Sustainable investing

the asset manager and the client…

…where the rubber meets the road

Sanlam
Live with confidence

Investments

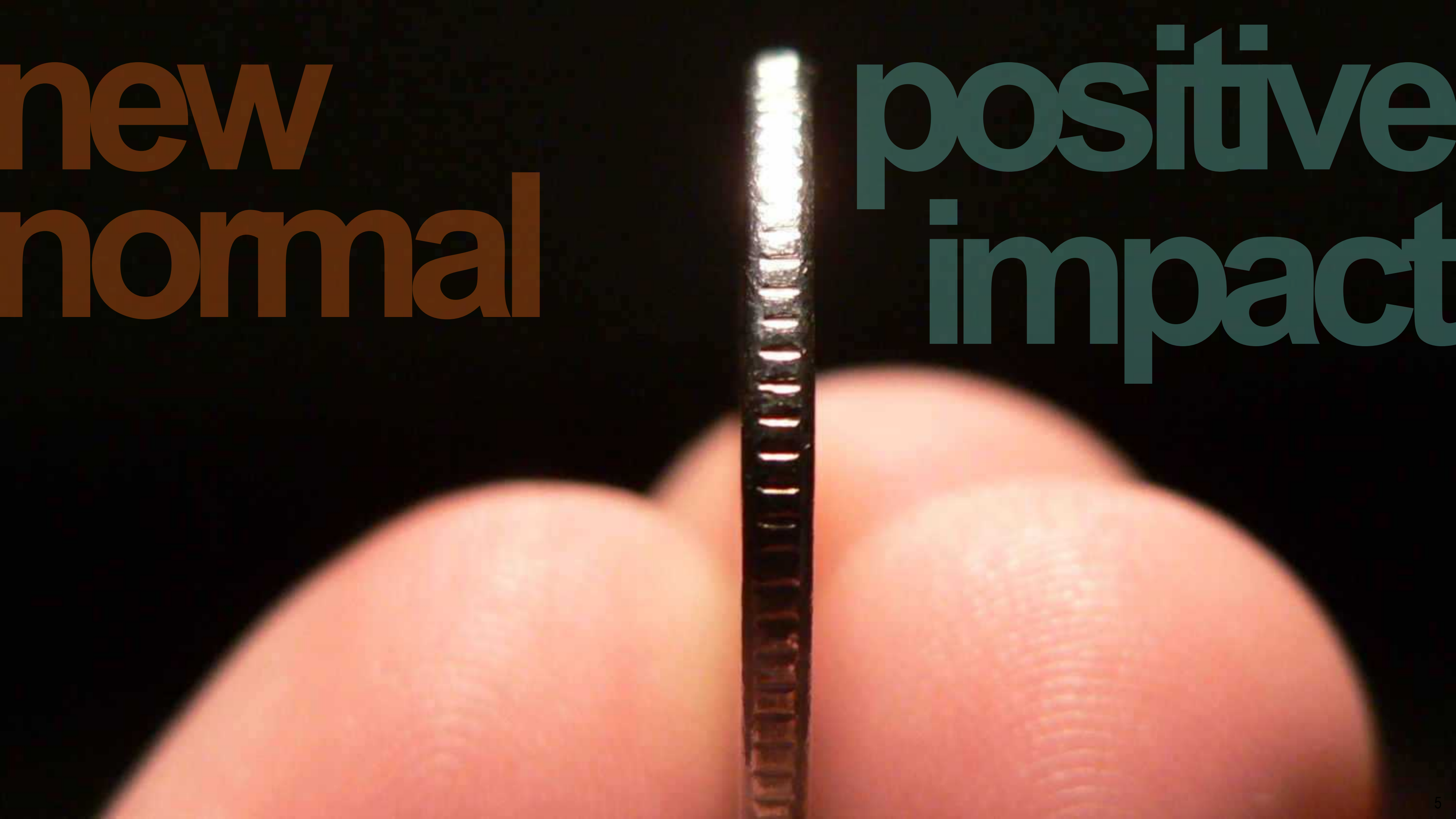
Agenda

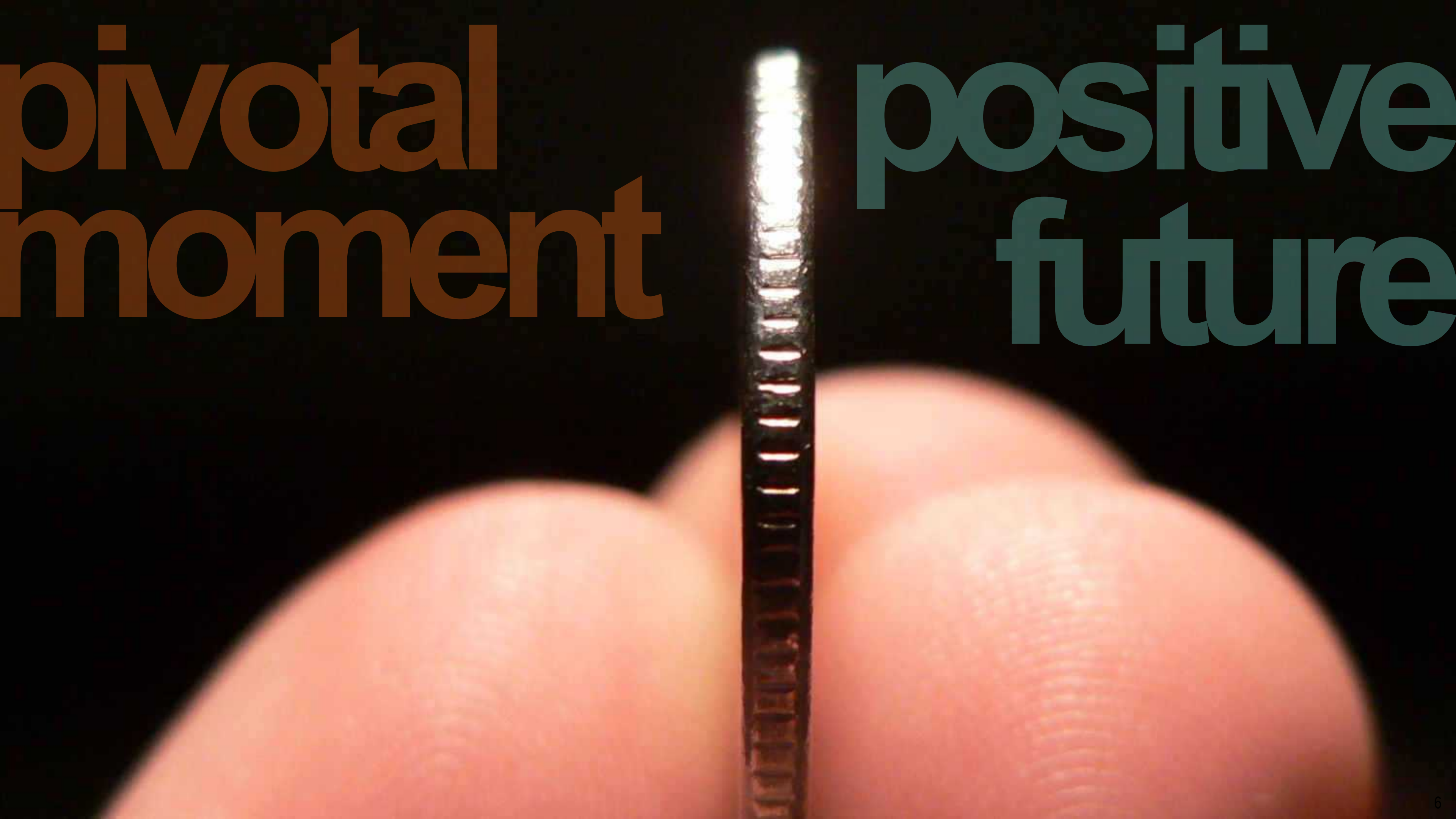
Rethinking…

1. the **major global risks** in the world that we live in for a start?
2. how we **define** and **view** sustainable investing?
3. and examining our **biases** and **perceptions** on sustainable investing separating **myth** from **fact**?
4. which asset manager is best fit – I want exposure to **global best practice** and not ‘green-washers’


Unprecedented times!


NEWS
NO NEWS
BAD NEWS
GOOD NEWS
tests positive
deaths top 630
Virus fears
worldwide
'Crisis
response


new
normal
positive
impact


pivotal
moment
positive
future


Lemonade

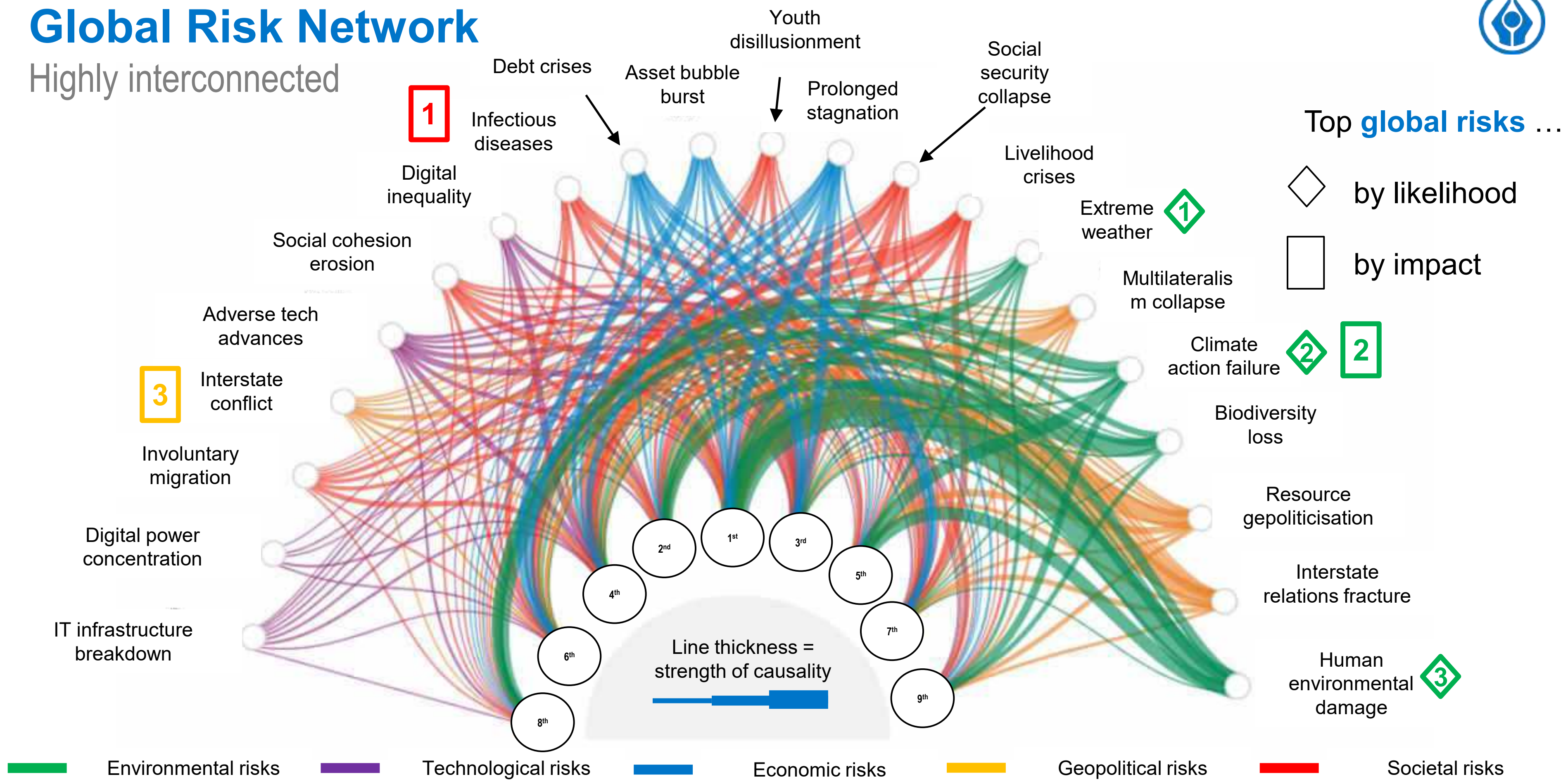

Resilient
Resourceful
Adaptable

Rethinking

the **major global risks** in the world that we live in for a start?

Global Risk Network

Highly interconnected



Source: World Economic Forum Risk Report 2021

Rethinking

how we define and view sustainable investing?

What is sustainable investing?

Where does it lie on the investment strategy spectrum?

Mapping investment strategies on the capital spectrum

OUR STRATEGIES

Financial-only	Responsible	Sustainable	Impact			Impact-only
Limited or no regard for environmental, social or governance practices	Mitigate risky environmental, social or governance practices in order to protect value	Adopt progressive environmental, social or governance practices that may enhance value	Address societal challenges that generate competitive financial returns for investors	Address societal challenges which may generate a below-market financial return for investors	Address societal challenges that require a below-market financial return for investors	Address societal challenges that cannot generate financial return for investors

Deliver competitive financial results

Mitigating Environmental, Social and Governance risks

Pursuing Environmental, Social and Governance opportunities

Focus on measurable high-impact solutions

Source: Lessons from the Social Impact Investment Taskforce: Asset Allocation Working Group, 12 December 2014

Rethinking

and examining our biases and perceptions on sustainable investing separating myth from fact?

Debunking myths with facts

Establishing the truth about sustainable investing

Performance
Pursuing your sustainability objectives will compromise your investment return in the long run.

Millenials
Sustainable investing is just a recent fad made popular by millennials.

Niche / peripheral
Sustainable investing is very niche and will never become mainstream

Idealists
There are still some who have the view that sustainability is about ‘green issues’ that are led by idealists (lobby groups)

Impact
It is extremely difficult to quantify, measure and demonstrate the positive impact and progress especially if it comes at a big cost

Equities
Sustainable investing only really works or offers us a better way of investing with equities

Screening
Sustainable investing is only about negative screening – excluding those stocks that are deemed unethical.

Data
There isn’t enough information and data to show it works and prompt a substantial amount of investment.

Emerging markets
Sustainable investing can only work in “the West”. Emerging markets pose a distinct and insurmountable set of ESG risks and challenges.

Source: Sanlam / Robeco

Rethinking

which asset manager is best fit – I want exposure to global best practice and not 'green-washers'

What is global best practice?

Factors driving client decision making

Sustainable investing mitigates risk and improves and enhances my investment return objectives.

As asset custodians improved decision making is a consequence of better data and information.

Asset manager makes substantial investment in practices. Solutions can be accessed at a fraction of the cost (indexation).

Solutions exist in building block, off-the shelf or customized form for the achievement of my investment and sustainable investing objectives and guided by regulation.

Source: Sanlam Investments

What is global best practice?

Asset manager profile and key client value propositions

Corporate Profile: The world is incredibly complex and faces an inordinate number of environmental, social and governance challenges. Sanlam Investments (SI), alongside clients and stakeholders, would like to meaningfully contribute to shaping positive outcomes and limiting / eliminating negative ones.

Operational frameworks: In being a credible and authentic sustainability practitioner our own organisation needs to develop robust policy frameworks, espouse sustainable business practices and report thereon.

Governance framework: Oversight by a strong governance framework championed by the senior-most leadership and supported by a complementary culture (behaviours).

Investment frameworks: While an asset manager would like to shape outcomes and contribute to change in the world a strong client centric investment framework is necessary to effectively navigate the world of change and assist clients reach their specific sustainability outcomes. Replete investment decision making requires an embrace of all material risks and opportunities of any investee entity.

Source: Sanlam Investments

What is global best practice?

Key features of an investment framework

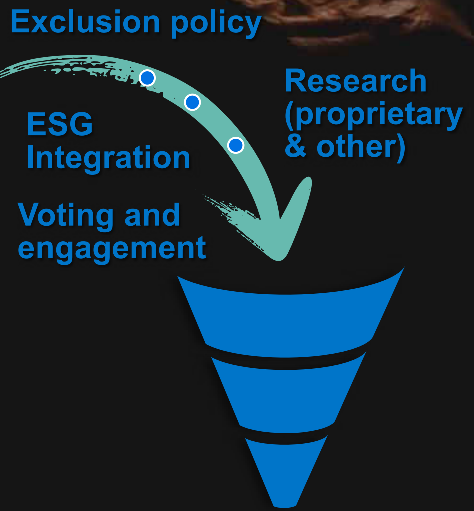
Identifying outcomes and setting policies and targets	Sustainability Solutions	ESG integration	Data and technology
As for the pursuit of a financial return, the non-financial sustainability and impact objectives also require the identification of the targeted outcome, neatly framed within our policy and other frameworks with **measurable** targets.	Clients and investors will require sustainable building blocks to build their solutions. These may be off-the-shelf and customised given their unique needs and preference (choice). The standards for any product to be labelled sustainable are becoming stricter.	It is an important demonstration that sustainability is embedded in our decision making and underpinned by the rigour and tangible explicit elements in our investment process that informs our holistic decision-making fulfilling our fiduciary duty.	'Big data' presents a challenge to our investment processes. The inclusion of quantitative and qualitative (even real time) sustainability 'data points' amplifies the need for better control of data. Integrating these on our existing technology platforms and models is vital in transforming it into useful information for decision making.

Stewardship	Governance	Leading research and insights	Reporting and contribution to the collective
Stewardship is an invaluable tool and approach that needs to function coherently alongside each pillar of our investment framework. Engaging with companies on material ESG issues and Exercising our right to vote.	A governance function provides oversight and ensures that Sanlam Investment's commitment to all stakeholders (including clients, employees, shareholders and society) comply and are upheld to the standards articulated.	Leading research and insights will differentiate the exceptional sustainability practitioner from the ordinary. Leading the conversation and finding solutions to South African specific issues are vital. It also plays a key role in ensuring a superior client experience (especially education).	The ability to report on progress toward targeted outcomes (with measurable clarity) to a range of stakeholders, authorities and our clients is vital.

Source: Sanlam Investments

What is global best practice?

How do we go about solutioning?



Standard

Full integration

ESG information is fully Integrated in the decision making and investment process.

Forward looking or forecast focus on securities that score better on ESG basis

Advanced

Policies / targets

Explicit sustainability policy and targets are implemented alongside financial targets.

Investing in a targeted universe that contriute directly to targeted themes or SDG's

Impact

Thematic / goals

Deliberate, direct and targeted effort to exert a positive impact on sustainable themes or SDGs alongside financial targets.

Source: Sanlam Investments / Robeco Asset Management

What is global best practice?

Establishing a robust governance function

Key functions:

Governance Committees

- Drive the vision on sustainable investing and impact;
- Set the general sustainability strategy, priorities and targets for the asset manager;
- Establish and enhance the Sustainable Investing charters, policies (developed and subscribed) and frameworks; and
- Monitor and evaluate the implementation of agreed priorities, outcomes, targets and policies for all stakeholders.

Corporate Governance Units (CGU's)

- CGU's (schematic alongside) ensures the ESG agenda is embedded into investment processes and acts as a collective when engaging with investee company boards.

Source: Sanlam Investments

Option (1) Investment driven governance model

Focused on ensuring a strong investment discipline

Option (2) Content driven

Focused on content leads and leveraging existing business networks

Ex

Comr

Sust

Gc

Option (3) Capability driven

Focus on building capabilities and solutioning

Formal Committees

Community of Practice networks

CEO

SUSTAINABILITY, IMPACT AND GOVERNANCE COMMITTEE (EXCO LEAD)

Current work stream leads per the Robeco project

Work Streams

ESG ADVICE AND REPORTING

MARKETING, BRAND AND COMMUNICATIONS

Supported by

ESG/ Sustinable

Investment unit

STEWARDSHIP

DIGITAL AND DATA

Work Streams

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thank you