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INFRASTRUCTURE INVESTING
in Africa

CRISA 2
Code for Responsible Investing in SA

SUSTAINABLE DEVELOPMENT GOALS
from an investor perspective

INFRASTRUCTURE INVESTING
TO UNLOCK SUSTAINABLE DEVELOPMENT

VOL.14

ALSO IN THIS ISSUE: PROGRESS ON INFRASTRUCTURE RELATED SDGs | HOW IMPACT INVESTING CAN ADDRESS THE SUSTAINABLE DEVELOPMENT GOALS (SDGs) | INFRASTRUCTURE INVESTMENT IN THE LIGHT OF AMENDED REGULATION 28

This educational publication is funded by Ninety One and the ASISA Foundation

Ninety One

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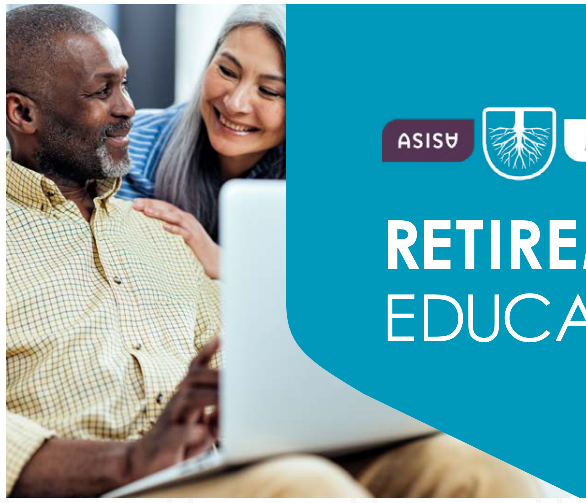

ASISA ACADEMY | ASISA FOUNDATION

RETIREMENT FUND TRUSTEE
EDUCATION WORKSHOPS

INFRASTRUCTURE INVESTING WORKSHOP

This 3-hour online workshop gives retirement fund trustees and principal officers an overview of the fundamentals of infrastructure investing and how the principles can be practically applied in retirement funds.

THE WORKSHOP'S 5 LEARNING AREAS INCLUDE

1. THE NATURE OF INFRASTRUCTURE INVESTMENTS
2. THE INVESTMENT CASE FOR THE COUNTRY AND FOR RETIREMENT FUNDS
3. HOW ARE INFRASTRUCTURE INVESTMENTS FUNDED?
4. RISK AND RETURN
5. HOW TO INCLUDE INFRASTRUCTURE IN YOUR FUND'S INVESTMENT POLICY STATEMENT (IPS)

CLICK HERE TO ENROL | CLICK HERE TO VIEW THE BROCHURE

PRIVATE EQUITY WORKSHOP

This 3-hour online workshop gives retirement fund trustees and principal officers an introduction to private equity (PE). Topics include PE as an asset class in South Africa, PE investment value chain, PE fees, PE performance relative to other asset classes, its role in responsible investing, risks and mitigating factors and asset allocation limits.

THE WORKSHOP'S 3 LEARNING AREAS INCLUDE

1. INTRODUCTION TO PRIVATE EQUITY (WHAT IS PRIVATE EQUITY?)
2. THE BUSINESS CASE FOR PRIVATE EQUITY (WHY INVEST IN PRIVATE EQUITY?)
3. OPPORTUNITIES AND CONSIDERATIONS WHEN INCLUDING PRIVATE EQUITY INTO YOUR INVESTMENT PORTFOLIO

CLICK HERE TO ENROL | CLICK HERE TO VIEW THE BROCHURE

FEEDBACK FROM PAST DELEGATES

"Overall, it was definitely encouraging, and I learnt new things once again. The course would be a great tool for all our staff members."

"The program has broadened my perspective in terms of the actual industry, I am learning so much. It has been a great experience so far."

Accredited CPD provider for the Batseta Council for Retirement Funds.

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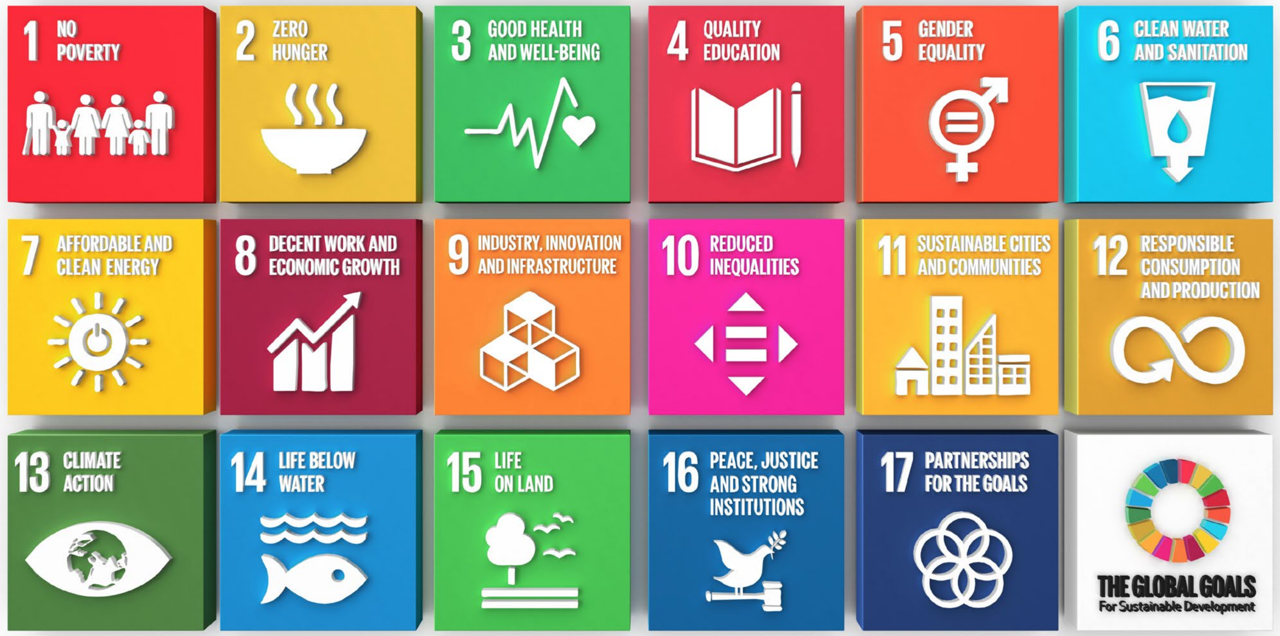
1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS
THE GLOBAL GOALS
For Sustainable Development

SUSTAINABLE DEVELOPMENT GOALS FROM AN INVESTOR PERSPECTIVE

overview

In 2015, the United Nations sounded a universal call to action to protect the planet, end poverty and ensure all people enjoy peace and prosperity by 2030, through the adoption of the Sustainable Development Goals (SDGs). The SDGs provide investors with a framework that can inform infrastructure and impact investment at both a global and South African level.

What are the Sustainable Development Goals (SDGs)?

The SDGs consist of 17 goals agreed upon by 193 member countries of the UN. Their aims are to promote a long-term approach to tackling global challenges and inspire action in areas of critical importance for humanity and the planet.

The SDGs are centred on the development of three elements, namely:

Economic sustainability	Social sustainability	Environmental sustainability
Achieve sustainable livelihoods and harmonious living with technology that is important and appropriate.	Equality and equity for all people in all aspects of life.	Mindful and sustainable use of the finite natural resources at humanity's disposal.

Each of the 17 SDGs relates to an important sustainable development objective. For example, SDG 4 focuses on quality education. The 17 SDGs are then linked to 169 individual targets and 232 indicators against which to measure progress. You can read more about each SDG at global and national level on the SDG website https://sdgs.un.org/.

Although presented as 17 distinct goals, the goals are seen as integrated, meaning the action in one SDG may influence an outcome in another. The SDGs, therefore, acknowledge that economic, social and environmental sustainability must be balanced.

Many countries announced that they were aligning their National Development Plans with the SDG agenda. To demonstrate their commitment to the SDGs, countries are committing proportions of their national budgets to pro-poor activities, including education, health, agriculture, food security and agricultural development. One example is China, where the government has pledged billions to meet goals such as quality education, good health and economic development. The Republic of Korea has committed millions of dollars through the Better Life for Girls Initiative, which supports vulnerable girls in developing countries, thus contributing to SDGs such as gender equality and good health.

South Africa's commitment to the SDGs

South Africa has committed to the full and integrated implementation of UN Agenda 2030 and has played a prominent role globally, and on the African continent, in guiding the process and negotiating for the adoption of the SDGs in its capacity as Chair of the G7.

SA's commitment to the SDGs is based on the principles of:

1. **Collaboration:** Strong partnerships between the government, civil society, Chapter 9 Constitutional institutions, trade unions, the private sector and academia.
2. **Coherence:** The 2030 Agenda emphasises the integrated nature of development goals.
3. **Impact:** The 2030 Agenda should be approached with a sense of urgency.
4. **Funding:** The funding is incorporated in the government departments, as the implementation is integrated with the departmental plan.

South Africa has identified a major gap in financial resources and solutions for accelerating towards achieving the SDGs by 2030.

In 2017, the SA government published its first SDG-related report through the release of the Sustainable Development Baseline Indicator Report. The report served as a reference point, showing where the country was and the road that was yet to be travelled to reach the targets set out in Agenda 2030, examining each of the 17 SDGs.

On 17 July 2019, SA presented its first progress report on the SDGs, also known as a Voluntary National Review, at the UN. The report provided a detailed snapshot of the progress the country has made towards the 169 individual SDG targets. The report highlighted that SA had a mixed performance in reaching these targets.

The table below shows SA's progress on the SDGs reported on in its 2019 Voluntary National Review:

Progressed	Challenged	Insufficient data
SDG 3: Good health and well-being	SDG 1: No poverty	SDG 10: Reduced inequalities
SDG 4: Quality education	SDG 2: Zero hunger	SDG 12: Responsible consumption and production
SDG 5: Gender Equality	SDG 7: Affordable and clean energy	
SDG 6: Clean water and sanitation	SDG 8: Decent work and economic growth	

Why is it important that investors consider the SDGs?

The SDGs highlight high-impact areas where society will need to focus future efforts and (financial) resources to ensure a sustainable future. It follows that investors should use the SDGs to inform their investment strategies from both a risk and opportunities perspective. By making sense of the sustainability priorities and trends, investors can manage risk and optimise returns in a changing world. The SDGs are both useful in investment decision making and in stewardship of our collective future. For example:

- Financially material regulatory, ethical and operational risks exist and needs are changing due to ESG pressures.
- Exposure to the global challenges that the SDGs represent creates financial risks.
- New impact investment opportunities are emerging since the SDGs offer pathways to creating sustainable value-creating opportunities for impact investors.
- Achieving the SDGs will be a key driver of global economic growth, which in turn will translate into economic growth for certain investments.

HOW DID WE GET TO 17 GOALS?

Before the development of the SDGs, the UN member states used a set of development goals called the Millennium Development Goals (MDGs). The MDGs were set by the 189 UN member states in September 2000 and agreed to be achieved by the year 2015. It consisted of eight goals developed by groups of technical experts, aimed at combating disease, hunger, poverty, illiteracy, discrimination against women and environmental degradation. Although most of the targets had not been achieved by 2015, positive progress was recorded over the 15 years the initiative existed.

As progress on the MDGs was not uniform across the world, with some countries making big strides and others making little to no progress, the MDGs were replaced with the SDGs in 2015. The replacement was made to accelerate the development agenda with a more comprehensive and integrated set of goals, with the vision of achieving these goals by 2030.

Unlike the MDGs, the SDGs were designed using a collaborative approach that relied on inputs from key stakeholders across the world. The SDGs were created by the largest ever participatory process undertaken by the UN to date, with 10 million people from around the world expressing their views to help shape the 2030 agenda. Through the process of negotiation, prioritisation and aggregated objectives, an initial 300 goals were reduced to 17 high-priority goals.

On September 25, 2015, the attendant member states at the UN's Sustainable Development Summit adopted the 17 goals, embedded in the overall commitment to the 2030 Agenda. The SDGs became the blueprint to achieve a better and more sustainable future for all people.

1. Economy

- Generate economic activity (for example, a bridge that links a rural village to urban markets);
- Jobs created during construction and maintenance; and
- Connecting communities to cities, education and employment (for example, transportation and telecommunications).

2. Environment

- By taking cars off roads, mass transit systems contribute to the reduction in pollution and generation of greenhouse gases; and
- Clean energy generation plants (reduce dependence on fossil fuels).

3. Society

- Service delivery (such as power supplies, healthcare services and sewerage networks); and
- Advances gender equality through providing the public transport that makes it easier for women in rural areas to participate in the workforce.

SDG investing is a branch on the tree of impact investing. The SA SDG Investor Map 2020 captures 30 impact-driven investment opportunities for SDG-aligned capital deployment across the investment sectors of infrastructure, education, healthcare, and agriculture. An overview of the investment opportunities areas has been provided to demonstrate how investors might allocate capital to the four priority sectors in SA. The proposed investment opportunities are promised to bring forth significant social return.

The role of infrastructure investing
Infrastructure investing is crucial for development. Infrastructure is at the heart of efforts to meet the SDGs as sustainable infrastructure would enhance access to basic services. Examples include everything from universal access to health and education to access to energy, clean water and sanitation. Infrastructure investing is important as infrastructure-related SDGs are lagging due to financing gaps. Infrastructural improvements should not just enable societies to function and economies to thrive, but should also sustain the environment.

Infrastructure plays an important role in all three elements of sustainable development:

"Impact investments are investments made with the intention to generate positive, measurable social and environmental impact."

"Blended finance is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries."
Making Blended Finance Work for the SDGs
https://tinyurl.com/yc7bscbp

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HOW IMPACT INVESTING CAN ADDRESS THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

overview

Impact investing offers investors the opportunity to not only have real impact, but also to achieve sustainable, risk-adjusted, market-rate returns.

Introduction
Although the 21st century was marked by rapid worldwide economic growth, globally there remains significant pressure on natural resources, unequal distribution of wealth and large numbers of people living in poverty and not being afforded equal opportunities[1]. Following the 2008 economic crisis, increasing corporate scandals, and the worldwide climate crisis, globally attention to these matters began to highlight the sustainability challenges the world, and subsequently businesses too, faces. Similar trends are part of the South African landscape, which is marked by high levels of poverty, unequal access to education, and environmental degradation, despite the increase of financial prosperity in the post-apartheid era.

Aiming to address the many social, economic, and environmental challenges globally, the UN's Sustainable Development Goals (SDGs) were adopted in September 2015. The adoption of the SDGs forms part of the 2030 Agenda for Sustainable Development, which calls on governments and the private sector to take ownership of the SDG-related issues.

Research conducted by the UN's Conference on Trade and Development (UNCTAD) indicated that achieving the SDGs will require investment of more than $5 trillion per year. Furthermore, it will require the investment gap of $2,5 trillion to be closed to achieve the SDGs in developing countries.

According to the UNDP, the private sector can play an important role in closing this gap. If we can mobilise just 7,76% – or $6 trillion – of the global assets under management each year to this end, we will achieve the SDGs. That's less than the amount that changes hands each day in capital markets around the world.

In the past, funding for these societal and developmental issues came from governments, developmental institutions and non-profit organisations. This modus operandi took a turn for the better about two decades ago. Since the early 2000s, private investors have identified a space in the market that intersected between private enterprise and non-profit service delivery, now known as the impact investing sector.

Impact funds can be described as pools of money set aside with a specific mandate – typically to make a social or environmental impact – that are then managed by financial institutions that have a fund or several funds that they either manage on their own or manage on behalf of investors.

What is impact investing?
The rise of impact investing is considered a new paradigm in investing as the focus is different from traditional funds. The former focuses on investing in environmental, social, and governance (ESG)-related funds.

The objective of impact investing is that an investor purposefully invests capital to generate a social and/or environmental benefit, as well as a financial return.

Impact funds have the opportunity and capacity to contribute positively to development initiatives by addressing pressing issues, such as financial inequality, environmental protection, and access to proper sanitation and clean water.

The term "impact investing" was coined 12 years ago by the Rockefeller Foundation and has since been incorporated into mainstream investing. Subsequently, it resulted in big disruptions in the investment space and essentially brought to the fore a new investment paradigm. Where the aim of ESG-related investments was to reduce the risk of an investment by assessing companies' non-financial performance, impact investing looked beyond ESG-related compliance.

According to UN PRI, **"impact investing focuses on business models and the products and services these companies produce".** The companies described here are organisations that have a specific environmental and/or social mission. Broadly, it can be described as investments that are made with the intention of generating a return, as well as having a social and/or environmental impact through investing in, for example, social enterprises and social and/or environmental purpose businesses that are also income-generating businesses.

Growth of impact investing as an investment strategy in Africa

Although impact investing has grown quite considerably over the past few years, it remains a small portion of the overall investment activities in South Africa when compared to ESG and traditional investing. In recent years, though, the acceptance of specifically impact investing in the Southern African region has escalated.

However, in the African context, the research is clear: South Africa remains the biggest attractor of investments geared for impact, with a total of $17,6 billion in assets that have been allocated to impact investment[2].

Research by the GIIN supports this and shows that South Africa has remained the main market for the inflow of impact capital in Southern Africa. As much as three quarters (74%) of the total impact capital dedicated to the region has been allocated to South Africa, totalling $4,9 billion of non-development finance institutions' (DFIs) capital. Furthermore, the GIIN estimates that a total of $24,2 billion of impact capital stems from DFI capital destined for South African markets. The combined impact of capital dedicated to the region, stemming from both DFIs and non-DFIs, is so large that it outweighs all deals and capital allocated to this form of investment in other markets within the region combined. Zambia, for instance, received 15 times less capital even though it attracts the second-most funds in the region.

How impact investing can generate sustainable returns and have impact outcomes

Impact investing presents the opportunity to investors to not only have real impact, but also to achieve risk-adjusted, above market-rate returns. This is supported by recent research conducted by the GIIN, which shows the increasing ability of market-rate-seeking impact investors globally to generate sustainable returns. The GIIN's research shows the three most common asset classes in the impact-investing industry are private equity (70% of investors), private debt (58%), and real assets (17%).

According to the GIIN's 2021 research study, 98 market-rate seeking investors were willing to share data on their average gross realised returns across their private market impact-investing portfolios. Figure 1 below shows the average realised returns across various peer groups. Private equity investments saw higher average returns and greater variation than did private debt investments; investments in emerging markets saw greater variation than did investments in developed markets (see Figure 2 on the next page)[3].

[1] Inequality here refers to inequality within countries. According to the WEF's Global Risks Report (2017), the inequality between countries on a global scale has been decreasing over the past 30 years.

[2] The annual African Investing for Impact Barometer 2017 research released by the University of Cape Town's Bertha Centre for Social Innovation and Entrepreneurship found that of the total funds surveyed, 51% of the funds in Africa are considered funds that are investing for impact.

[3] Note: Impact-only investments refer to investor organisations whose entire portfolio is impact oriented. Both impact and impact-agnostic investments refer to those organisations that make impact investments and non-impact investments, which could include ESG, responsible, or sustainable investments or traditional investments. Sector peer groups include impact investors with any allocation to the energy and food and agriculture sectors.

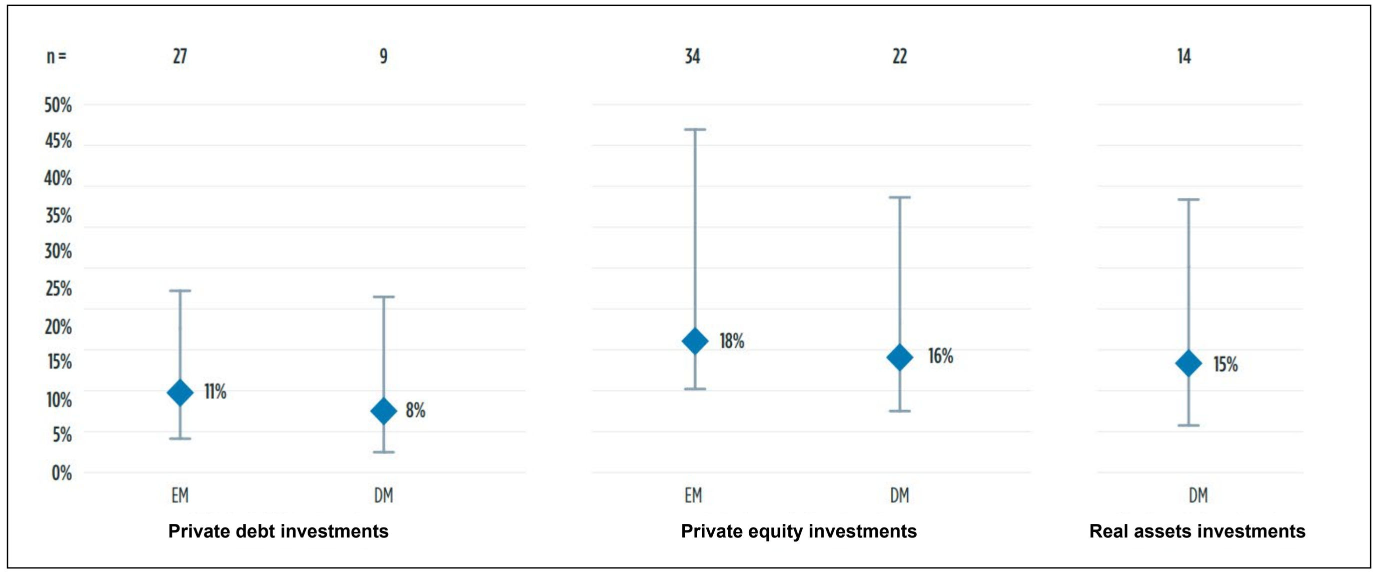
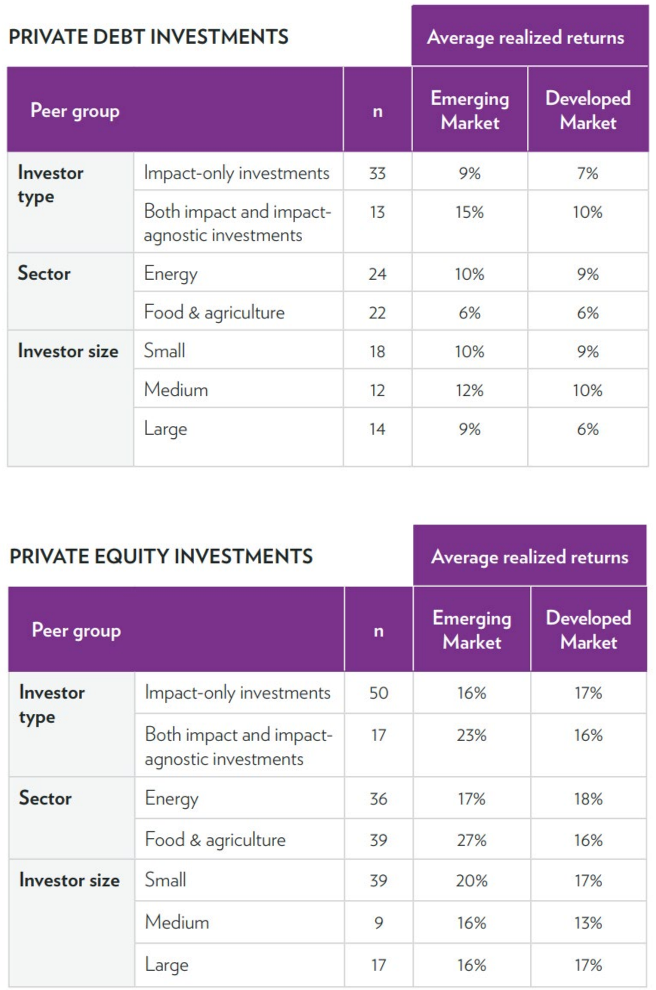


Figure 1: Average Gross Realised Returns Since Inception for Market-Rate-Seeking Impact Investors
Source: GIIN, Impact Investing Decision-Making: Insights on Financial Performance



PRIVATE DEBT INVESTMENTS

Peer group		n	Average realized returns Emerging Market	Developed Market
Investor type	Impact-only investments	33	9%	7%
	Both impact and impact-agnostic investments	13	15%	10%
Sector	Energy	24	10%	9%
	Food & agriculture	22	6%	6%
Investor size	Small	18	10%	9%
	Medium	12	12%	10%
	Large	14	9%	6%

PRIVATE EQUITY INVESTMENTS

Peer group		n	Average realized returns Emerging Market	Developed Market
Investor type	Impact-only investments	50	16%	17%
	Both impact and impact-agnostic investments	17	23%	16%
Sector	Energy	36	17%	18%
	Food & agriculture	39	27%	16%
Investor size	Small	39	20%	17%
	Medium	9	16%	13%
	Large	17	16%	17%

Figure 2: Average Gross Realised Returns Across Peer Groups
Source: GIIN, Impact Investing Decision-Making: Insights on Financial Performance

Conclusion

According to the chief executive officer of the World Bank's IFC, impact investing has the ability to drastically change the world's development agenda and has great potential due to its rapidly expanding nature. In addition, it generates a financial return and societal benefits. This provides some hope to developing markets that have seen a 16% decrease in foreign direct investment and that require billions of dollars in support to ensure they reach the global and regional objectives set out in the SDGs.

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CODE FOR RESPONSIBLE INVESTMENT IN SOUTH AFRICA (CRISA)

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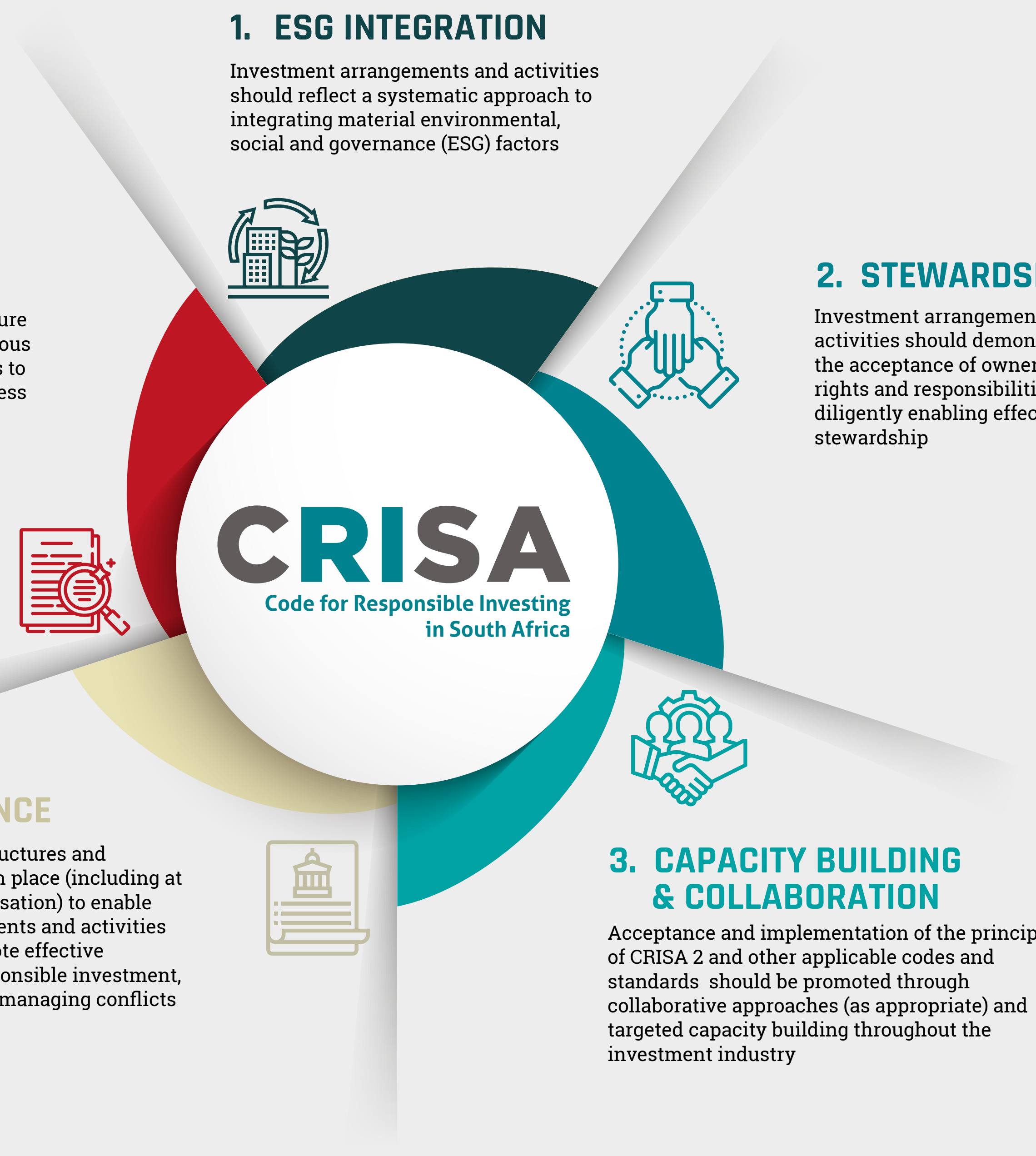
CRISA 2 aims to enable a sharpened recognition of how investment arrangements and activities intersect with the environment and society

CRISA 2

- Voluntary principles of **universal relevance**, capable of **flexible application on a proportionate basis**
- Applies to **asset owners, asset managers** and the **service providers** that support them
- The application regime is **"apply and explain"**
- Where there is conflict between the Code and applicable legislative provisions, the **legislative provisions or regulations will prevail**
- **Foreign investment institutions** are encouraged to apply the voluntary principles of CRISA 2 to the extent that they invest in South African assets



1. ESG INTEGRATION

Investment arrangements and activities should reflect a systematic approach to integrating material environmental, social and governance (ESG) factors

2. STEWARDSHIP

Investment arrangements and activities should demonstrate the acceptance of ownership rights and responsibilities diligently enabling effective stewardship

3. CAPACITY BUILDING & COLLABORATION

Acceptance and implementation of the principles of CRISA 2 and other applicable codes and standards should be promoted through collaborative approaches (as appropriate) and targeted capacity building throughout the investment industry

4. GOVERNANCE

Sound governance structures and processes should be in place (including at all levels of the organisation) to enable investment arrangements and activities that reflect and promote effective stewardship and responsible investment, including proactively managing conflicts of interest

5. TRANSPARENCY

Investment organisations should ensure that disclosures are meaningful, timeous and accessible to enable stakeholders to make informed assessments of progress towards the achievement of positive outcomes

MAIN OBJECTIVE

The main objective of CRISA 2 is to reaffirm a framework of principles for stewardship and responsible investment as a key component of the South African governance framework.

OUTCOMES

- POSITIVE IMPACT
- INNOVATION
- INCLUSION
- RESILIENCE

The effective date for reporting publicly on the application of CRISA 2 is
1 February 2023

Second Code for Responsible Investing in South Africa, 2022
("CRISA 2")
CRISA

Reference:
[CRISA 2 - Code for Responsible Investing in South Africa (www.crisa2.co.za)]

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PROGRESS ON INFRASTRUCTURE-RELATED SDGs

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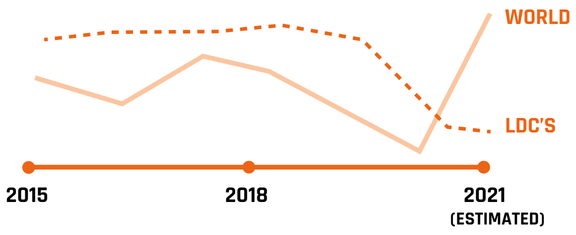
Economic, Social and Environmental Infrastructure are key building blocks in enabling quality of life, and as such, plays a critical role, both directly and indirectly, in achieving the Sustainable Development Goals (SDGs). Sustainable infrastructure and systems will help us meet our global sustainable development and economic growth needs through providing greater access to basic services.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

Global manufacturing has rebounded from the pandemic but Least Developed Countries (LDCs) are left behind

MANUFACTURING GROWTH



4 QUALITY EDUCATION

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

Many countries are **improving** school infrastructure as classrooms reopen

GLOBALLY, PRIMARY SCHOOLS (2019 - 2020)

25% lack electricity, drinking water and basic sanitation

50% lack computers and internet access

7 AFFORDABLE AND CLEAN ENERGY

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

Total **renewable energy** consumption increased by **a quarter** between 2010 and 2019, **but the share of renewables in total final energy consumption is only**

17,7%
2019

7 AFFORDABLE AND CLEAN ENERGY

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

Impressive progress in electrification **has slowed** due to the challenge of reaching those hardest to reach

NUMBER OF PEOPLE WITHOUT ELECTRICITY

- 2010 - 1,2 Billion
- 2020 - 733 Million
- 2030 - 679 Million
(Based on the current trend)

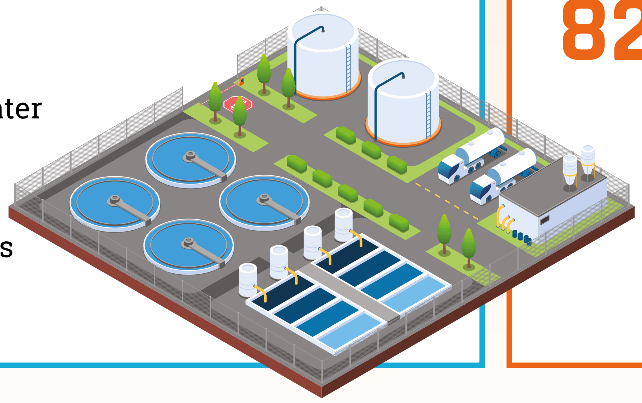
6 CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all

Meeting **drinking water, sanitation** and **hygiene** targets by 2030 requires a **4X** increase in the pace of current progress

AT CURRENT RATES, IN 2030

- **1,6 Billion people** will lack safely managed drinking water
- **2,8 Billion people** will lack safely managed sanitation
- **1,9 Billion people** will lack basic hand-hygiene facilities



11 SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient and sustainable

As cities grow, **municipal solid waste** problems **mount**

MUNICIPAL SOLID WASTE

82% Collected

55% managed in controlled facilities (2022)

SUSTAINABLE DEVELOPMENT GOALS

For more information on the progress refer to the annual SDG reports; SDG-tracker and the South Africa SDG Investor Map (2020)

INFRASTRUCTURE INVESTMENTS IN THE LIGHT OF AMENDED REGULATION 28

overview

Recent changes to Regulation 28 of the Pension Funds Act were made in part with the aim of making it easier for retirement funds to invest in infrastructure.

In 2022, new amendments to Regulation 28 of the Pension Funds Act were introduced, including amendments on infrastructure investing. The changes to the regulation address, among others, the following two issues relating to infrastructure:

1. **Providing a definition for infrastructure.** This does not make infrastructure a separate asset class, but instead provides retirement funds with guidance on which of their investments constitute infrastructure as per Regulation 28.
2. **Increasing a retirement fund's overall limit to infrastructure exposure to 45%.**

Regulation 28 defines infrastructure as "any asset that has or operates with a primary objective of developing, constructing and/or maintaining physical assets and technology structures and systems for the provision of utilities, services or facilities for the economy, businesses, or the public".

Essentially, infrastructure is the basic physical and organisational structures needed for the operation of a society and which benefit economic growth.

There are many different types of infrastructure but the most common groups into which it can be classified include:

- **Social infrastructure** such as schools, hospitals and clinics, which are typically built through the collaboration of the public and private sector;
- **Utilities** such as gas, water, sewage systems and electricity networks;
- **Transportation** such as toll roads and airports; and
- **Energy infrastructure**, which is what is needed for power generation.

These types of investments are known for their ability to generate stable and steady cash flows over many years (typically at least 20 years). In addition, they are non-cyclical, meaning their earnings do not fluctuate with the markets. For instance, infrastructure assets such as roads or bridges will be used regardless of the state of the economy.

Infrastructure investing vehicles

Investors can gain exposure to infrastructure using various approaches (See also the figure on the next page):

1. Investors can invest directly in infrastructure by investing in public infrastructure companies such as utility, transport or energy companies. This can be done through purchasing the shares, debt or other instruments issued by these companies.
2. Investors can purchase infrastructure bonds. These are bonds (or debt) issued by governments or municipalities that are earmarked for specific infrastructure projects such as building a pedestrian bridge.
3. More recently, investments can be made through public-private partnership (PPP) projects entered into by public sector institutions and private companies. This would typically entail the government allowing a private company to contribute capital towards a project – such as building a jail, for example. The private company, which can now be regarded as co-investors, then signs an offtake agreement with the relevant government department for the services or goods the PPP provides. These agreements cover the price and period of service or goods delivery to the government.
4. In the unlisted space, private equity type infrastructure funds can also be set up. These funds are set up with the limited partners (LPs) providing the capital to the fund and the general partners (GPs) managing the funds and allocating capital to various infrastructure projects.
5. Investors can also allocate capital to infrastructure through infrastructure funds of funds, exchange-traded funds (ETFs) or even through derivatives built around various listed infrastructure indices.
6. Investors can typically adopt one or more of the strategies listed above as part of their overall investment approach.

The new (increased) limit imposed by Regulation 28 means retirement funds will need to report on the percentage apportionment to infrastructure per asset class in order to demonstrate that they do not exceed the 45% limit.

Investment instruments and vehicles for investing in infrastructure assets

Modes		Infrastructure finance instruments		Market channels
Asset category	**Instrument**	**Infrastructure project**	**Corporate balance sheet / Broader entities**	**Capital pool**
Fixed income	Bonds	Project bonds	Corporate bonds, green bonds	Bond indices, bond funds, exchange-traded funds (ETFs)
		Municipal, sub-sovereign bonds		
		Green bonds, Sukuk	Subordinate bonds	
	Loans	Direct/co-investment lending to infrastructure projects, syndicated project loans	Direct/co-investment lending to infrastructure	Debt funds, general partners (GPs)
			Syndicated loans, Asset-Backed Security (ABS), Collateralised Loan Obligations (CLOs)	Loan indices, loan funds
Mixed	Hybrid	Subordinated loans/bonds, mezzanine finances	Subordinated bonds, convertible bonds, preferred stock	Mezzanine debt funds (GPs), hybrid debt funds
Equity	Listed	YieldCos, closed-end funds	Listed infrastructure & utilities stocks, closed-end funds, Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (IITs), Master Limited Partnerships (MLPs)	Listed infrastructure equity funds, indices, trusts, ETFs
	Unlisted	Direct/co-investment in infrastructure project equity, PPPs	Direct/co-investment in infrastructure corporate equity	Unlisted infrastructure funds (GPs)

Source: The Organisation for Economic Co-operation and Development (OECD)

Reasons for cosidering allocations to infrastructure

There are many reasons investors would consider including infrastructure assets in their investment portfolios. One of these is **the social and economic benefits that infrastructure assets provide.** Retirement funds, for instance, could invest in infrastructure assets such as roads, hospitals and schools that benefit their members, who would likely be among the users or beneficiaries of this infrastructure. This also aligns with the worldwide notion of sustainable development as set out by the United Nations.

Infrastructure acts as a store of value throughout the economic cycle. Because they provide essential services to society, infrastructure assets are not affected by upswings and downswings in the economy. Additionally, the returns of infrastructure investments are not determined by the market's behaviour – instead, they are determined by the asset's performance. They are normally not affected by volatility in the capital market.

The returns for infrastructure assets, like those of other alternative assets, tend to have a low correlation to those of the more traditional asset classes such as shares and bonds listed on stock exchanges, making them a great choice for **diversification purposes.**

Infrastructure assets are typically backed by regulation, concession arrangements or contractual agreements (due to the essential services they provide in most instances) and thus produce relatively stable and predictable returns despite economic and market fluctuations.

Infrastructure assets are also well known for their inflation-protection characteristics, allowing them to provide real returns to investors. Many infrastructure assets have a form of **built-in inflation linkage.** This is because the prices negotiated between the government and the owner of the infrastructure are, in most cases, linked to a price index. The most common price index used is the Consumer Price Index, which tracks inflation in an economy. As an example: The owner of a wind farm, which produces electricity, will sign an offtake agreement for the power with the electricity utility. The agreement entails that the utility will buy a maximum number of megawatt hours from the wind-farm owner. The price per megawatt hour will increase each year at a rate linked to the Consumer Price Index.

Potential risks to consider

Investing in infrastructure assets is not without risk. Investors need to be aware of the risks to which they may be vulnerable as well as the possible ways to mitigate them. Let us consider some of the common risks of infrastructure investing:

Liquidity risk	Due to their long-term nature, infrastructure assets are considered to be illiquid – it is not very easy to exit the investment. Adjusting your investment strategy to be more long-term and having sufficient liquidity (such as through holding a portion in money-market or cash investments) can help mitigate this risk in your portfolio.
Vintage year risk	The timing of the initial investment can impact the returns of the infrastructure investment. For example, if you invest during the construction phase of an infrastructure asset, you can expect returns only once the asset earns income.
Environmental risk	Many infrastructure assets have environmental footprints that need to be managed. The costs of not properly managing this risk include fines, operating restrictions, and contamination of land, water and air.
Regulatory risk	Infrastructure assets can be subject to substantial regulation. Failure to comply with these stipulations could result in fines, restrictions, and licences to operate being revoked. This regulation may also change in the future, resulting in an additional risk for which investors need to be prepared.
Operating risk	Many infrastructure assets face the risk of not being operated in an efficient manner.
Technical risk	A design flaw or inadequate resource assessment that can impair an asset's overall ability to operate as intended.

Infrastructure investing in South Africa

The South African government acknowledges the importance of increased investment in infrastructure. This has resulted in the development of various initiatives on its part, such as the National Infrastructure Plan 2050 (NIP2050). The government has also established the Infrastructure Fund, which aims to use government funding to leverage much higher levels of private sector investment in public infrastructure. That means the government plans to invest alongside the private sector in critical infrastructure projects.

The government has identified various sectors for increased investment:

1. **Energy infrastructure:** infrastructure projects focusing on solar and wind energy production.
2. **Water and sanitation:** projects include the refurbishment of poorly maintained water and waste-water treatment infrastructure in municipalities, as well as projects to enhance water security and access to water.
3. **Human settlements:** the building of houses as well as institutions such as schools, health facilities and places of worship.
4. **Digital infrastructure:** investments in this type of infrastructure can be very lucrative for investors – one of the fastest-growing investments in this sector is the deployment of fibre internet.
5. **Transport:** projects in this sector could include those aiming to bridge geographic distances, providing enhanced access to services by people living in rural areas, as well as developing transport alternatives that minimise environmental harm.

GLOSSARY

Public-Private Partnership or PPP: a contractual agreement between the government and a private company targeted towards financing, designing, implementing and operating infrastructure facilities and services that were traditionally provided by the public sector.

Offtake agreement: a long-term legal contract between two parties wherein the buyer undertakes to buy all of or some portion of the manufacturer's future production.

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HOW INFRASTRUCTURE INVESTORS CAN ENABLE THE ACHIEVEMENT OF THE (SDGs) THROUGH THEIR INVESTMENTS

overview

The achievement of the sustainable development goals will require significant infrastructure investment, but the global infrastructure sector remains largely underfunded. Sustainable infrastructure and systems should help us meet our global sustainable development and economic growth needs through providing access to basic services and resources.

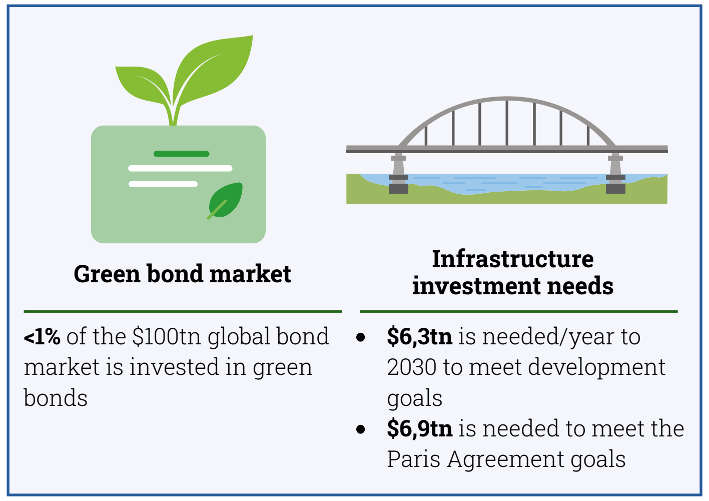
Infrastructure and the Sustainable Development Goals

Infrastructure is important to supporting health and well-being and enabling economic activity. Sustainable infrastructure and systems can help humanity meet its sustainable development and economic growth needs. It therefore forms an important part of the UN's Sustainable Development Goals (SDGs). The table on the next page (Table 1) sets out ways in which infrastructure can support the achievement of the SDGs.

The infrastructure investment funding gap

According to the World Economic Forum (WEF), good infrastructure is the backbone of any successful society and economy. People need access to energy, transport, sanitation, hospitals, and schools to thrive. Unfortunately, the way we have built much of this infrastructure over the past century has been extremely carbon intensive. Worse still, we will need to build much more of it in the coming decades, particularly in emerging and developing countries.

Unless we quickly develop a new generation of sustainable infrastructure, it will be very hard to reverse catastrophic climate change. This will require significant global investment, up to $7 trillion per year through to 2030. The investment of both public and private finance is required to address this underfunding.



Green bond market

<1% of the $100tn global bond market is invested in green bonds

Infrastructure investment needs

- **$6,3tn** is needed/year to 2030 to meet development goals
- **$6,9tn** is needed to meet the Paris Agreement goals

Figure 1: Infrastructure Investment needs (Source: World Economic Forum, 2020)

The Role of Infrastructure and the SDGs

SDG	SDG description	SDG target and how infrastructure supports achievement of SDG
1 NO POVERTY	**End poverty in all its forms everywhere**	**SDG Target:** The targets relate to access to basic services, building resilience and reducing vulnerability to climate-related extreme events, and other economic, social, and environmental shocks. **Role of Infrastructure:** Good infrastructure is needed to provide this resilience, as well as for public service delivery, such as education, healthcare, or access to water and energy.
2 ZERO HUNGER	**End hunger, achieve food security and improved nutrition and promote sustainable agriculture**	**SDG Target:** The targets refer to an increase in investment for rural infrastructure. **Role of Infrastructure:** Illustrates the importance of infrastructure investment, not only in urban but also in rural areas.
3 GOOD HEALTH AND WELL-BEING	**Ensure healthy lives and promote well-being for all at all ages**	**SDG Target:** Target 3.8 focuses on access to quality essential healthcare services. **Role of Infrastructure:** The development of health centres and hospitals in urban and rural areas is essential to providing access to quality healthcare.
4 QUALITY EDUCATION	**Ensure inclusive and equitable education and promote lifelong learning opportunities**	**SDG Target:** Target 4.8 demands the construction and upgrading of learning facilities. **Role of Infrastructure:** Investment in infrastructure for positive educational outcomes is crucial to providing access to quality education for all.
5 GENDER EQUALITY	**Achieve gender equality and empower all women and girls**	**SDG Target:** Target 5.4 points at the need for provision of public services and infrastructure for social protection of unpaid care and domestic workers. **Role of Infrastructure:** Sustainable public services and infrastructure reduce and prevent poverty, vulnerability and social exclusion.
6 CLEAN WATER AND SANITATION	**Ensure availability and sustainable management of water and sanitation for all**	**SDG Target:** This goal and the underlying targets focus on availability, access, and sustainable water management, all of which require carefully planned infrastructure projects. **Role of Infrastructure:** Water is fundamental to many other aspects of sustainable development. Infrastructure enables access to basic services and sanitation.
7 AFFORDABLE AND CLEAN ENERGY	**Ensure access to affordable, reliable, sustainable, and modern energy for all**	**SDG Target:** Targets 7.1 and 7.2 refer explicitly to the promotion of investment in and expansion of energy infrastructure. **Role of Infrastructure:** Sustainable access to energy is crucial to socio-economic development.
11 SUSTAINABLE CITIES AND COMMUNITIES	**Make cities and human settlements inclusive, safe, resilient and sustainable**	**SDG Target:** Targets relating to infrastructure planning or issues such as waste management, transportation, climate change mitigation and adaptation, and resource efficiency, require sustainable infrastructure development to reach this goal. **Role of Infrastructure:** Infrastructure in sustainable cities provides access to services, education, healthcare, affordable housing and economic opportunities.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Ensure sustainable consumption and production patterns**	**SDG Target:** Target 12.7 refers to the implementation of sustainable procurement practices and policies that will have to be reflected in the procurement of infrastructure projects as well. **Role of Infrastructure:** Infrastructure investment presents an opportunity to model sustainable practices in the development of infrastructure and the associated value chain.
13 CLIMATE ACTION	**Take urgent action to combat climate change and its impacts**	**SDG Target:** This goal implies that infrastructure projects have to be developed in a way that helps with the mitigation of climate change and adaption to its impacts, as well as being explicitly developed to protect the poor and vulnerable groups from the effects of climate change. **Role of Infrastructure:** Future infrastructure projects that support climate mitigation and adaptation can enable us to reach our global climate goals set under the Paris Agreement.
17 PARTNERSHIPS FOR THE GOALS	**The means of implementation of the SDGs and post-2015 agenda**	**SDG Target:** The targets refer among others to multi-stakeholder partnerships. Public-private partnerships (PPPs) will become increasingly important as a way of delivering infrastructure. **Role of Infrastructure:** The need to plug infrastructure gaps is an opportunity to explore collaborative investing and innovative instruments between public and private investors for sustainable outcomes.

Table 1: *Infrastructure and the Sustainable Development Goals* (Source: International Institute for Sustainable Development (Casier, 2015))

The funding gap for developing countries

According to the International Finance Corporation (IFC), the total annual investment in the infrastructure required, in developing countries, to achieve the SDGs will need to be between $3,3 trillion and $4,5 trillion.

The most significant gaps in investments are those needed to boost economic growth, such as energy generation and transmission, climate change mitigation, and transport infrastructure. Significant financing gaps exist in social infrastructure, such as health and education. According to the International Monetary Fund (IMF), meeting the SDG targets for education, health, roads, electricity, water, and sanitation by 2030 will need an additional $528 billion for low- and lower middle-income countries and $2,1 trillion for emerging countries. (Figure 2)

According to the Africa Infrastructure Country Diagnostic (AICD), Africa's infrastructure needs are estimated at about $93 billion, or about 15% of regional gross domestic product (GDP), per year. This is over and above the cost of rehabilitating about 30% of existing infrastructure that has been poorly maintained.

In terms of the South African National Infrastructure Plan 2050, the finance gap that needs to be closed is estimated at R2,15 trillion ($117 billion) and aims for a thriving private infrastructure investment sector that will be supported by an efficient and reliable public sector procurement framework.

Investor challenges to aligning with the SDGs

While many infrastructure investors are beginning to consider the SDGs as key to their investment decision making, significant challenges still stand in the way of the integration of the SDGs in investment decision making becoming mainstream, impactful, and consistent.

CHALLENGES WITH REGARD TO SDG-ALIGNED INFRASTRUCTURE INVESTING

- Access to quality, comparable and consistent data on what the SDG outcomes could be for an investment.
- Reliable frameworks that help investors align desired SDG outcomes with financial considerations.
- Investors are not yet able to align outcome objectives along the entire investment chain more consistently.
- Greater engagement with government is required so that national infrastructure plans are better aligned with the SDGs.
- Investors face a significant skills challenge in terms of experienced finance professionals with deep infrastructure and ESG/sustainability knowledge.
- Investors face challenges in raising capital for greenfield investments (developing infrastructure projects from the ground up and not investing in existing infrastructure assets), as opposed to brownfield investments (existing, ready-to-operate infrastructure assets), where embedding SDG outcomes can be achieved from the very beginning.
- There is a general lack of investor collaboration in driving SDG outcomes in the investments that are made.

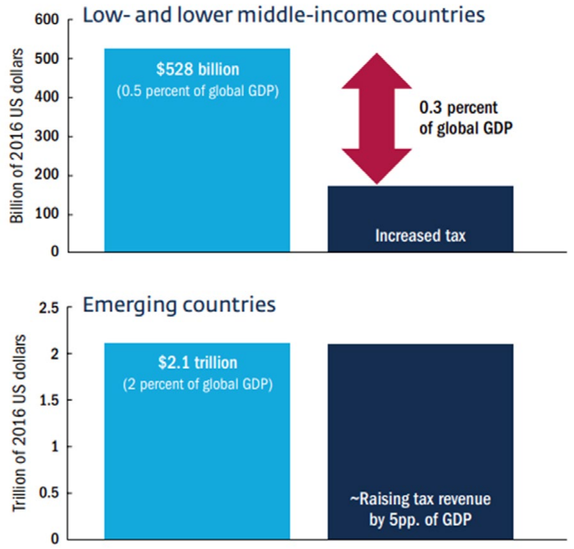


Figure 2: Financing gap for low- and lower middle-income countries and emerging countries (IFC, 2019)

Overcoming the challenges and looking ahead

There is an increasingly urgent need to raise the level of infrastructure investments from billions to trillions to address the SDG financing gap. Making progress towards the SDG goals by 2030 will require comprehensive solutions to support stronger co-investment platforms to enable business environments in low- and middle-income countries to advance financial deepening, and to increase the efficiency of public spending.

Both private and public sectors play significant roles in financing the SDGs. In low- and middle-income countries like South Africa, the public sector generally dominates in terms of infrastructure investments. Increased participation by the private sector could potentially close the SDG financing gap with high development impact. Private sector investors can do more, according to the WEF.

Policy reforms, including legal and regulatory reforms, are required to enable greater SDG-aligned infrastructure investment. In addition, many low- to middle-income countries may have limited fiscal space in the assessment of investment needs to effectively catalyse greater infrastructure investment. This increases the importance of crowding in capital and investment from external sources, including private funding, to meet infrastructure investment needs to meet the SDGs.

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INFRASTRUCTURE INVESTING IN AFRICA

Ninety One | ASISA FOUNDATION

No country in Africa has been spared by the COVID-19 pandemic. Improved infrastructure has been rightly among the countermeasures proposed for responding to the pandemic and for building resilience over the long term.

AFRICA'S INFRASTRUCTURE DEFICIT

Inadequate infrastructure remains a major obstacle towards Africa achieving its full economic growth potential. According to the World Bank, USD 93 billion a year is needed to fund Sub-Saharan Africa's infrastructure gap; growing to USD 170 billion a year by 2050.

INFRASTRUCTURE INVESTMENT & ECONOMIC DEVELOPMENT

Infrastructure plays a key role in the transformation of economies and society.
Better quantity and quality of infrastructure can directly increase economic performance and socio-economic benefits to society.

GREENFIELD VS BROWNFIELD INFRASTRUCTURE

GREENFIELD INFRASTRUCTURE

Greenfield infrastructure is an investment into new infrastructure – new development and construction projects.

Funding sources:
- Mostly governments
- Multinational Development Banks/ National Development Banks.

BROWNFIELD INFRASTRUCTURE

Brownfield infrastructure is an investment into existing and ready-to-operate – or already operating – infrastructure assets.

Funding Sources:
- Commercial banks
- Bond markets
- Private equity
- Corporate public equity, and
- Public equity funds.

NEEDS → CHALLENGES → OPPORTUNITIES

The infrastructure Africa needs

High priority areas for African Infrastructure Development:
- Energy
- Water
- Health
- Education
- Telecommunications

Infrastructure investment challenges in Africa

- Clarifying the role of Sub-Saharan infrastructure in investors' portfolios
- The necessity for patience and long-term commitments
- Risk perception and reality gap
- Regulatory barriers to greater investment in infrastructure
- Gaps in the financing of infrastructure

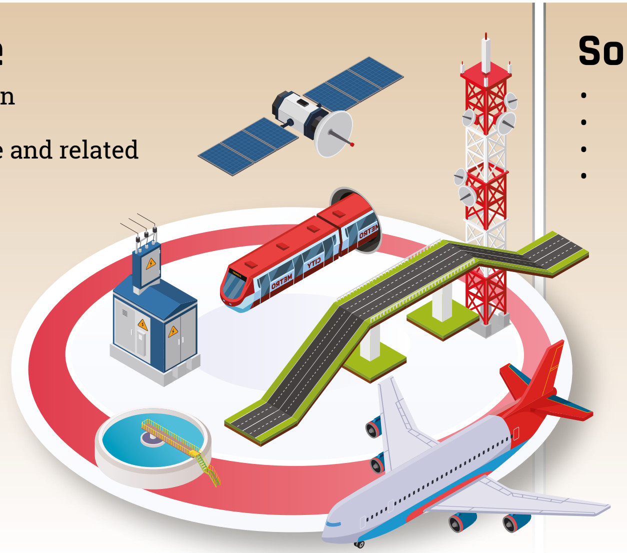
Infrastructure investment opportunities to drive impact and growth

- Revised Regulation 28 enables South African retirement funds to allocate up to 45% of their investment portfolio to infrastructure assets.
- Collaborative investing (Blended finance)
- Education on risk mitigation
- Engaging and partnership with local and international investor peers
- Partnerships with development finance institutions
- Improving refinancing opportunities (innovation around investment instruments)
- Aligning with climate and sustainability targets.

INFRASTRUCTURE INVESTMENT CATEGORIES

Economic Infrastructure

- Electricity generation, transmission infrastructure and related services
- Commuter transport infrastructure and related services
- ICT and broadband infrastructure
- Water infrastructure
- Liquid fuels infrastructure
- Rail and ports infrastructure
- Road and airport infrastructure

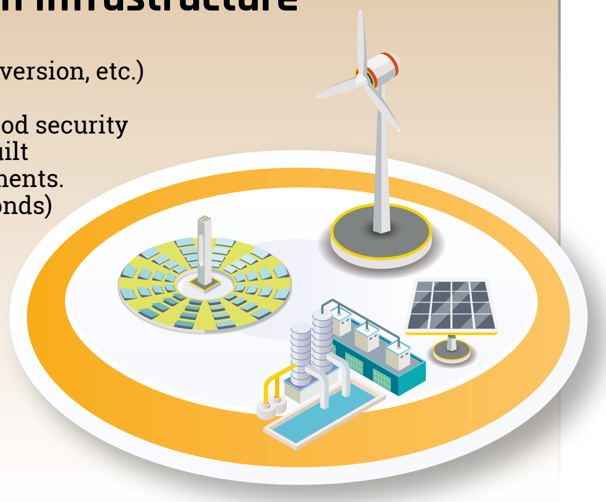


Social Infrastructure

- Affordable housing infrastructure
- Healthcare infrastructure
- Education infrastructure
- B-BBEE, SMEs, enterprise development and job creation

Environmental or Green Infrastructure

- Energy
- Waste (waste to energy, waste diversion, etc.)
- Water
- Agriculture, food systems and food security
- Low-carbon, climate-resilient built environment and human settlements.
- Bonds (Green & sustainability bonds)



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RECENT DEVELOPMENTS AND CHANGES IN THE ESG AND IMPACT REPORTING LANDSCAPE

overview

The ESG and impact reporting landscape has seen major changes in the past 12 to 18 months, nudging us closer to the development of a comprehensive global baseline of sustainability disclosures for the capital markets.

Introduction

Growing demand for more and better corporate sustainability (or ESG) information led to the early proliferation of frameworks and standards. It created some confusion in the marketplace. A large part of the demand came from investors looking for useful information to base decisions on, more quantitative performance measures, and better-quality ESG data. The pace of change seems to indicate an acceleration towards a single, universal sustainability standard covering both financial and non-financial disclosures is needed.

Over the past 12 – 18 months several significant changes and developments have taken place in the ESG and impact reporting landscape, taking us one step closer to more standardised reporting. There is a need for a universal reporting framework that can improve disclosure quality and comparability of data to enable stakeholders to compare information on a like-for-like basis.

Overview of developments

Consolidation of reporting bodies: A key development that will enable better reporting is the consolidation of standards from both the Value Reporting Foundation (VRF) (home to the Integrated Reporting (<IR>) Framework) and the Sustainability Accounting Standards Board (SASB), into the International Financial Reporting Standards (IFRS) Foundation.

COP26 commitments of support: Following the COP26 climate summit, where nation states made firm commitments to tackle climate change through a reduction in carbon emissions, moves are afoot to consolidate sustainability disclosure. In this regard, there is increasing support for the IFRS Foundation's new International Sustainability Standards Board (ISSB). The ISSB aims to develop a comprehensive global baseline of sustainability disclosures for the capital markets.

Better global reporting regulation: Further worldwide developments include the adoption of a proposal for a Corporate Sustainability Reporting Directive (CSRD), as well as the introduction of the Sustainable Finance Disclosure Regulation (SFDR) by the European Commission. The CSRD and the SFDR were introduced by the European Commission through legislation aimed at supporting the European Commission's Action Plan on Sustainable Finance. All of this is aimed at achieving Europe's international environmental commitments and targets.

Better South African reporting guidance: The JSE issued its sustainability and climate disclosure guidance on June 14, 2022 and the CRISA Committee issued the updated Code for Responsible Investing in SA (CRISA 2) on September 16, 2022.

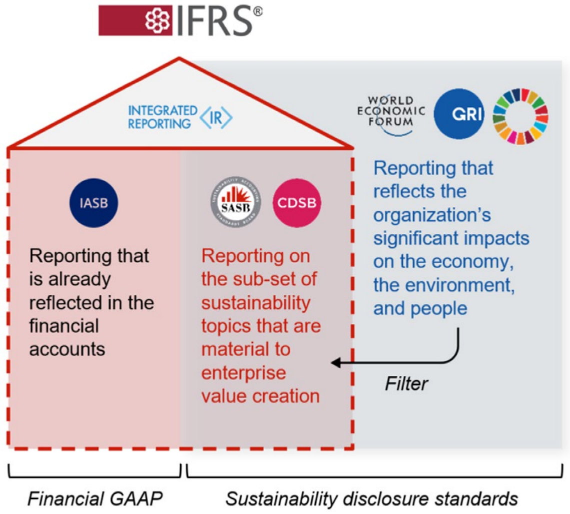
What are the impacts of these developments?

The consolidation of the VRF and SASB follows that of the Climate Disclosure Standards Board (CDSB) into the IFRS Foundation earlier this year. The broader consolidation of these organisations seeks to simplify the sustainability disclosure landscape by developing a single, coherent and comprehensive corporate reporting system.

It is envisioned that the VRF's SASB standards will serve as a starting point for the development of the IFRS Sustainability Disclosure Standards, while the <IR> Framework will be a connecting point between financial statements and sustainability-related financial disclosures.

As shown in Figure 1 below, the <IR> Framework will act as the bridge between financial disclosures and sustainability-related financial disclosures and will be used to report how changes in sustainability-related risks and opportunities (dynamic materiality) impact on the value of a company (enterprise value) over time.

Furthermore, it is envisioned that existing corporate reporting frameworks that focus on broader societal impacts and objectives, such as the UN's Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI), will be used to report on and disclose a company's positive and negative impacts (impact materiality). Reporting the effects on enterprise value (financial materiality) that have already taken place will be continued through existing Generally Accepted Accounting Principles (GAAP).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INTEGRATED REPORTING <IR>
WORLD ECONOMIC FORUM
GRI
IASB
SASB
CDSB
Reporting that is already reflected in the financial accounts
Reporting on the sub-set of sustainability topics that are material to enterprise value creation
Reporting that reflects the organization's significant impacts on the economy, the environment, and people
Filter
Financial GAAP
Sustainability disclosure standards

Figure 1: Proposed consolidated corporate reporting system
Source: https://tinyurl.com/2puh2rnx

To enable the development of a comprehensive global baseline of sustainability disclosures for the capital markets, the IFRS Foundation launched the consultation process of its first two exposure drafts, IFRS S1 General Sustainability-related Disclosure Requirements and IFRS S2 Climate-related Disclosures, during March 2022. The comment period ended in July 2022. The issuance of the S1 and S2 Standards is expected to take place before the end of Q2 2023..

IFRS Sustainability
Exposure Draft
IFRS® Sustainability Disclosure Standard
[Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
International Sustainability Standards Board
IFRS Sustainability
Exposure Draft
IFRS® Sustainability Disclosure Standard
[Draft] IFRS S2 Climate-related Disclosures
Appendix B Industry-based disclosure requirements
International Sustainability Standards Board

Figure 2 and 3: IFRS S1 General Sustainability-related Disclosure Requirements; IFRS S2 Climate-related Disclosures

Corporate Sustainability Reporting Directive (CSRD)

In addition to the worldwide changes that are afoot, the European Commission recently also raised the bar for reporting corporates to improve the quality of non-financial reporting. In April 2021, the Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD), which would amend the existing reporting requirements of the Non-Financial Reporting Directive (NFRD). The NFRD set out the rules on disclosure of non-financial and diversity-related information for specific companies. The first set of standards will be adopted in October 2022.

Key features

- The updated directive is intended to replace the non-financial reporting directive issued in 2014.
- The CSRD will largely apply to listed corporates in the regulated EU market, with a few exemptions.
- In short, the new rules will mandate listed entities to publish detailed sustainability information that has been audited (assured) to add credibility to the disclosure of sustainability data.

Sustainable Finance Disclosure Regulation (SFDR)

As noted earlier, the Sustainable Finance Disclosure Regulation (SFDR) also forms part of the set of legislative measures aimed at supporting the European Commission's Action Plan on Sustainable Finance. The SFDR is specifically aimed at financial institutions and imposes mandatory ESG disclosure obligations from both a reporting perspective and at the product level.

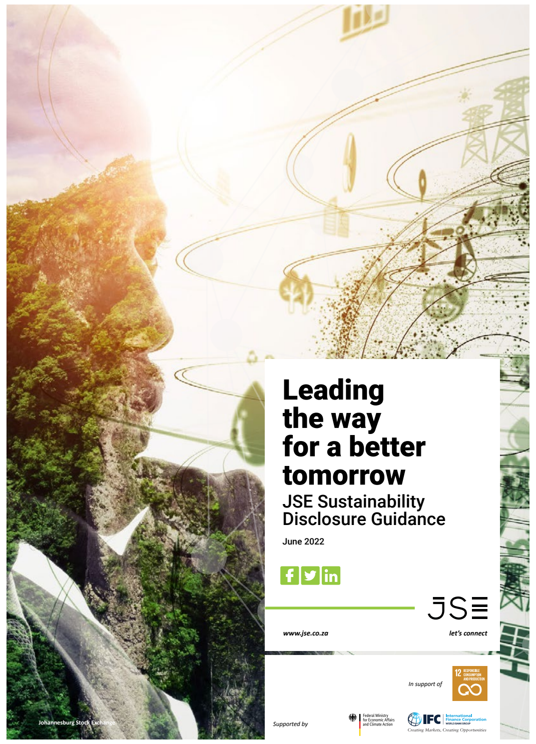
Key features

- The SFDR will directly impact and apply to financial institutions[1] and indirectly to non-EU entities, which will be affected through EU subsidiaries that provide services in the EU.
- The disclosure requirements are applicable at two levels, namely the level of the entity (Level 1) and the product (Level 2).
- Level 1 requires financial institutions within the EU – or those marketing to EU investors – to make public the following information:
  - Policies governing the integration of sustainability risks into the institution's investment decision-making process;
  - Negative effects on sustainability because of the investment decision and/or investment advice; and
  - Alignment of remuneration policies with sustainability objectives.
- Although level 2 requirements[2] will require financial institutions to classify the products or advice they offer into one of the three following categories:
  - mainstream products;
  - products promoting environmental or social characteristics; or
  - products with sustainable investment objectives.
- Level 1 requirements took effect in July 2021 and level 2 requirements are due to apply as from July 2022.

[1] Institutions such as banks, insurers, asset managers and investment firms operating in the EU.

[2] Level 2 requirements are yet to be finalised.

These developments have important implications for South African companies with large operations in the EU as these requirements could become applicable or be requested via their EU entities. This will depend on several factors, such as turnover, for example. More detail on what this means for non-European companies with extensive operations in the EU market can be found on the European Commission's website. From an investor perspective, these global developments will also have implications for South African investors as, over time, global investors will start asking for the same data and quality of information for the entities in which they invest or to which they provide financing. It is therefore advisable for South African companies and investors with significant exposure to these markets to start readying themselves for these disclosure requirements.



Leading the way for a better tomorrow
JSE Sustainability Disclosure Guidance
June 2022

Source: JSE. JSE Unveils Guidance Framework to Aid Progress in Disclosure and Governance

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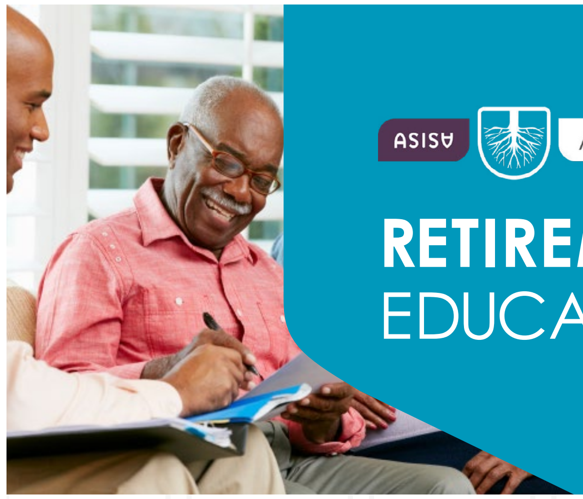
To learn more about this topic, please visit our website www.atleha-edu.org or email us at info@atleha-edu.org to find out more about our educational publications, resources and workshops.



ASISA ACADEMY ASISA FOUNDATION

RETIREMENT FUND TRUSTEE EDUCATION WORKSHOPS

RESPONSIBLE INVESTING WORKSHOP

This workshop gives retirement fund trustees and principal officers an overview of the fundamentals of responsible investing and how the principles can be practically applied in retirement funds. Trustees are empowered to ensure their fund adheres to the global best practices and fiduciary responsibilities in Batseta's "**Responsible Investment and Ownership – A guide for Pension Funds in South Africa**".

THE WORKSHOP'S 4 LEARNING AREAS INCLUDE

1. INTRODUCTION AND DEFINITIONS
2. REGULATORY AND RISK ENVIRONMENT
3. INTERNATIONAL AND LOCAL PRACTICE
4. PRACTICAL IMPLEMENTATION

The workshop is delivered at no cost to delegates, provided that the majority of delegates are trustees and principal officers of South African retirement funds. Batseta members can also earn CPD points by participating in this independent industry-approved workshop.

ASISA ACADEMY

Accredited CPD provider for the Batseta Council for Retirement Funds.

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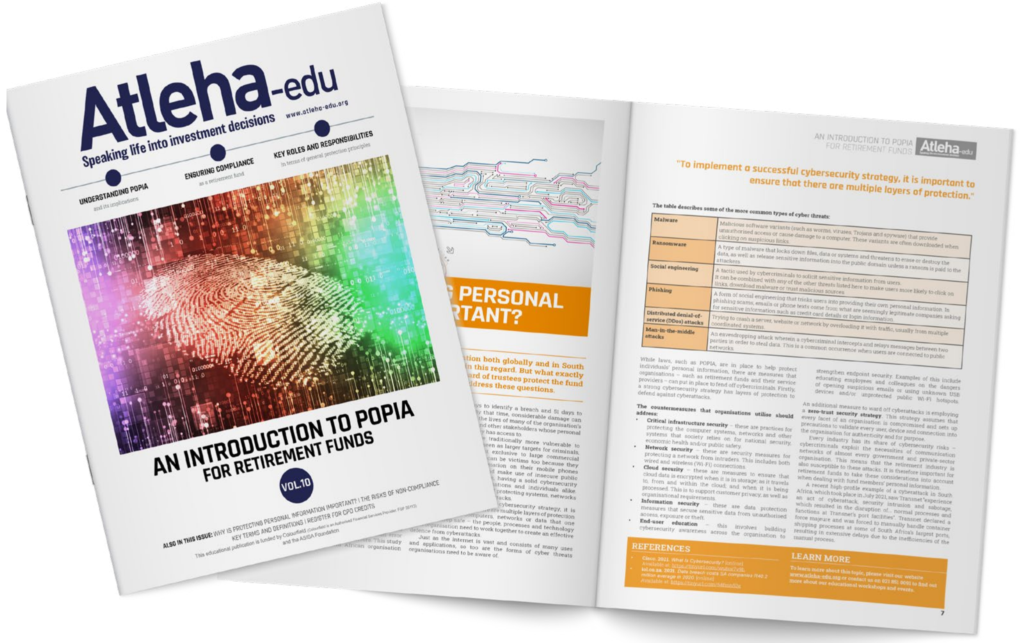
AN INTRODUCTION TO INFRASTRUCTURE INVESTMENTS
RETIREMENT FUNDS AND RISK MANAGEMENT
CLIMATE-RELATED FINANCIAL DISCLOSURE
ALTERNATIVE ASSET CLASSES: UNDERSTANDING HEDGE FUNDS
SUSTAINABLE INVESTING 2.0

About Atleha-edu NPC

In Sesotho, when you tell someone to "Atleha" you are telling them to prosper. By combining "Atleha" and "edu" we want to contribute to quality financial education.

Our purpose at Atleha-edu, a non-profit company (NPC), is to help ordinary South Africans save and invest for a better tomorrow. We do this through Financial Sector Code (FSC)-compliant awareness and interactive education programmes focused on retirement fund trustee, principal officer, management committee member, and fund member awareness and education initiatives.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AN INTRODUCTION TO POPIA FOR RETIREMENT FUNDS
VOL.10

We provide accessible, quality consumer financial educational (CFE) content via:

- Educational videos
- Educational sound bits
- Educational short articles
- Educational publications
- Infographics
- Interactive trustee and fund member workshops (in-person and virtual)

Atleha-edu's CFE offers the following benefits:

- Retirement Fund Trustee Education on topical retirement fund issues, as envisioned by the Financial Sector Conduct Authority (FSCA) and Financial Sector Code (FSC)
- A mixture of educational publications, short articles, video and audio content (including translations into various African languages, such as isiZulu, Sesotho and isiXhosa)
- Educational content accredited for BATSETA Continuous Professional Development (CPD)
- All content is available at no cost
- No funder or service provider product marketing as per FSTC Guidance Note 500

As per the requirements of FSTC Guidance Note 500, all Atleha-edu resources on the Atleha-edu website are made available to retirement fund trustees, principal officers and members at no cost. Atleha-edu has full editorial control over educational content and funder branding.

Our funders and strategic partners:

- Atleha-edu NPC receives FSC Consumer Financial Education funding from a number of industry partners and funders.
- We are most grateful to the ASISA Foundation, ASISA Academy, Alternative Prosperity Foundation and BATSETA Council of Retirement Funds for South Africa for their strategic partnership and funding and implementation support.
- A full list of our funders is available via https://atleha-edu.org/partner-with-us/

Monitoring Evaluation and Learning (ME&L)

All our Atleha-edu educational content and initiatives are aligned with a formal Theory of Change and Monitoring Evaluation and Learning (ME&L) programme. An external Monitoring and Evaluation service provider reviews our ME&L programme on an annual basis. The ASISA Foundation also reviews all Atleha-edu educational content and initiatives where it has specifically been a funder or co-funder.

Financial Sector Code (FSC) Consumer Financial Education compliance

As per the FSC requirements, an independent third-party service provider annually reviews all our Atleha-edu educational content and CFE initiatives and issues Atleha-edu NPC with an annual Independent Competent Persons Report (ICPR). The ICPR is provided to CFE funding partners who are then able to use the Atleha-edu ICPR when claiming FSC Scorecard points for their Consumer Financial Education spend through Atleha-edu NPC.

SIGN UP

Sign up to receive Atleha-edu educational content

Sign up via https://atleha-edu.org/trustee-education/ to receive free FSC-compliant educational content from Atleha-edu NPC via our website (https://atleha-edu.org/) as well as via a weekly Atleha-edu educational email on a Friday at 11:00.

Contact us for more info about Atleha-edu NPC or CFE funding opportunities

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Batseta
2022 CPD Provider

TEST YOUR LEARNING TO RECEIVE CPD CREDITS

Atleha-edu Consumer Financial Education initiatives are accredited for Continuous Professional Development (CPD) in partnership with the Batseta Council of Retirement Funds for South Africa.

To register your CPD credits for having read this Atleha-edu Consumer Education publication, please complete the following quiz and return this completed form via email to info@atleha-edu.org or post it to Atleha-edu, Postnet Suite 272, Private Bag, Somerset West, 7129

Example question: Please choose the correct answer.

True or false? Foreign investment limits were revised upward by National Treasury in February 2022.

☒ True
☐ False

1. Fill in the missing words. According to the World Economic Forum (WEF), good infrastructure is the backbone of any successful society and __________ ___________________.

2. Fill in the missing figure. The overall limit for exposure to infrastructure of a fund is now ____________ of the total assets of the fund.

3.True or false? Infrastructure is categorised as a separate asset class.

☐ True
☐ False

4. Choose the correct answer. Which of the following forms part of the set of legislative measures aimed at supporting the European Commission's Action Plan on Sustainable Finance?

☐ Task Force on Climate-Related Disclosure
☐ Sustainable Finance Disclosure Regulation (SFDR)
☐ Sustainability Disclosure Requirements (SDRs)

5. What does CSRD stand for?

____

6. Fill in the missing words. The risk associated with failure to comply with the laws governing investments in infrastructure is known as ________ ________.

7. Choose the correct answer. The United Nations Sustainable Development Goals (SDGs) were developed in which year?

☐ 2019
☐ 2011
☐ 2015

8.True or false? IFRS launched the consultation process of its first two exposure drafts, IFRS S1 General Sustainability-related Disclosure Requirements and IFRS S2 Climate-related Disclosures to enable the development of a comprehensive global baseline of sustainability disclosures for the capital markets.

☐ True
☐ False

9. Choose the correct answer. There are three elements of sustainable development, identify the incorrect element.

☐ Economy
☐ Governance
☐ Environment
☐ Society

10. True or false? Impact investments are investments made with the intention to generate positive, measurable social and environmental impact.

☐ True
☐ False