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The Global Environmental and Energy Transition: Challenges and Opportunities for Pension Fund Investment

Building Portfolios aligned with the Paris objective of a net-zero carbon, and other sustainability goals

- The PIC recognise that climate change poses risks and opportunities both directly and indirectly through our investments and will continue to engage and encourage investee companies to adopt relevant climate change governance structures to address these.
- The PIC recognises and acknowledges that those organisations who have a greater understanding of their assets' exposure and vulnerability to the associated impacts of climate change will be better positioned to increase asset value and avoid stranding.
- The PIC has developed a Climate Change Position Statement that serves to provide the organisation's vision that will direct actions and ambitions related to climate change management now and in the future.
- PIC's vision emulates South Africa's ambitions in the Nationally Determined Contribution (NDC) which aims to limit global average temperatures to well below 2°C above the pre-industrial average temperatures and pursue efforts to limit it to 1.5°C to mitigate the substantial and far-reaching effects of climate change.
- PIC will positively contribute to SDG 13 on climate action and directly as well as indirectly to other SDGs(e.g SDG 7 and 8).

Greenhouse Gas Emissions

Measuring and Managing Emissions - A focus on Scope 3

- The GHG emissions arising from a company's activities are not necessarily correlated with its size. In addition to size, company emissions clearly depend on a wide range of factors such as the **energy intensity of the activities** carried out and the fuels, processes and technologies in use.
- To get an accurate sense of a business carbon risk, it is important that all three emissions are accurately calculated. Accurate measurement of these emissions would allow businesses to track progress towards their stated climate targets and transition pathways.
- Companies have so far focused on measuring and reducing their Scope 1 and Scope 2 emissions, and they have been quite successful in doing that. However, the significant emission reduction opportunities lie in the Scope 3 emissions, which businesses struggle to account for.
- Total GHG emissions are normally reported in tonnes of CO₂ equivalent (tCO₂e). The term 'carbon footprint' is also commonly used to describe total GHG emissions in tCO₂e.

GHG Protocol - Was established to aid organisations in their emission management by providing an international standardized framework for GHG emissions.



Emissions are categorized into three scopes across the value chain

Scope 1

Direct emissions from sources owned or controlled by a company

Scope 2

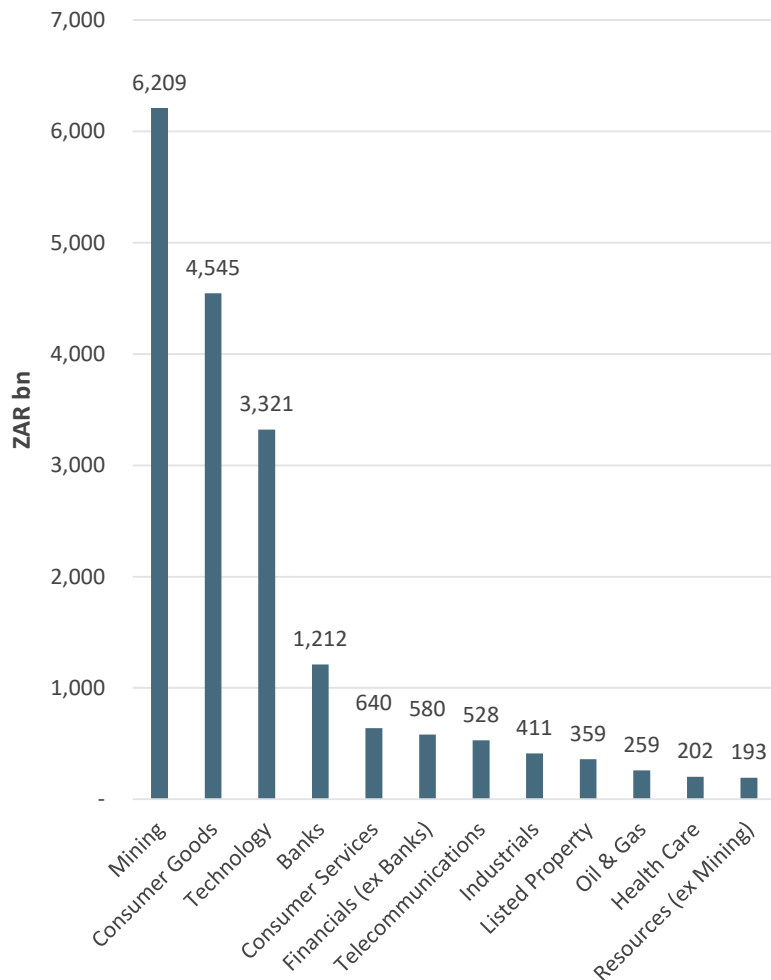
Indirect emissions from the energy used by the company. i.e. Electricity

Scope 3

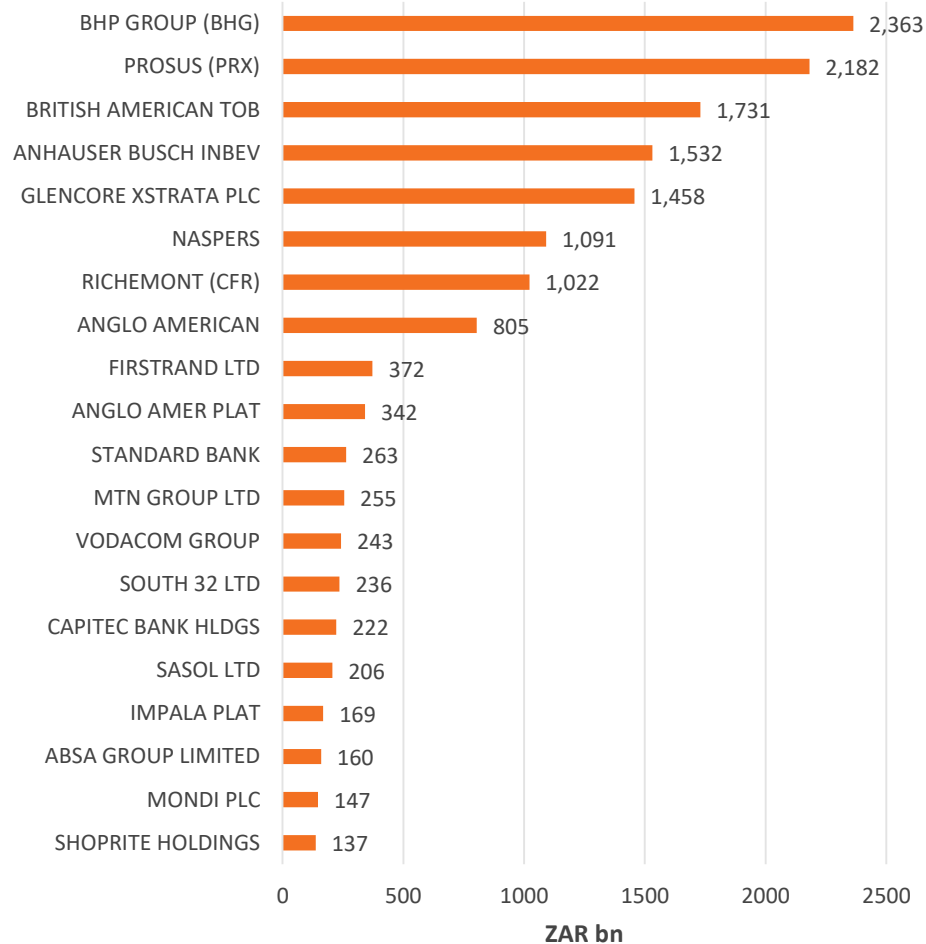
Indirect emissions from all other activities across the value chain, activities not controlled by the company

JSE Market Cap

JSE Market Cap Per Sector

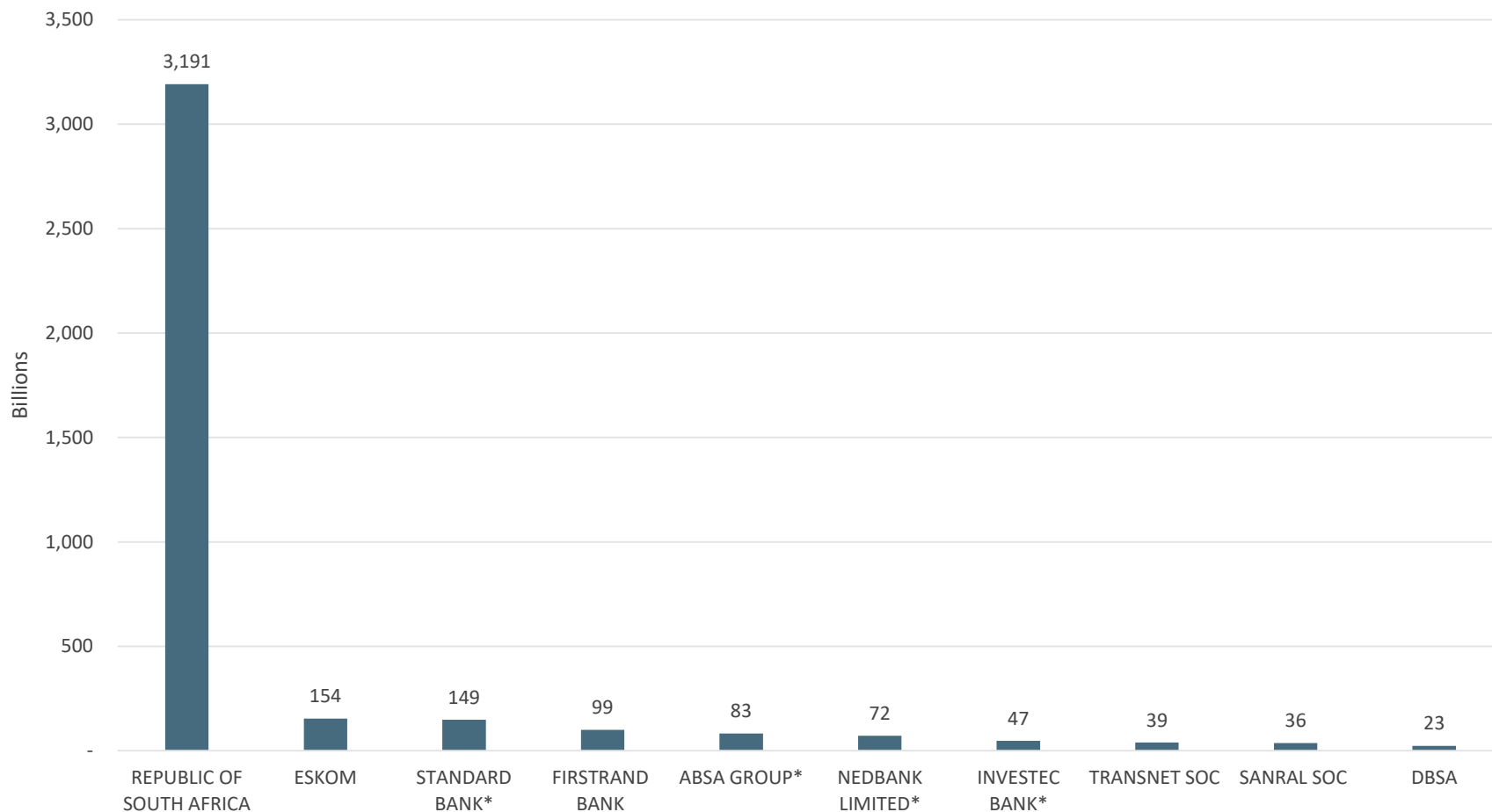


Top 20 JSE Stocks by Market Cap



Listed Debt

Top 10 Listed Bonds Issuers by Issued Amounts (Nominal)



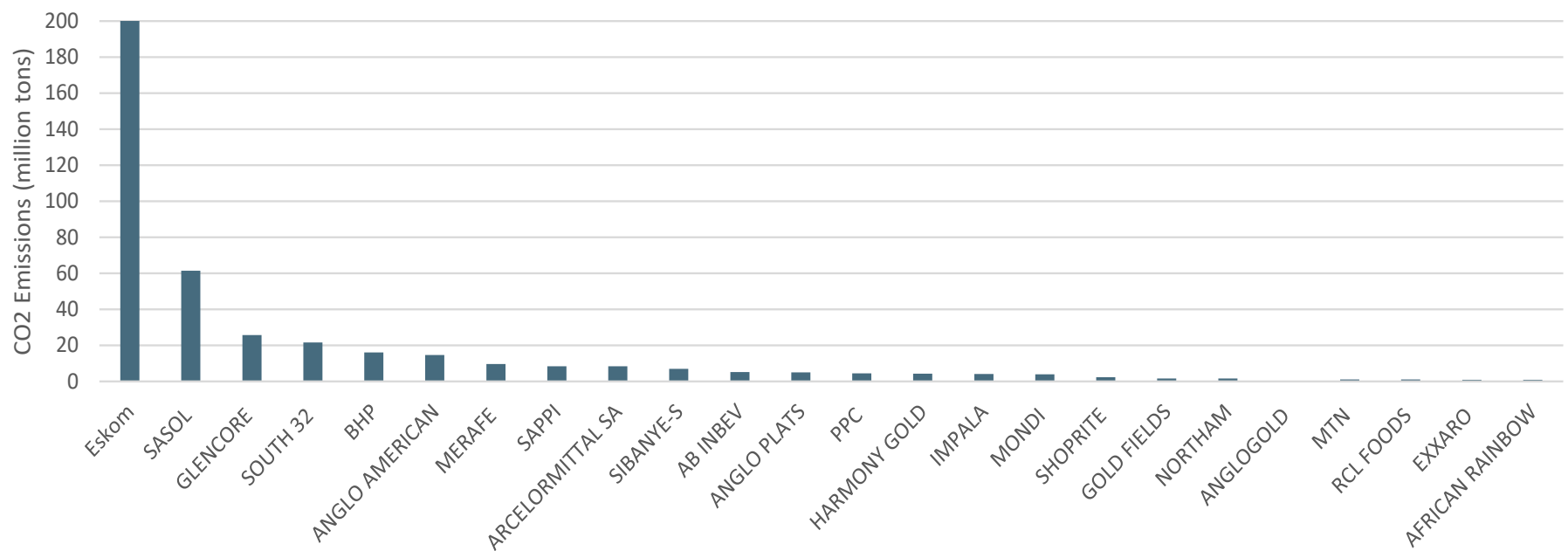
*Including bonds issued at a bank and group level

JSE listed companies (and Eskom) CO2 emissions

Eskom and Sasol are standout polluters

- Eskom is by far the largest CO2 emitter in South Africa, with emissions in 2021 of 201 mt CO2 equivalent, more than 3x as much as the next largest emitter, Sasol
- Note: Glencore, South 32, Anglo American etc are global companies, and not all these emissions are released in South Africa. However, the PIC is still exposed to these global companies in their entirety, and therefore they have been included (this is not a South Africa emissions graph).

Eskom and JSE listed companies Scope 1 and 2 CO2 emission (mt)



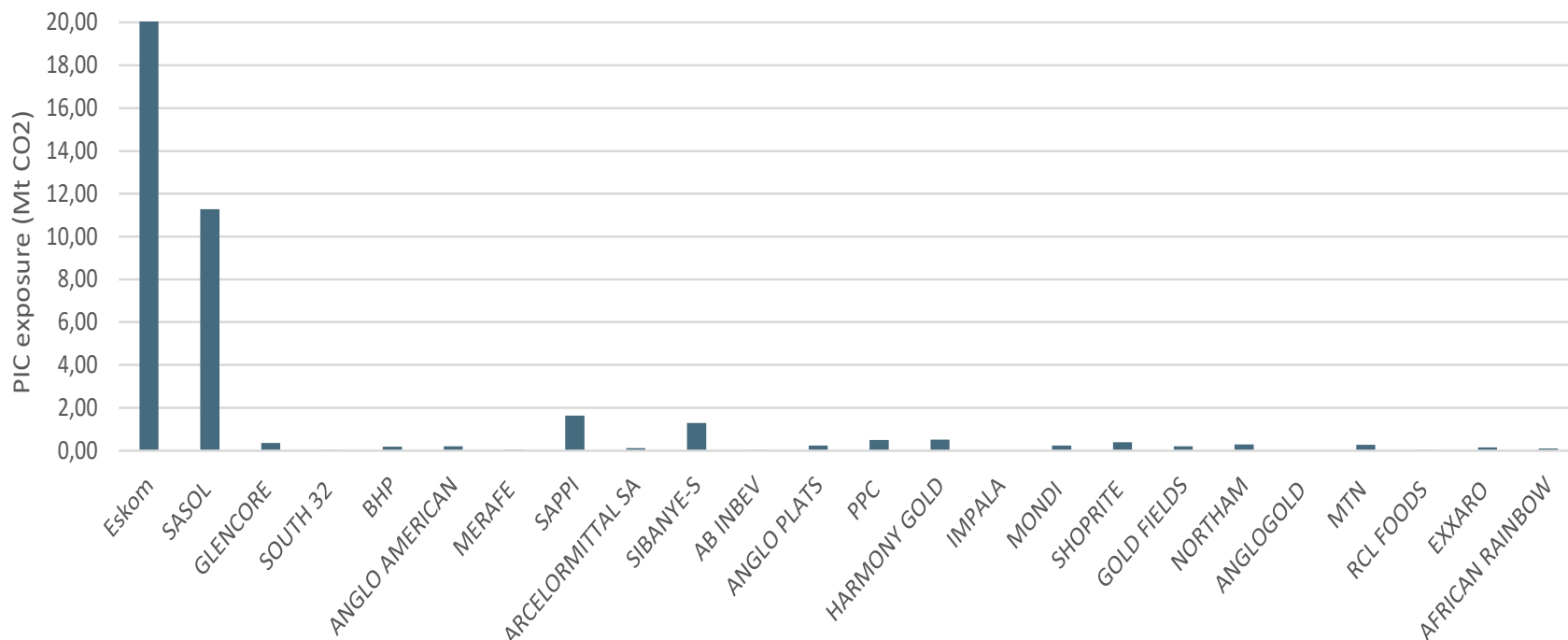
Source: Company reports, CPD and PIC Research

PICs exposure to CO2 emissions via JSE listed companies (and Eskom)

Eskom and Sasol still the largest

- Using the PIC's % ownership in the companies, we have estimated the PICs total exposure to CO2 emissions in the chart below
- Holdings in Eskom and Sasol still result in the largest % exposure for the PIC, followed by Sappi and Sibanye Stillwater, PPC and Harmony

PIC's exposure to CO2 emissions via Eskom and JSE listed companies Scope 1 and 2 CO2 emission (mt)



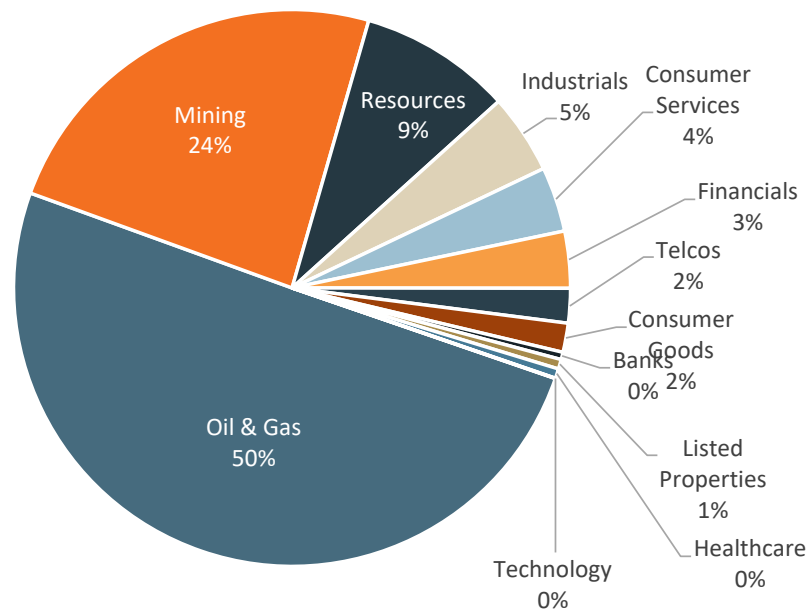
Source: Comp:

PIC's exposure to scope 1 and 2 CO2 emissions

Oil and Gas makes up 50% of CO2 emissions exposure in the listed equities portfolio

- Measuring and monitoring CO2 emissions of investee companies allows organizations to set a baseline to track emission increases or decreases and inform actions for recommendations and action
- Most of SA companies GHG emissions are attributable to Scope 2 emissions, as companies are heavily reliant on Eskom coal-fired power
- Eskom is by far South Africa's largest emitter of CO2 (as per previous slides), and as companies rely mostly on Eskom for power, their Scope 2 emissions are negatively impacted
- Sasol is included in the oil and gas sector – which makes up 50% of PIC's listed equity CO2 exposure
- Mining is next at 24% and as it is an intensive user of electricity in South Africa.
- Resources, including companies such as Mondi and Sappi follow at 9%, as they are also heavy uses of Eskom power

PIC's exposure to CO2 emissions by sector (Listed Equities)



Source: Company reports, CPD and PIC Research

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Company Secretary: Ms Bongani Mathebula

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