CREATING A SOCIALLY RESPONSIBLE INVESTING CULTURE THAT TRANSLATES TO BETTER RETURNS FOR POTENTIAL INVESTORS

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Mining Investment Conference, Gaborone
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What is Socially Responsible Investing (SRI)?

- The incorporation of environmental, social and governance (ESG) issues into investment decisions and investment ownership
- Responsible Investing in based on creating value, mitigating ESG risks and taking advantage of ESG opportunities
- Generating a measurable, beneficial social and environmental impact alongside a financial return
- Several strategies in place to implement SRI

SRI Strategies

- ESG integration
- Impact/community investing
- Sustainability themed investing
- Corporate engagement and shareholder action
- Negative/exclusionary screening
- Positive/best-in-class screening
- Norms based screening
ESG measures how companies make money...

...rather than just how much money they make

**Inputs**
- How companies are run
- Business model and strategy
- The assets they own
- How much money they make
- Investment performance

**Outcomes**
- Long term drivers
- Market’s focus

**E**
- Gas Emissions
- Eco Efficiency
- Environmental Management Systems
- Environmental Products
- Environmental Liability
- Water Consumption

**S**
- Human Capital Practices
- Health and Safety Issues
- Consumer Markets
- Labor Markets
- Supply Chain Management
- Human Rights

**G**
- Executive Comp Tied to Performance
- Board Structure and Accountability
- Transparency

- Costs and Revenues
- Cost of Capital
- Balance Sheet Risk
- Brand and Reputation Risk
- Competitive Advantage
- Valuation
Importance of ESG Investing

Schroders Global Investor Study (2017):

- 22,000 investors, in 30 countries with at least €10,000 in investable assets

The standout results were...

- 78% of investors felt sustainable investing was more important than 5 years ago
- 64% have increased their sustainable investments over the past 5 years
- 75% of millennials have increased their sustainable investments over the past 5 years
Leading Proponents of ESG in Global Financial Markets

- Now, than ever before, investors are faced with risks and pressures arising from ESG factors.
- UN-supported PRI’s role is to advance the integration of ESG into investment analysis and decision making.

PRI | Principles for Responsible Investment

1,700 Signatories

$70 Trillion Assets Under Management

A United Nations initiative organized by:

SSE Initiative

87 Partner Exchanges

- The SSE Initiative is a peer to peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency and ultimately performance on ESG issues and encourage sustainable investment.
The SSE Initiative has 14 Partner Exchanges in Africa

- BSE joined in 2016

"It is a historic moment for the BSE as we join the Sustainable Stock Exchanges initiative of the United Nations. This comes at an opportune time when the BSE is positioning itself as an international player within global markets, said Botswana Stock Exchange CEO, Thapelo Tsheole.

"Promoting sustainability through robust environmental, social and governance reporting in the capital markets landscape is fundamental to our strategic positioning as we look to attract ESG oriented investment mandates from across the globe. The BSE is pleased to be part of this global network, it is indeed a great learning and networking experience for us," Mr. Tsheole added."
<table>
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<th>SSE Partner Exchange</th>
<th>Signed SSE Commitment Letter</th>
<th>ESG Reporting required by Listing Requirements</th>
<th>Guidance on ESG Reporting</th>
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Botswana Stock Exchange fulfils commitment to publish guidance on ESG reporting

In December 2018 Botswana Stock Exchange (BSE), a partner exchange of the United Nations Sustainable Stock Exchanges initiative (SSE) since 2016, fulfilled its commitment to publish guidance for its listed companies on reporting environmental, social and governance (ESG) information to investors. The BSE made the commitment as part of the SSE's campaign to close the gap of ESG disclosure guidance, and they are the 28th exchange to publish such guidance since the beginning of the campaign. In total there are now 42 stock exchanges with guidance on ESG reporting, with a further seven having made commitments to do so in the future.

Whilst ESG reporting remains voluntary for BSE issuers, the availability of guidance will make transparency on ESG issues easier to achieve and should increase the incidence of companies choosing to disclose such information.

Mr Thapelo Tsheole, CEO of the Botswana Stock Exchange said “we see this guidance as an opportunity for issuers to meet the ever-increasing demands by investors and regulatory bodies in relation to the consistency and depth of corporate reporting. This tool also enables issuers to help investors understand the drivers of, and the risks to, sustainable value creation. On an ongoing, we will monitor the reporting of issuers in relation to ESG so that we develop capacity where necessary and, most importantly, develop instruments that publicise and incentivise those that consistently promote ESG reporting as well undertake sustainability initiatives.”
Africa in the Global SRI Agenda

- Global sustainable investment reached $22.9 trillion in 2016, compared with $18.3 trillion, a 25% increase.

- Africa constitutes a small portion of global SRI at 0.03% (surveyed countries of SA, NIG & KENYA)

- Africa mostly active in ESG integration and corporate engagement mainly because larger asset managers are signatories to PRI and their stock exchanges have integrated Responsible Investing Codes (e.g. the King Code) into the listing requirements.

### Proportion of Global SRI Assets by Region

- **Europe**: 52.6%
- **United States**: 38.1%
- **Canada**: 4.7%
- **Australia/NZ**: 2.3%
- **Asia ex Japan**: 0.2%
- **Japan**: 2.1%

**Source**: GSIA

### SRI in Africa

- **South Africa ($678 billion)**
- **Nigeria ($30 billion)**
- **Kenya ($13 billion)**

**Source**: UCT GBS
Promoting Sustainability among BSE listed Companies

• **Our main role is to promulgate rules, enforce compliance, disclosure and reporting**
  
  - Required to adopt Integrated Reporting on an “apply-or-explain” basis - New BSE Equity Listings Requirements effective 2019 (King Code of Corporate Governance)
  - Regional listings requirements harmonization

• **Some listed companies have already adopted Integrated Reporting**
  
  - Increased education about Integrated Reporting and/or Sustainability Reporting
  - Several companies already produce Integrated Reports. e.g. Sechaba, BIHL, Letshego, FNBB, and others.

• **Dual listings and Integrated Reporting driving Responsible Investing**
  
  - Companies with cross listings on the BSE and other Exchanges like the JSE, TSX, AIM & ASX are already required to adopt integrated reporting. e.g. Anglo American, Investec, etc.
ESG and Market Performance

- ESG influences a company’s valuation and performance
- Stock of sustainable companies tend to significantly outperform their less sustainable counterparts over the long term.

Companies do not operate in a vacuum - rising concerns over climate change and social issues.

Investors around the world view sustainable investing as critical to long term value creation and risk mitigation.

Investors are increasingly demanding ESG integration in their investments, and many are actively becoming signatories to the PRI's and other SRI codes.

Companies that demonstrate responsible investing will continually attract global capital.
Thank You!!

REGISTER NOW!

23rd Annual African Securities Exchanges Association (ASEA) General Meeting & Conference

24th - 26th November, 2019
Cresta Mowana Safari Resort & Spa, Kasane, Botswana

Registration for the 23rd Annual African Securities Exchanges Association (ASEA) General Meeting & Conference 2019 is now open!

Please click on the below link to register:
http://www.asea-bse2019.com