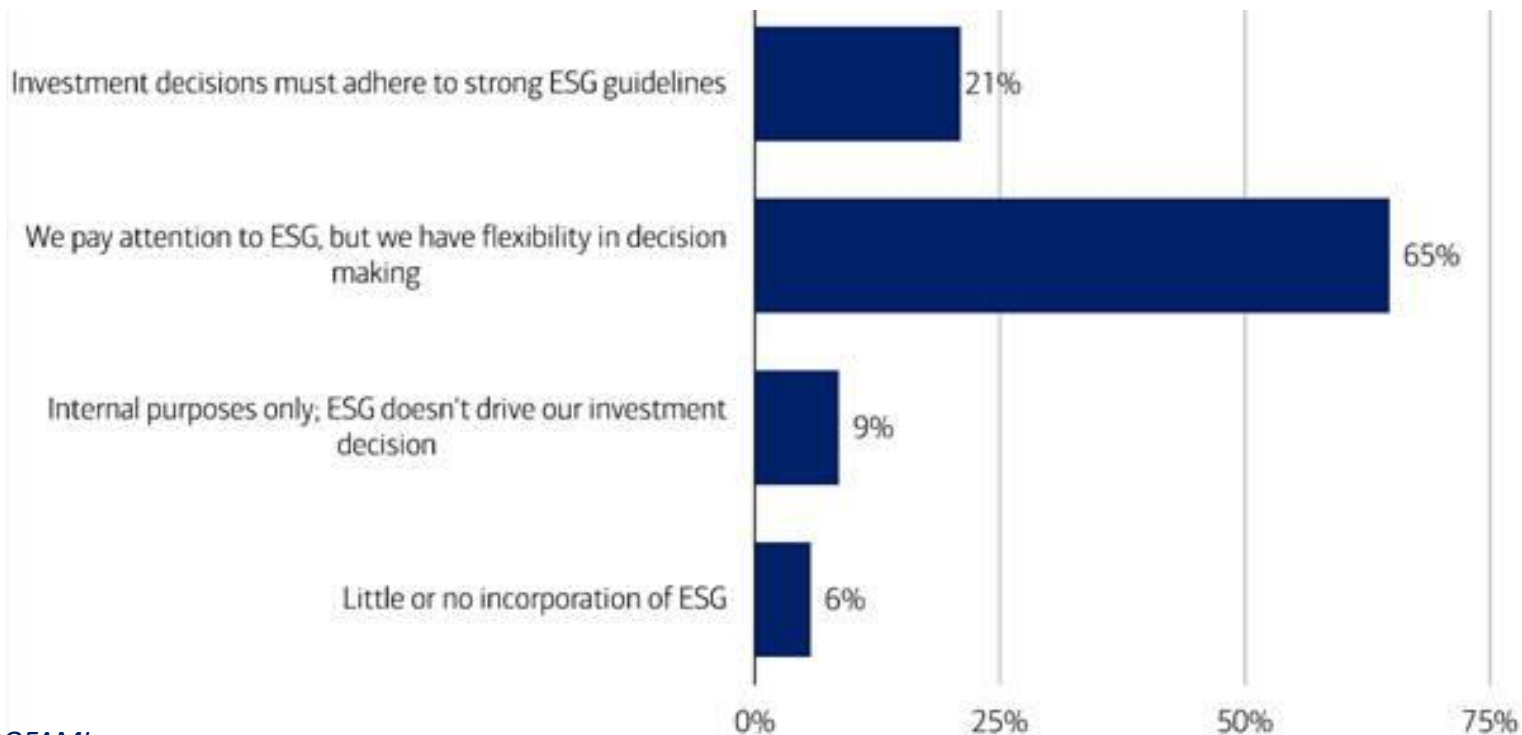


Source: BOFAML

Global continued

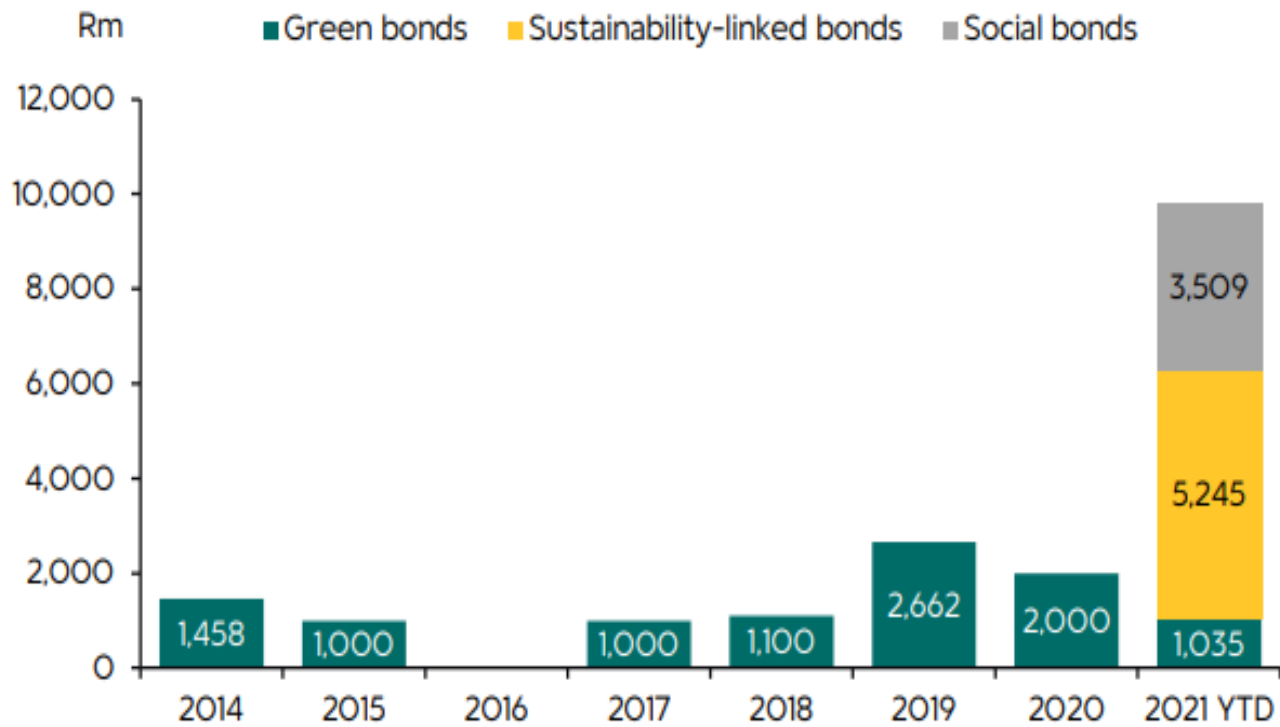


Emerging markets



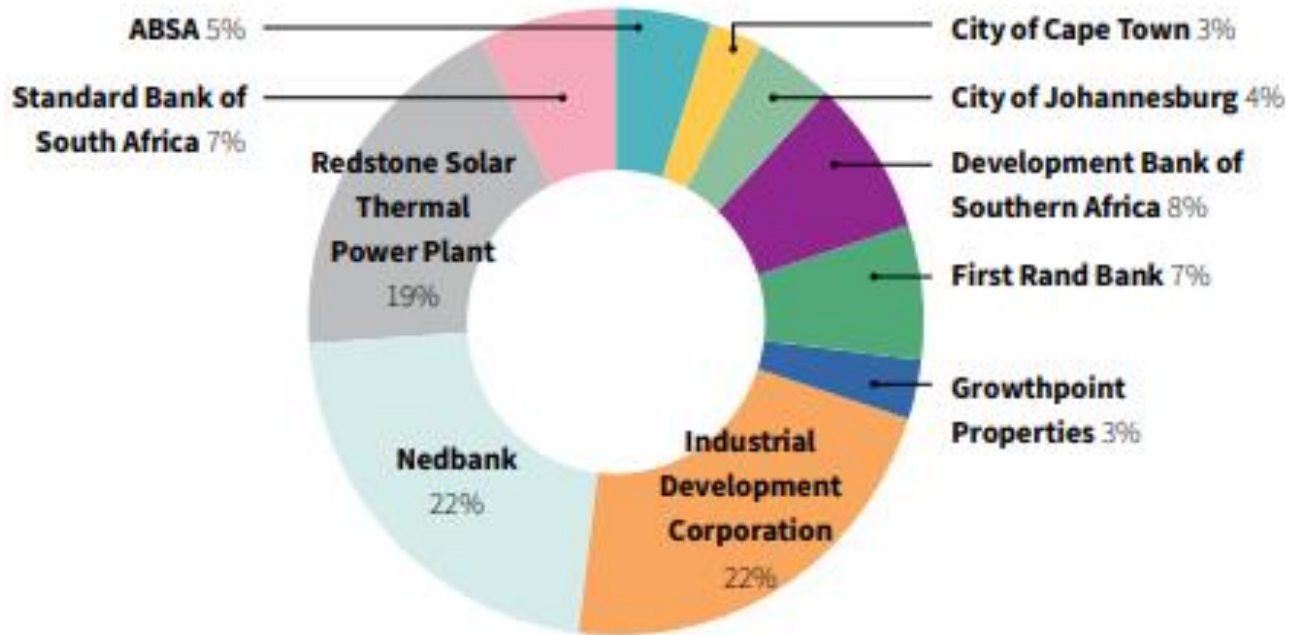
Source: BOFAML

South Africa green bond market

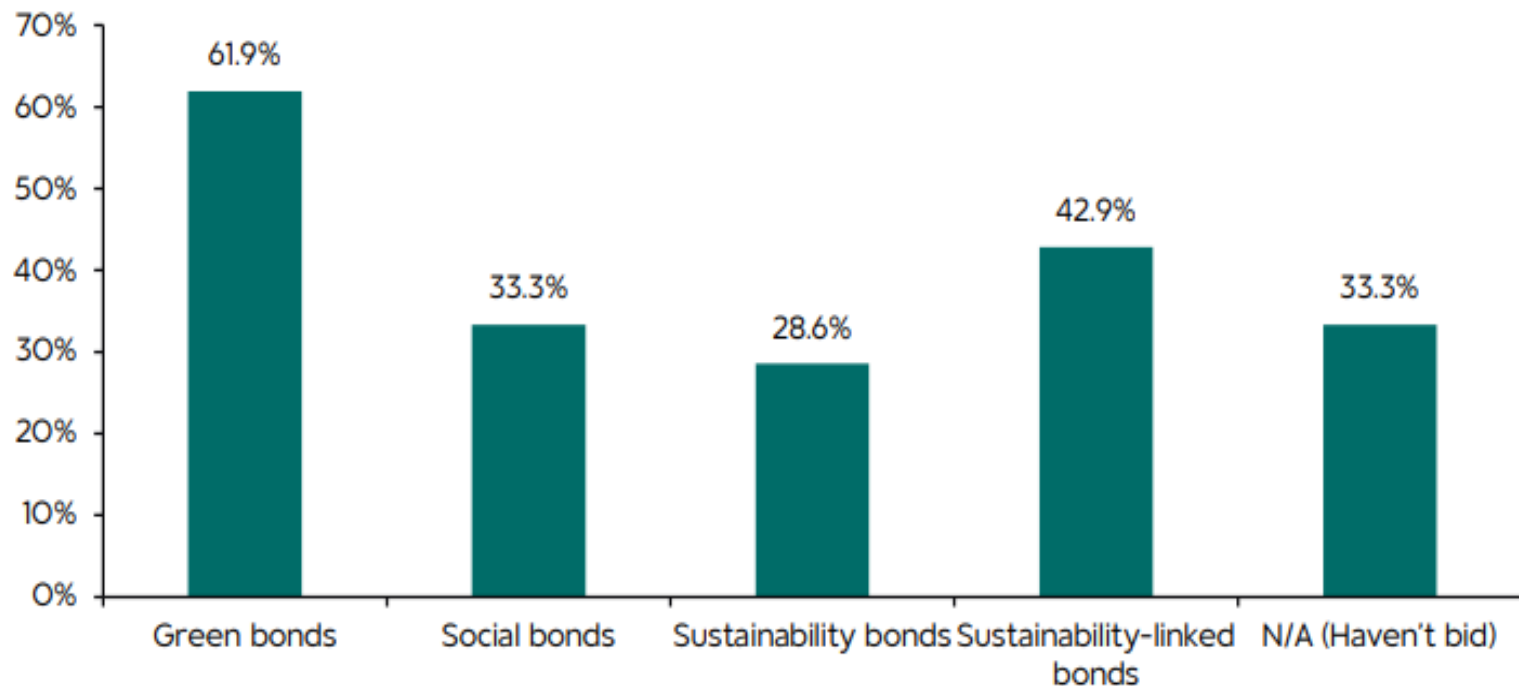


Source: JSE, RMB Markets at end of September 2021)

South Africa green bond market

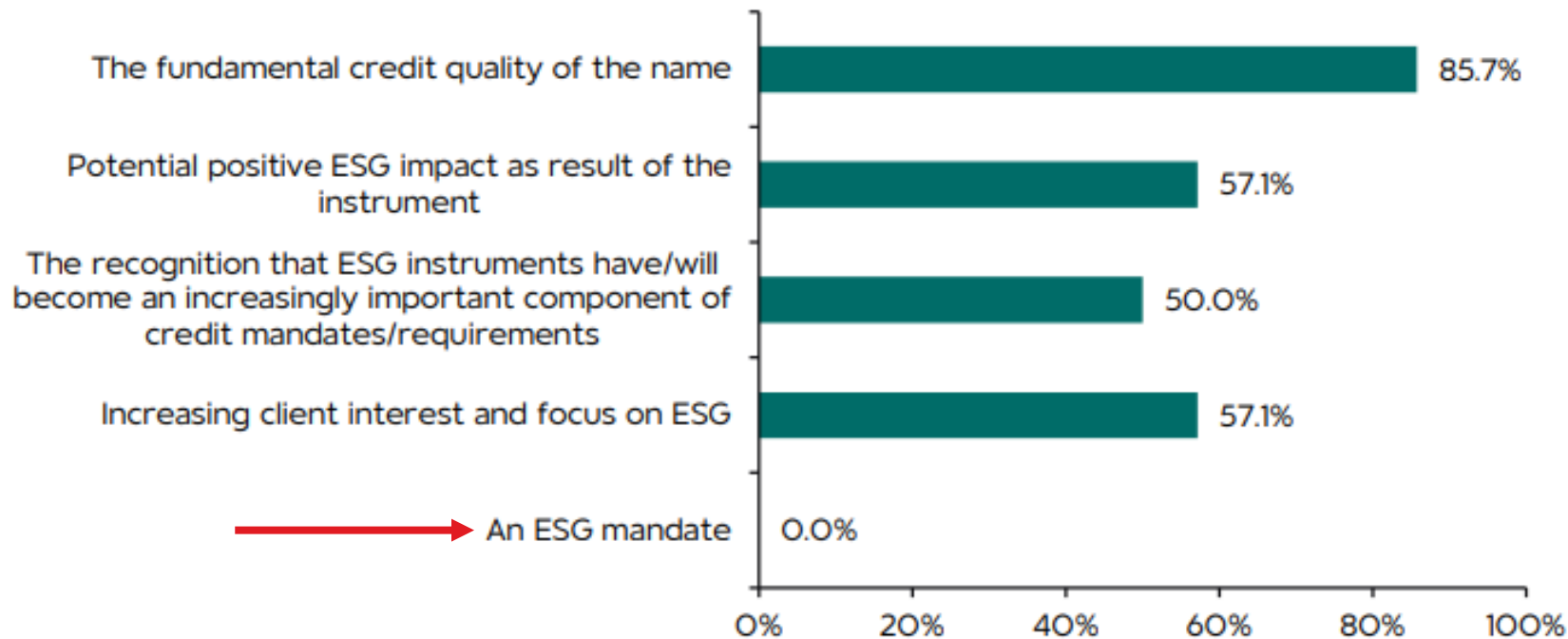


More detail on SA green bond market



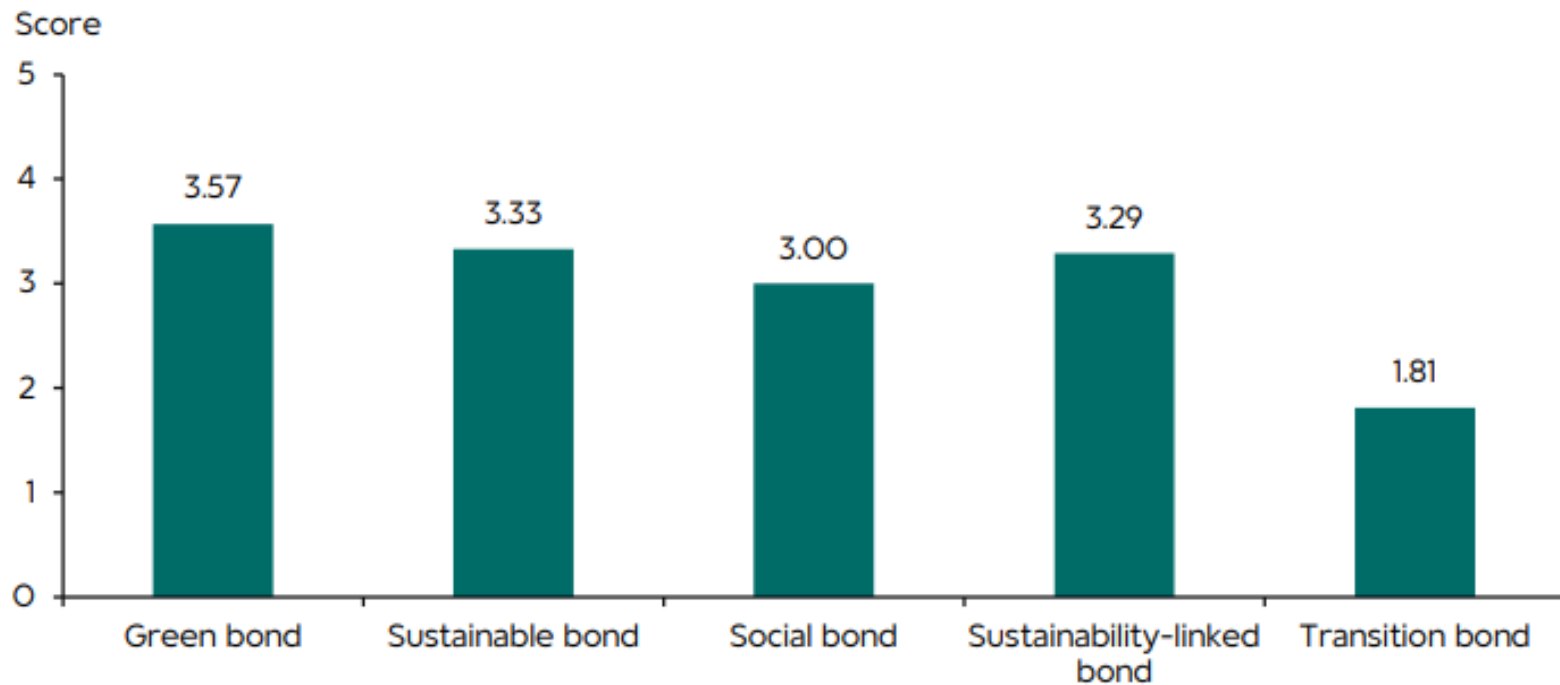
Source: RMB Markets

More detail on SA green bond market



SA green bond market continued

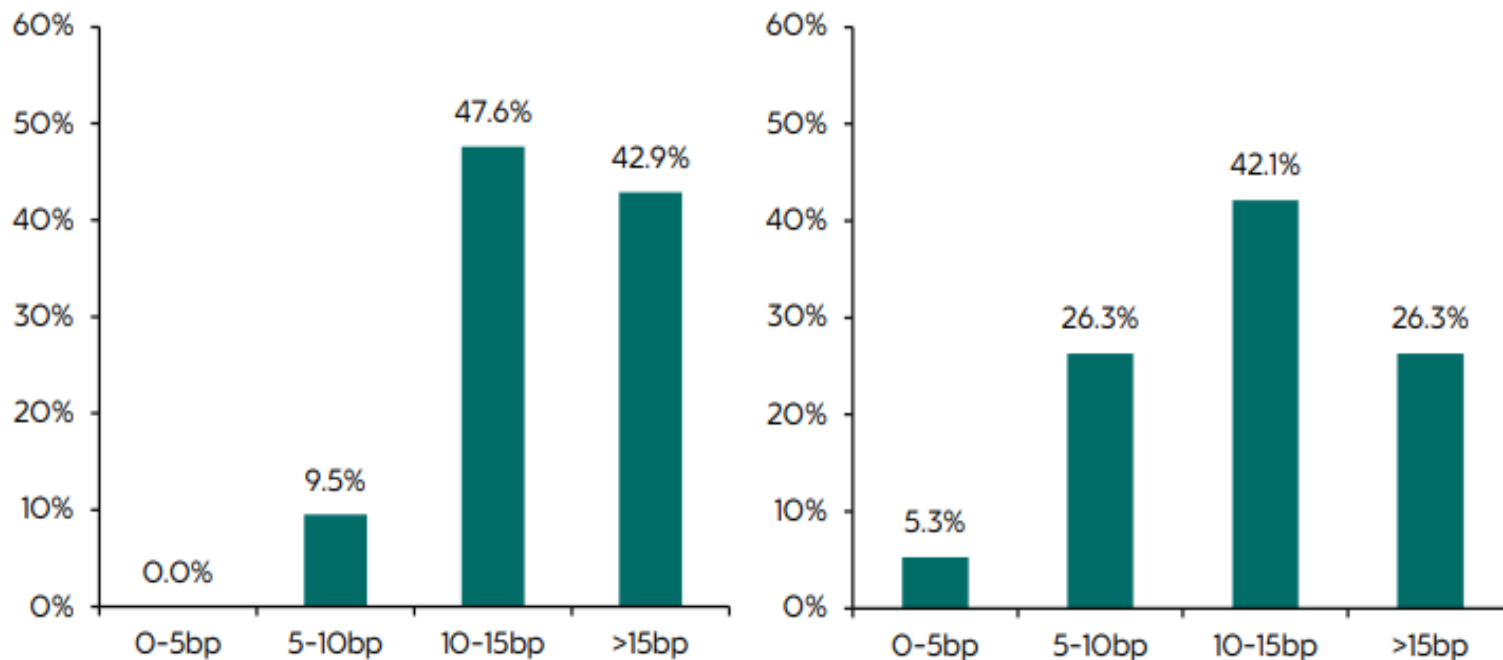
Bond of choice



Source: RMB Markets

SA green bond market continued

Step-up or step down?

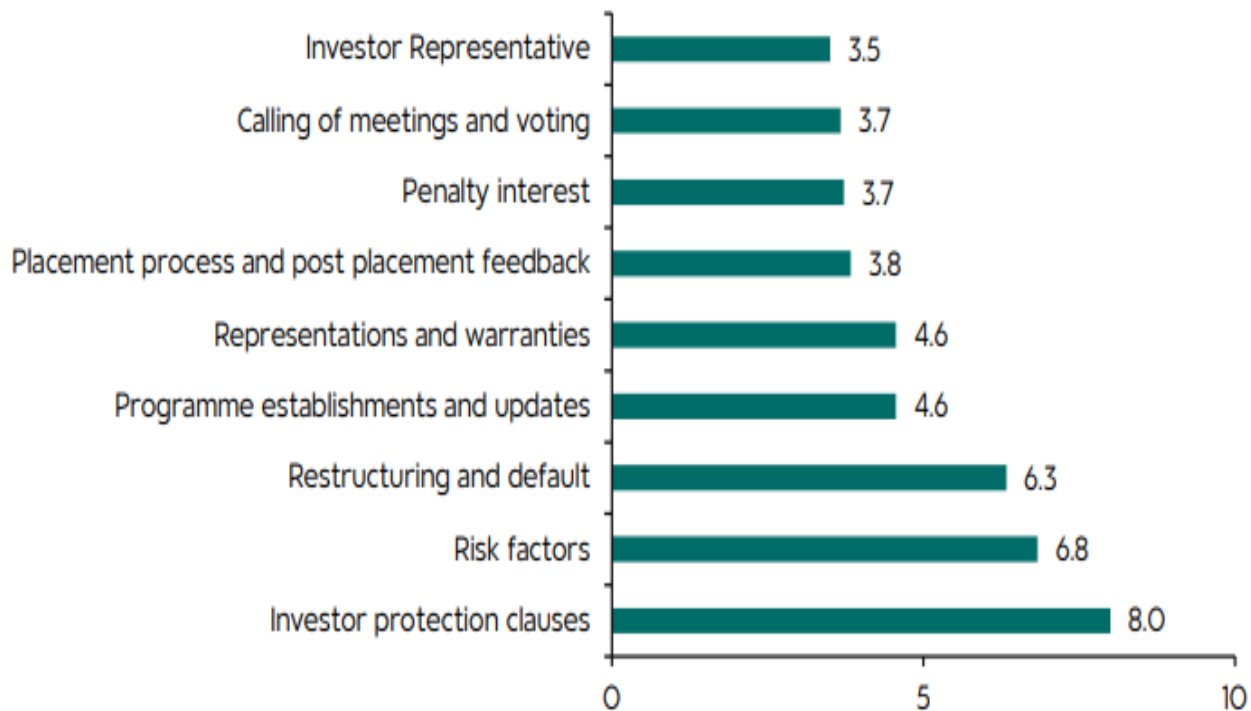


Source: RMB Markets

Governance



Protection of investors is paramount

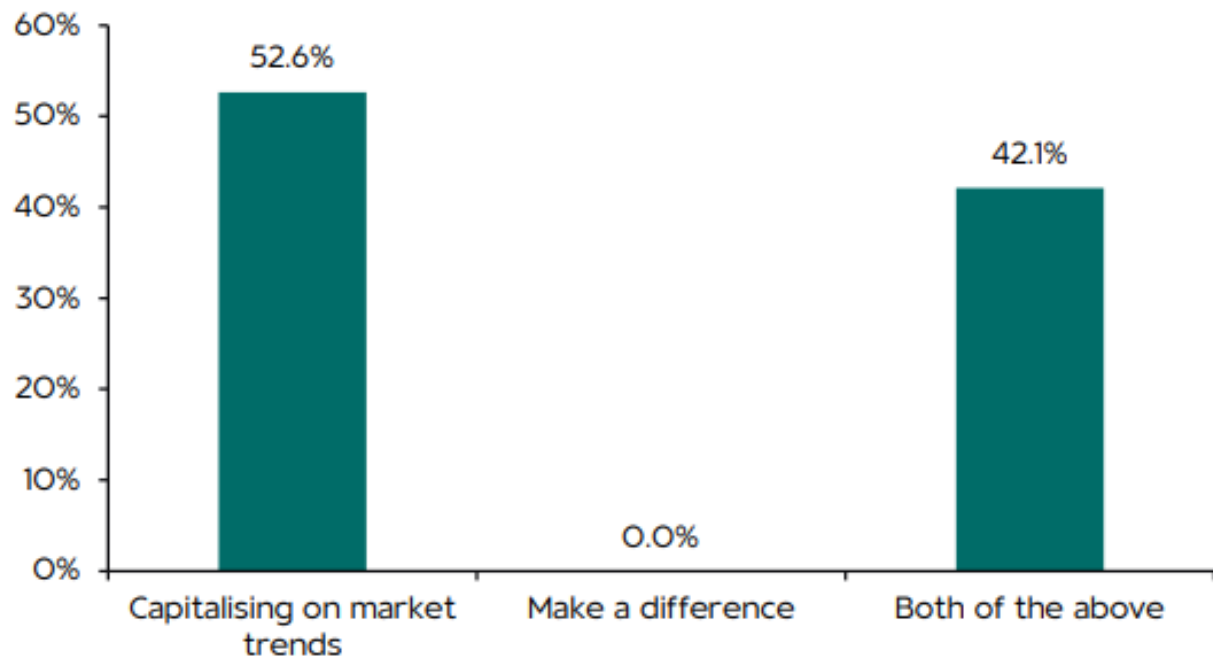


Source: RMB Markets

Governance

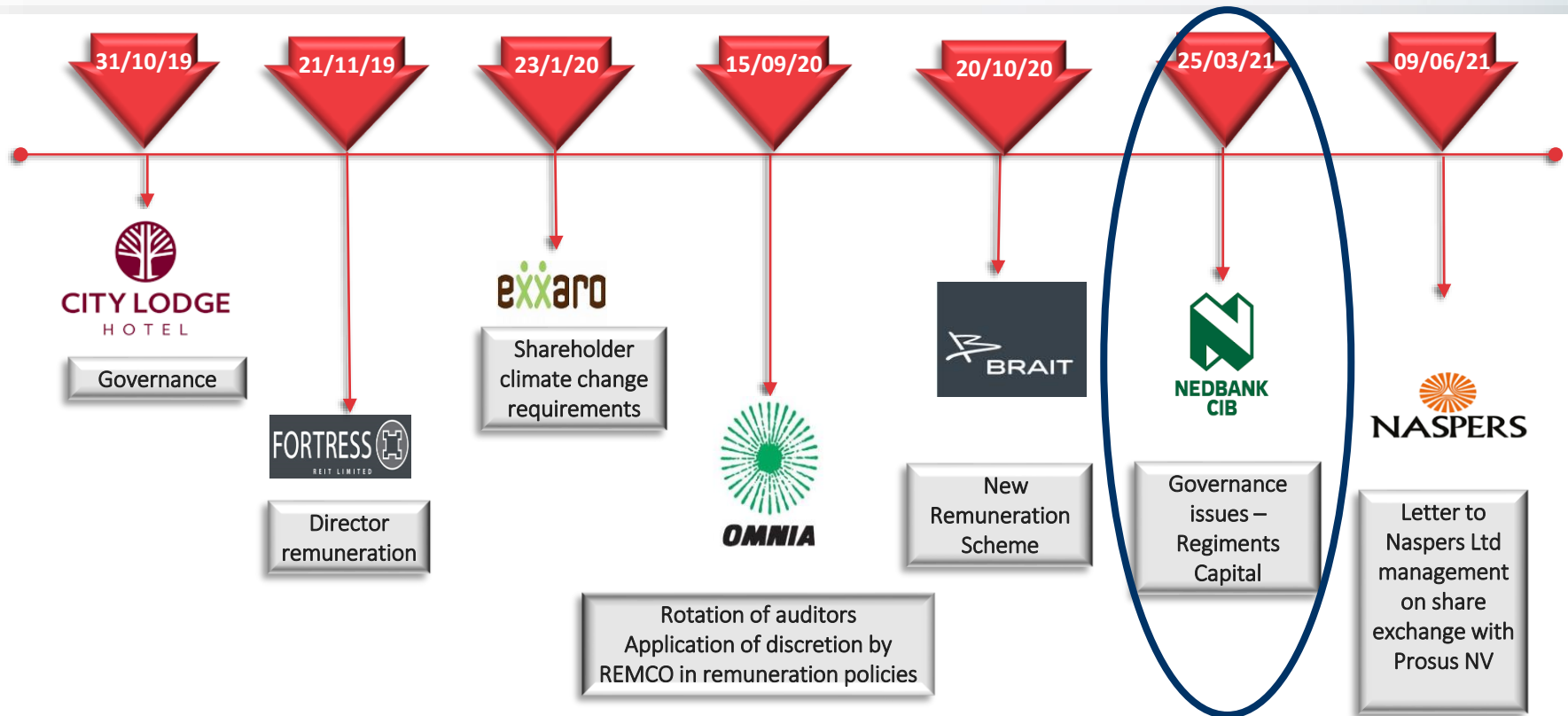


Why do companies issue sustainability bonds?



Source: RMB Markets

We engage with companies

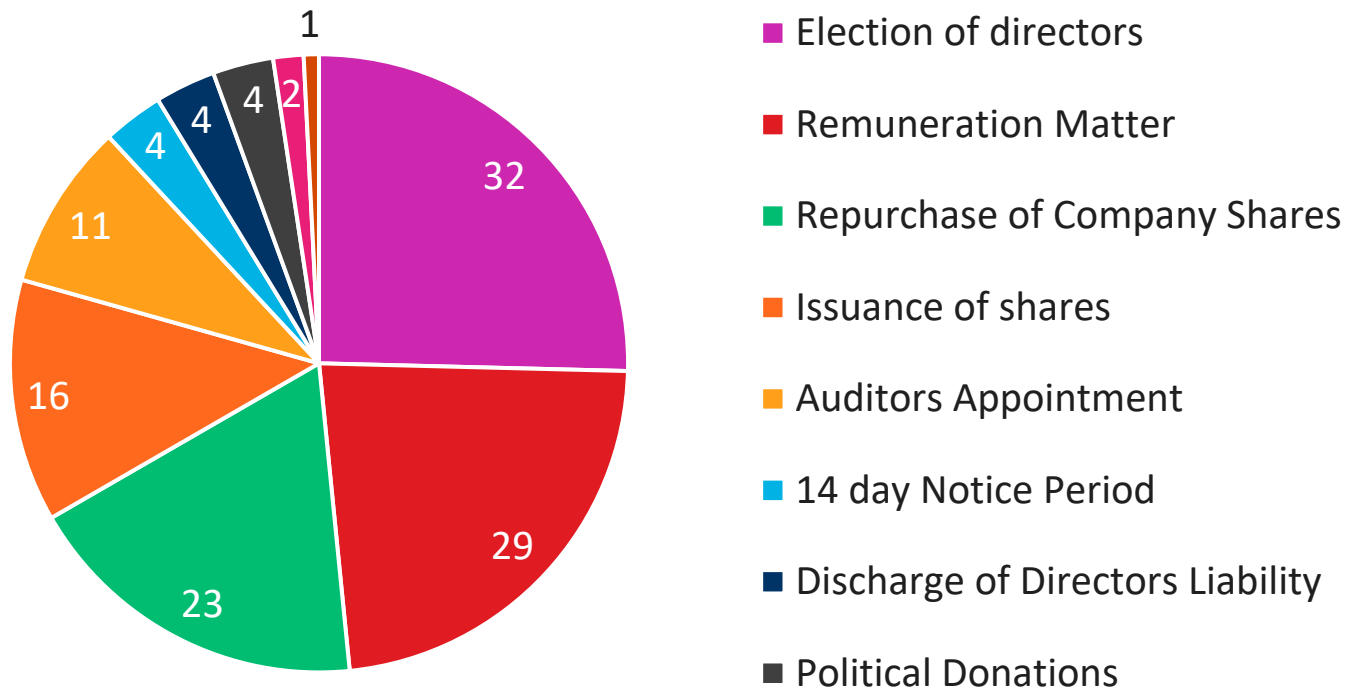


Source: Momentum Investments responsible investing team

Proxy voting in the third quarter of 2021



Reasons for votes against proxy resolutions



Source: Momentum Investments responsible investing team



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We all know what SA needs



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Sources: Momentum Investments, IRESS

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