UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

EXECUTIVE SUMMARY – PROPOSAL ON UNIVERSITY SUSTAINABILITY REPORTING

1. PURPOSE

The purpose of this submission is aimed at providing a proposal to UFIC on the University Sustainability reporting, which will ultimately be used to track the respective reporting by the Assets Managers on the University and Foundation Investments.

The aim is to ***"Maximise long-term returns by challenging the companies, through the assets managers, to identify and manage Environmental, Social and Governance (ESG) risks and opportunities which deemed to have an impact on their long-term sustainability".***

The goals are:

(a) Better long – term financial value (i.e., in pursuit of long-term value creation).
(b) Pursuit of better alignment of the responsible investing by the asset managers with the University sustainability and related values.
(c) The asset managers to better manage the material ESG risks within their respective investment mandates.
(d) Transparency on the reporting by the assets managers; consistency of metrics; comparability of rating methodologies and alignment with the financial materiality.

While they may be differing definitions on ESG, responsible investing is an approach that seeks to incorporate the environmental, social and governance factors into the asset allocation and risks decisions to generate sustainable long-term financial returns.

The assets managers should, through their quarterly reporting, reflect the longer-term sustainability in investment performance. The investors seeking to transition to a low-carbon economy can invest in green transition and renewables funds.

The assets managers reporting should seek to outline the impact of ESG on the different investment approaches:

- ESG rebalancing.
- Thematic Focus.

- ESG impact.
- Transparency of ESG products alignment with investors' sustainable finance objectives related to the financial and social returns.

2. BACKGROUND AND PREAMBLE ON SUSTAINABILITY

2.1 Background

On 18 August 2022, letters were sent by Treasury Management to all four Asset Managers, [redacted].

The title of the letters was ***'Sustainability (ESG) Reporting – University of Witwatersrand, Johannesburg ("WITS") and / or University of Witwatersrand Foundation ("FOUNDATION")'***, reading as follows:

"We write to you confirming that at its meeting of 27th May 2022, the WITS University and Foundation Investment Committee (UFIC) requested the following:

The University is currently engaging with respect to its responsibility on sustainability, and the UFIC resolved that all Asset Managers be requested to prepare a document that addresses the Asset Manager's positioning with respect to sustainability and its impact on the University and / or Foundation investment portfolios.

Please provide this report before the upcoming UFIC meeting of the 9th of September 2022." All individual Sustainability Reports were presented at the said meeting by each Asset Manager and the UFIC requested that 'Treasury Management should craft an executive summary of the asset managers' sustainability proposals, that is, Treasury Management needs to summarise what the asset managers are saying of how they were dealing with sustainability. As a committee, UFIC will examine the Asset Managers' position on sustainability and discuss it formally with the University and the Foundation first before it could be communicated to relevant stakeholders; however, Treasury Management's brief must be very clear, inclusive of the University's objectives and alignment, and should also take into account the Council's focus and plans regarding sustainability.'

2.2 Preamble

1. Wits University has a dedicated full time resource in the person of Professor Imraan Valodia: Pro Vice-Chancellor: Climate, Sustainability and Inequality. The Pro-VC presented an Environmental, Social and Governance (ESG) Report to Foundation in November 2022, from which an extensive and robust discussion took place by the Foundation Governors.

2. Wits University Senate took a resolution in November 2022, as presented in the VC's Report to the Foundation in November 2022
   THE WITS CLIMATE SUSTAINABILITY PLEDGE
   At its last meeting, **the Senate resolved to commit Wits to playing a transformative leadership role in South Africa's response to the climate emergency**. Through research, teaching, policy engagement and its own practice, using its location in the economic hub of

the country, and understanding its history in mining and industry, **Wits is committed to playing a pivotal role in a just and equitable transition to a** net zero-carbon economy for the city, region, country, continent and the world, **by 2050**. At the centre of this commitment will be an ongoing analyses of the University's own carbon footprint, with a view to **transforming the University into a living laboratory for just practices of sustainability**.

The University Council, at its meeting in November 2022, noted the proposed Centenary pledge by Senate which seeks to commit Wits to play a transformative leadership role in South Africa's response to the climate emergency. Council requested that an expanded climate change and sustainability commitment serve for consideration before Council at its first meeting in 2023.

3. The University Council, at its meeting in November 2022, approved its Strategic Plan and the 2023 Council Objectives which focused on Financial Sustainability and Governance, General Sustainability, Research Impact, and Advancing the Public Good. It also approved statements on transformation and sustainability.

4. UFIC has a primary responsibility to 'evaluate investment performance of the portfolios. The evaluation will take into account compliance and investment policies as well as guidelines and risk levels', not excluding strategies such as sustainability. UFIC will hold Asset Managers to account on any sustainability issues that have an impact on responsible investment and investment performance. UFIC does not make individual investment decisions and has full discretionary mandate within a unitised portfolio to asset managers.

3. PRESENTATIONS BY THE ASSET MANAGERS

3.1 [redacted] Management

SUSTAINABILITY CONSIDERATIONS IN THE ALLAN GRAY INVESTMENT PROCESS

[redacted] chose to adopt the United Nations-supported Principles for Responsible Investment (PRI or UNPRI), which is the world's leading proponent of responsible investment, which works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

[redacted] has been a signatory to the PRI since 2013. The PRI endorses a set of six principles that offer a menu of possible actions for incorporating ESG issues into investment practice.

[redacted] unpacks the various actions they have taken to adhere to these principles.

Principle 1: Incorporate ESG issues into investment analysis and decision-making processes ESG issues in investment policy statements

[redacted] developed four policies in aligning with the principle:

- Policy on ownership responsibilities

- Sustainability considerations in the [redacted] investment process
- Climate policy statement
- Conflict of interest management policy

[redacted] publicly discloses the ESG tools that they have developed, such as:

- Proprietary director database
- External system screening for politically exposed directors
- ESG controversies database

[redacted] supports the development of ESG analyses by publishing the annual Stewardship Report, which provides case studies on how they research and engage on ESG matters.

Principle 2: Active owners and incorporate ESG issues into ownership policies and practices.

As stated in Principle 1, that [redacted] applies a Policy on ownership responsibilities which is disclosed publicly.

[redacted] exercises their voting rights according in line with the ownership policy and have a strong voting process in place. Compliance is monitored by its ‘watchdog’, the Compliance team.

[redacted] has three ESG analysts within the investment team, which improves their engagement capability. Investment analysts and portfolio managers engage on ESG issues too.

[redacted] discloses the number of ESG engagements they hold, and highlight case studies, in their annual Stewardship Report.

Principle 3: Seeks appropriate disclosure on ESG issues by the entities in which they invest in

[redacted] has asked many companies to improve their governance disclosures in annual reports, mostly related to executive remuneration structure and targets. [redacted] have also requested certain company-specific environmental and social disclosures.

[redacted] has historically voted in favour of resolutions requesting that JSE-listed banks disclose a coal or fossil fuel policy, as an example.

Principle 4: Promotes acceptance and implementation of the principles within the investment industry

Investment mandates and incentive structures are aligned with a long-term approach, such that Portfolio managers who fail to incorporate ESG into their investment decision-making feel the effects of this on their remuneration over the long term. Portfolio managers and Chief Information Officer (CIO), are ultimately accountable for the portfolios and ESG risk assessments.

Principle 5: Work together to enhance effectiveness in implementing the principles

The governance analyst serves on the Institute of Directors South Africa (IODSA) Remuneration Committee Forum and participated in PWC’s executive remuneration roundtable.

[redacted] provides ESG-related commentary to the Association for Savings & Investment South Africa (ASISA) on request.

[redacted] participates in collaborative engagements, from time to time, with the industry, and has established collaborative initiatives with entities within its global group of companies.

Principle 6: Reports on activities and progress towards implementing the PRI principles

ESG issues are disclosed both in policies and in the annual Stewardship Report. This is also communicated to clients during ad hoc ESG presentations and updates.

Active ownership: [redacted] proxy voting results quarterly and publishes more detailed proxy voting and engagement data annually in the Stewardship Report.

[redacted] presents ESG matters to clients on a regular basis, publishes ESG-related articles, completes client and consultant due diligences, and shares the Stewardship Report on an annual basis.

[redacted] hosted a number of ESG-themed seminars.

[redacted] evaluates the robustness of their ESG integration and disclosure practices on an ongoing basis.

Throughout its **Business Sustainability Report**, [redacted] has outlined the role they play as stewards of clients' investments and detailed the actions they have taken to improve the governance standards and social and environmental responsibility in the companies in which they invest in. As a responsible corporate entity with a long-term philosophy, they apply similar scrutiny to their own operations and look to implement initiatives that reduce the impact on the environment and enhance our sustainability.

Sustainability is embedded in how they invest on behalf of clients, operate business and interact with society. [redacted] has always considered ESG factors as part of their investment process and believes that this improves investment returns, better manages risk and assists clients to act as responsible owners.

3.2 Ninety-One Asset Management

SUSTAINABILITY CONSIDERATIONS IN THE NINETY-ONE INVESTMENT PROCESS

As stewards of clients' capital, [redacted] primary goal is that of achieving long-term investment excellence. They are committed to being active and responsible investors. They want to be known for approaching sustainability with substance underpinned by a constant focus on understanding the drivers of change. [redacted] sustainability framework outlines accountability and the endeavour to get better.

[redacted] sustainability framework has three core components:

1 Invest

Sustainability analysis is integrated across all their investment strategies[redacted] also offers dedicated sustainable investment solutions.

[redacted]s approach under 'Invest' involves three dimensions:

- ESG integration within investments,
- Active ownership,
- Impact and sustainable strategy solutions

2 Advocate

Through advocacy, Ninety-One seeks to lead the conversations where they can make a difference and offer expertise on important sustainability topics, such as advocacy for net-zero targets that incentivises real-world, inclusive decarbonisation included in discussions with the Institutional
Investors Group on Climate Change (IIGCC) and engagements with the Chief Executive Officer and Chair of the IIGCC on how the net-zero target framework can be adjusted.
The advocacy focus areas are:

- Thought leadership; [redacted] has a role of the Chief Sustainability Officer (CSO), which has become a co-chair of IIGCC.
- Industry organisations and
- Initiatives

3 Inhabit

[redacted] believes change starts at home. They believe in running their business responsibly and act sustainably. Ninety-One seeks to continue improving the sustainability of their operations. They also give back by providing financial support to charities and community projects that are important to the team at Ninety One, many of whom personally give time and effort to support these communities. Charitable work is directed primarily towards conservation, education and community development, to a wide range of worthy initiatives, with a commitment to:

- People,
- Energy consumption,
- Working with communities,
- Acting responsibly as a corporate citizen

[redacted] is committed to sustainability with substance. There is a clear framework established for Sustainability, such as, climate mitigation, real world decarbonisation in line with net zero objectives, inclusive transition, working constructively with clients and portfolio companies globally, as well as active involvement in industry climate initiatives.
The ESG integrated approach consists of the Investment Screening, Fundamental Analysis, Portfolio Construction, Engagements and Sustainability Reporting.

3.3 Sanlam Investments

[redacted] PHILOSOPHY AND BELIEFS ON SUSTAINABILITY AND ESG FACTORS

[redacted] believes that by evaluating environmental, social and governance (ESG) factors, asset managers can make better informed investment decisions and improve the sustainability of investment returns for clients – a responsibility conferred to them by regulation and governance drivers and mirrored by their beliefs, one of which states that 'The focus on sustainability has become commonplace in investment markets and will increasingly be a key driver of structural change in countries, companies and the markets in which we operate, as a result of the requirement for improvements in governance, environmental and positive social impacts.'

Sustainable investment strategies

[redacted] solution-specific capabilities adopt differentiated sustainable investment strategies which are appropriate for their respective investment objectives and clients' needs across all asset classes. In addition, [redacted] maintains a sustainability policy framework that is constantly evolving and further details asset class-specific strategies through their respective operational frameworks. Sustainable investment strategies are mandate driven.

There are four key types of strategies that are adopted, which can be described as follows:

- **Financial Integration:** This strategy involves the systematic inclusion and analysis of ESG criteria as part of the decision-making for a portfolio's investment process. This is based on the view that ESG factors can have a considerable impact on the security's future risk/return profile in the same way traditional financial factors can.
- **Screening:** Positive / Best-in-class screening; Negative screening; Norms-based screening.
- **Impact Investment:** This is a thematic strategy where funds target specific outcomes that are linked to sustainability problems or goals as well as a financial return.
- **Active Ownership:** Active ownership is the use of the rights and position of ownership to influence the activities or behaviour of investee entities. Active ownership can be applied differently in each asset class.

Alignment with Best Practice

In addition to national requirements, [redacted]' approach is guided by current best practice with regards to sustainable investing and ESG factors. This includes, but is not limited to:

- The UNPRI, Code for Responsible Investing in South Africa (CRISA) and UN Sustainable Development Goals (SDGs);
- The International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability;
- The International Finance Corporation (IFC) Interpretation Note on Financial Intermediaries.
- The King IV Report on Corporate Governance; and
- The IFC Operating Principles for Impact Management.

These principles, frameworks and standards are considered and applied where relevant, or adapted to accommodate the realities and priorities of the local context [redacted] operates in, based on the strategy, capacity and priorities of the capability in question. Furthermore, the specific capabilities may invoke other international standards and/or guidelines as deemed appropriate.

[redacted] recognises that the application of the UNPRI may better align investors with the broader objectives of society. Therefore, where consistent with Sanlam Investments' fiduciary responsibilities, Sanlam Investments commits to the following:

Principle 1: Incorporating ESG issues into investment analysis and decision-making processes.

Principle 2: Being active owners and incorporating ESG issues into ownership policies and practices.
[redacted]' stewardship activities are a fundamental part of its ESG incorporation approach and consist of engaging with investee entities on material ESG matters. This includes actively voting at the Annual General Meetings (AGMs) of companies that we invest in. It is our belief that active ownership is an essential activity that helps address systemic challenges and protects the value of its investments.

Principle 3: Seeking appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: Promoting acceptance and implementation of the principles within the investment industry.

Principle 5: Working together to enhance effectiveness in implementing the principles.
Working together may be defined as collectively addressing relevant emerging issues through collaborative initiatives or platforms with the PRI.

Principle 6: Reporting on activities and progress towards implementing the Principles.

[redacted] follows a clear roadmap, with distinct goals and objectives that they can align with and measured.
Looking into the future, they will steadily advance these goals, improving ESG incorporation and fostering partnerships with other likeminded organisations and Climate Fund Managers. These partnerships help catalyse and boost efforts to meet greater sustainability objectives.
[redacted] focuses their efforts on where they can make the greatest impact.

3.4 [redacted] Management

[redacted] FOCUS ON RESPONSIBLE INVESTMENT

As stewards of clients' capital, and with a fiduciary mindset, [redacted] focuses on developing with the industry to strive for responsible investment by considering how capital allocation decisions impact stakeholders, the entities they invest in and the communities in which they operate.
[redacted] believes that successful investment management stems from sustainable investments and adding value for stakeholders.
Over the years, informed by their commitment to responsible investing, [redacted] has deepened their ESG practices across all investment teams. Through the creation of impact funds and Infrastructure Investing activities, Stanlib claims to have applied investment management skills to create investable opportunities to push responsible investing further into the mainstream. There is mounting evidence that ESG-related issues affect the performance of investment portfolios, impact an entity's earnings and prospects, and influence the broader economy.

[redacted] deepened ESG integration across our investment teams, including revising their responsible investment policy. Impact remains an area of continued focus, given the tangible and direct nature of investment activities to societal, environmental and economic ends.

The UN Sustainable Development Goals (SDGs) remain a useful framework to demonstrate impact in this regard.

[redacted] discusses its principles for responsible investing under the following broad categories:

Principle 1: Integration of ESG factors
[redacted] considers ESG factors in its investment processes to ensure an understanding of risks associated with investment opportunities.

Principle 2: Active engagements
[redacted] ESG approach is to actively engage business stakeholders to effect change. [redacted] believes engagement is a powerful tool to drive optimal client.
outcomes.

Principle 3: Collaboration
S[redacted] is open to collaboration where the collective efforts of all relevant stakeholders are more likely to result in a positive client outcome.

Principle 4: ESG oversight
[redacted] monitors and challenges investment professionals on ESG issues. Governance structures ensure accountability, tracking and measurement.

Principle 5: ESG is a material investment consideration.
[redacted] believes that the consideration of ESG is essential to value creation and capital protection in driving risk-adjusted returns for clients.

Principle 6: Ownership rights
[redacted] exercises voting rights in the best interests of its clients. Voting guidelines appear in the proxy voting policy.

Principle 7: Disclosure
[redacted] communicates its policies and responsible investing activities to its stakeholders.

ESG and responsible investing have become an essential part of investing, and the focus on environment-related issues, especially climate change, is eclipsing social and governance issues. As they navigate the ESG landscape for long-term change, the focus areas encompass:

1. **Regulation and good practice:** ensuring that our activities remain aligned to industry best practice as outlined by bodies such as the UNPRI and local regulators
2. **Investment process:** continuing to deepen and entrench responsible investing activities across the investment value chain
3. **Collaboration:** prioritising collaboration across investment teams, our strategic partners and industry participants, ensuring that, as a collective, we can have a more profound impact in driving positive change
4. **Disclosure:**
> Commitment to transparency and actively encourage companies to disclose ESG information in line with best practice to facilitate better understanding of risks and opportunities.
> Focus on improving disclosures to investors, including aligning reporting and disclosure on climate-related issues to best practices outlined by the Task Force on Climate-Related Financial Disclosures (TCFD).

CONCLUSION

6 In summary, all four Asset Managers articulate Sustainability using different and similar approaches and techniques.

These techniques can be broadly summarised as follows:

- All Asset Managers agree that Sustainability forms part of the broader ESG Strategies.
- There is also consensus on Sustainability Reporting, even when the points being reported differ from one Asset Manager to the other.
- The strategies seem to focus on the ESG issues that could impact the long-term Sustainability, especially the return from investment.
- Some Asset Managers emphasised improving the focus on Sustainability as a long-term process.

In addition, Treasury Management considered the global principles and guidelines on responsible investment as published by the UN PRI, found on these links: (https://www.unpri.org/investment-tools/introductory-guides-to-responsible-investment), and (https://www.unpri.org/introductory-guides-to-responsible-investment/what-is-responsible-investment/4780.article); refer to the attached article.

In conclusion

- The University Council Objectives on Financial Sustainability and Governance, General Sustainability and the approved statements on transformation and sustainability, supported by a firm pledge, will set the tone for drafting the guidelines for adherence by the Asset Managers, through UFIC.
- Treasury Management, proposes to UFIC to adopt the key strategies below and develop an interactive method for monitoring adherence and give inputs by Asset Managers:
  - ➢ to place strong emphasis on **Active ownership and engagements.**
  - ➢ adherence to high levels of **Responsible investing;**

- adopt strategies on **Active Investor Screen, Industry and Asset Class Analysis, etc.;**
  - regular disclosure and updates on **Stewardship and Sustainability Report.**
  - develop a framework with measurable targets towards adhering to **UN PRI & SDGs.**
  - demonstrate clear strategies that address the **Incorporating of ESG factors into investment analysis and decision-making processes.**
- The ESG topic (inclusive of Sustainability) is imperative and that it needs to be monitored for a long period ahead of us for a better future return on investment.

The Assets Managers can be requested to provide ESG for the Top 5 or 10 Companies they have invested the University and Foundation funds at. There are currently ESG rating providers which the performance can be verified or compared to namely: Thomson Reuters; MSCI and Bloomberg.

The ESG criteria will include, *inter alia,* the following [Source – ESG Investing: Practices, Progress and Challenges by OECD]

PILLAR	POSSIBLE KPIs / ESG Criteria
Environmental	• Resource Use / Resource depletion • Emissions • Innovation • Climate change • Natural Resources • Pollution or waste / waste disposal • Environmental opportunities • Carbon emissions • Renewable energy
Social	• Workforce • Human rights • Product responsibility / Product liability • Stakeholder opposition • Social opportunities • Supply chain • Discrimination • Political contributions • Diversity

	• Community relations
Governance	• Management • Shareholders / shareholders’ rights • CSR strategy • Corporate governance • Corporate behaviour • Executive compensation • Independent directors