Developing a National Green Finance Taxonomy Stakeholder Engagement

16 OCTOBER 2020

ASISA Responsible Investment Definition

Responsible Investment is a set of investment and ownership practices that intentionally integrates any factor that may materially affect the sustainable performance of a fund's assets, including factors of an environmental, social and governance character.

Responsible investment and ownership practices:

- build wealth in a sustainable manner and thereby preserve long-term value for the ultimate beneficiaries.
- help to align investor's objectives with stakeholders and the broader developmental needs of society.
- apply individually and collectively in the South African, African, and global context.
- enhance delivery of long-term returns while reducing down-side risk.
- provide transparency to stakeholders regarding the manner in which ESG factors are integrated into investment and ownership practices.

Responsible Investment and ownership practices are informed by investment philosophy or specific client mandate requirements.

Section A: Definition of Infrastructure

The basic physical structures and systems (e.g. buildings, roads, power supplies, water supplies and communication networks) for the provision of utilities or services and constructed for public use or enjoyment.

Section B: Classification descriptions

Industry Classification

The TICCS classification system has been utilised. The classifications are not explained in the document but are for the most part clear. If there are any queries in this regard, please contact us.

Section B: Classification descriptions (cont.)

Financial Instrument Classification

Equity investment

Debt

Senior debt

Junior or Mezzanine

To avoid ambiguity, an instrument that exhibits a mix of the above characteristics shall be classified according to the present value of future payments at inception discounted at the relevant rate of return. For example, if an instrument derives 51% of its value from a right to participate in the residual income of a project and 49% from fixed payment of interest and principal, the asset will be classified as equity.

Section B: Classification descriptions (cont.)

Stage of Completion Classification

Construction (primary) infrastructure

Secondary infrastructure

Greenfield projects

Brownfield projects

Liquidity

Traditionally assets are divided into listed and non-listed assets, but considering the low level of trading of a lot of assets, we propose that the asset must meet the IFRS threshold of an active market to be classified as a listed asset.

Section B: Classification descriptions (cont.)

Market Risk Exposure

The TICSS classification system was also utilised for this, the definitions are included below.

Contracted

- **Fully contracted income**
- **Partially contracted income**

Merchant

Variable income

Regulated

Rate of return regulation

Price cap regulation

Level of Public Access

Tolled infrastructure

Untolled infrastructure

Untolled, special access infrastructure