
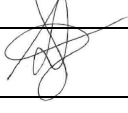


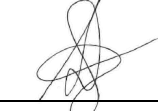


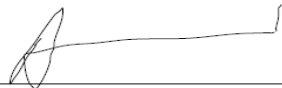


EPPF

Environmental, Social and Governance (ESG) Policy

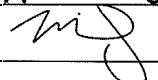
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Policy Owner	Chief Investment Officer
Signature	
Policy Sponsor	Chief Executive / Principal Officer
Signature	
Date Approved	19.03.2021

Key Stakeholders in Implementing and monitoring the Policy

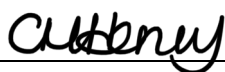
Stakeholders	Designation	Approval Signature	Date
Executive Management	Chief Executive / Principal Officer		19.03.2021
Investment Management Unit	Chief Investment Officer		02/03/2021
Legal and Corporate Secretariat	Head: Legal and Corporate Secretariat	<i>Thelma Melk</i>	02 February 2021
Finance	Chief Financial Officer		22 February 2021
Risk and Compliance	Head: Risk and Compliance		15 February 2021

Recommended by Policy Owner

I hereby acknowledge that this policy has been reviewed and is not duplicated or in conflict with any other policies.

Role	Designation	Approval Signature	Date
Policy Owner	Chief Investment Officer		02/03/2021

Final Approval

Role	Designation	Approval Signature	Date
Policy Sponsor	Chief Executive/Principal Officer	f ;f<	19.03.2021
Strategic Investment Committee	Chairperson of the Strategic Investment Committee	<u>J L</u>	/Lj--. DI/, μ:;r2.;
Board of Fund	Chairman of the Board of Fund		20.4.2021

Summary of Version Control

Version Number	Effective Date	Reason for Changes	Summary of Changes
Version 1.0	May 2020		

CONTENTS

1.	INTRODUCTION	6
2.	DEFINITIONS AND ABBREVIATIONS.....	6
3.	SCOPE AND APPLICABILITY	7
4.	WHY ESG IS IMPORTANT TO US	8
5.	GUIDING ESG POLICIES, PRINCIPLES AND STANDARDS.....	9
	5.1 ESG Policies	9
	5.2 Applicable ESG standards.....	9
	5.3 Core ESG Commitments.....	9
	5.4 Guiding ESG Principles	10
6.	FUND APPROACH TO ESG.....	11
7.	ESG REQUIREMENTS FOR THIRD-PARTY ASSET MANAGERS.....	12
8.	CONTRIBUTING TO INDUSTRY LED RESPONSIBLE INVESTMENT	13
9.	PROXY VOTING AND ENGAGEMENT.....	14
10.	DISCLOSURE.....	14
11.	EXECUTION AND IMPLEMENTATION.....	15
12.	POLICY REVIEW.....	15
13.	NON-COMPLIANCE	15

1. INTRODUCTION

The ESG Policy frames the Fund's commitment to ESG, including the principles and standards that it adopts as an organisation and how ESG considerations are incorporated into day-to-day business activities and investment processes and decision making.

2. DEFINITIONS AND ABBREVIATIONS

In the Policy the following terms and abbreviations shall have the meanings assigned to them below.

Term	Definition or Abbreviation
ACTIVE OWNERSHIP	Active ownership is defined as the practice of engaging in a dialogue with asset managers and underlying investees on ESG issues and exercising both ownership rights and a voice to promote change.
BOARD	The Board of Trustees of the Fund
CE/PO	The Chief Executive / Principal Officer of the Fund
EPPF OR FUND	The Eskom Pension and Provident Fund
ESG	ESG stands for Environmental Social and Governance and refers to key factors that are used to measure the sustainability performance of an investment in a business or company.
IMU	Investment Management Unit
MATERIALITY	Materiality is defined as the relevance or importance placed on context-specific identified issues and factors that have a direct or indirect impact on the Fund's ability to create, preserve or erode economic, environmental or social value for itself, its stakeholders and society at large.
RESPONSIBLE INVESTMENT	Responsible investment is defined as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.
SIC	Strategic Investment Committee
TRACKER MANDATES	Tracker mandates are defined as passive investments which mirror the performance of an index and follow a pre-determined buy and hold strategy that does not involve active forecasting.
QUANTITATIVE MANDATES	Quantitative mandates are defined as investment strategies where the asset manager builds computer-based quant models to determine whether an investment is attractive.
UNIVERSAL OWNERSHIP	A universal owner is an institutional investor that holds highly diversified, long-term portfolios that effectively represent a slice of the overall market. This makes their investment returns dependent on the continuing good health of the overall economy in which they are invested.

3. SCOPE AND APPLICABILITY

This Environmental, Social and Governance (ESG) Policy (hereafter, 'the ESG Policy') is applicable to all Eskom Pension and Provident Fund (hereafter, 'the Fund') asset classes listed below:

- Listed Equity;
- Listed Bonds;
- Listed Property;
- Hedge Funds;
- Private Equity;
- Real Assets; and
- Development Impact.

Refer to Appendix I of this policy¹ for a detailed Asset Class list outlining domestic and international allocations and benchmarks.

The ESG Policy does not apply to cash or money market instruments owing to Fund specific regulatory and logistical constraints that make it difficult to apply ESG in a meaningful way.

The ESG Policy is applicable to all new and existing investments. For existing investments or asset managers that are identified to not comply with the ESG Policy requirements contained herein, these will be managed in accordance with set Fund compliance procedures as outlined in Section 13.

Investees with facilities that require amendments of the initial contractual agreement (relating to amount or conditions) and which would occur after the date of publication of the ESG Policy shall fall within the scope of the Policy.

It is important to note that certain factors may limit the full application of ESG factors, and/or the application of the Fund's active ownership policies. This limitation is caused by the fact that the Fund does not have direct ownership rights in certain pooled investment vehicles. As a remedial action, the Fund will therefore ensure that the Investment Managers of these asset classes consider ESG factors through its ESG due diligence and manager selection processes.

¹ As of May 2020

4. WHY ESG IS IMPORTANT TO THE EPPF

As the largest self-administered retirement fund in South Africa, and the second largest retirement Fund overall, the Fund is committed to lead by example and maintain its fiduciary duty to manage its assets in the best interests of all the members and other beneficiaries.

This means ensuring that contributions are invested responsibly whilst gaining the best possible financial returns and contributing to better outcomes for our membership base, the Fund stakeholders at large and the environment. This mandate drives the Fund's adoption of a long-term investment view recognising that ESG factors are considered core to maximising long-term value for its beneficiaries (from a financial, environmental and social returns perspective), enhancing the long-term sustainability of underlying assets and asset managers; as well as creating a differentiated position in the market and enhanced reputation for the Fund. We also recognise the changing environmental and socio-economic environment in which we operate and the importance of adopting an approach to ESG that is proactive and resilient enough to withstand these ever-changing conditions and respond to issues before they lead to financial losses.

The EPPF is essentially a 'universal owner' and therefore improve their long-term financial performance by encouraging sustainable economies and markets to reduce the economic risk presented by sustainability challenges. As a universal owner, the EPPF is positioned to drive commitments to achieving SDG targets within its primary investment market.

A key mandate for the Fund is also its commitment to addressing socio-economic imbalances in South Africa through support for the Financial Sector Charter, and other industry-specific Black Economic Empowerment Charters. This includes identifying and promoting investments that seek to contribute towards Historically Disadvantaged Individual (HDI) management / ownership, skills development, and procurement, as part of redressing past social ills, but also as a means to unlock latent economic potential in South Africa to improve the Fund and underlying investment competitiveness and importantly, create and grow sustainable businesses.

Given the importance that the Fund places on ESG aspects, it shall seek to ensure that ESG is an integral part of the Fund day-to-day activities and investment and decision-making processes. Its commitment to ESG is therefore informed through careful consideration and integration with the Fund investment strategy and focus and matching its level of ambition with what is practical at both a Fund, investment manager and underlying investment level.

5. GUIDING ESG POLICIES, PRINCIPLES AND STANDARDS

The Fund seeks to adopt key ESG policies, standards and principles to guide sound management of ESG matters in areas considered ‘material’ ⁽²⁾ to the long-term success of its investment portfolio and that are aligned with South Africa’s regulatory framework and national development objectives. These are listed below and have been carefully selected based on their relevance for the Fund and its stakeholders.

5.1 ESG Policies

Existing Fund policies and procedures containing ESG aspects and to be read in conjunction with the ESG Policy include the following:

- B-BBEE Policy (last revised November 2019);
- Proxy Voting and Engagement Policy (last revised September 2019);
- Corporate Engagement Policy & Guidelines (last revised in 2017);
- Impact Policy (In progress);
- Manager Selection and Termination Policy (to be updated to incorporate specific ESG considerations as part of the ESG Policy process); and
- Climate Policy (to be developed as part of the ESG Policy process).

5.2 Applicable ESG standards

The ESG Policy is based off the following standards and industry codes:

- Principles for Responsible Investment (PRI);
- The Code for Responsible Investing in South Africa (CRISA);
- Regulation 28 of the Pension Funds Act;
- The Financial Sector Charter (FSC); and
- King IV Code of Corporate Governance.

5.3 Core ESG Commitments

Based on the above ESG standards and policies adopted, the Fund and its asset managers commit to the following:

- Ensure that ESG considerations are integral to investment processes and decision making;
- Assessing alignment with Sustainable Development Goal (SDG) goals and targets as part of investment processes;

² Within the context of this document, ‘material’ issues or ‘materiality’ is the principle of defining the social, environmental and governance (ESG) topics that matter most to the Fund, and its stakeholders.

- Ensure sufficient organisational capacity and competency to support on implementation of ESG policy;
- Being active owners of the assets under management. This involves voting on proxies and engaging with management and directors of investee companies on material ESG issues;
- Ensure continual improvement and progress, through on-going monitoring, evaluation and reporting on progress against set ESG objectives;
- Seek appropriate disclosure on ESG issues by third party investment managers and the investee companies in which we invest;
- Ensure that there is transparency and disclosure by the Fund and its asset managers on applicable ESG policies and performance against set objectives;
- Contribute to industry good practice and thought leadership around ESG; and
- Recognise the circumstances and relations that hold a potential for conflicts of interest and to proactively manage these when they occur.

5.4 Guiding ESG Principles

In addition to the above standards, the Fund and its asset managers commit to the following set of guiding ESG principles. These shall be incorporated into investment processes and decision making, as well as on-going engagement activities and proxy voting.

These expectations are a guideline and are not exhaustive. We see these as a framework for engagement, rather than as an endorsement that all investments satisfy.

Environmental

- Contribute to environmental protection and the reduction of pollution³
- Adopt climate action where relevant through adopting mitigation approaches to help reduce contribution to the effects of climate change, taking account of adjustments being made to a low carbon-economy and adapting to changing conditions of physical climate change and its impact on the Fund and its underlying investments (including the value chain).

Social

- Support social and economic transformation through ensuring broad-based black economic empowerment in line with National B-BBEE Codes and the Fund's B-BBEE Policy

³ As defined in Section 2 of the National Environmental Management Act, No 107 of 1998

- Increase the employment of black professionals, especially black women considering the principle of equal pay for equal work
- Support and respect the protection of nationally and internationally proclaimed human rights
- Support and respect fair labour and working conditions
- Protect the health and safety of workers, surrounding communities and customers

Governance

- Supporting healthy CEO and board dynamics and balance of power
- Supporting an effective director nomination process with adequate disclosure and transparency on the nomination process
- Ensuring directors are effective in their role and afforded with sufficient time and capacity to fulfil their duties
- Supporting board diversity and independence to contribute towards better decision making and effect governance
- Adopting high standards of professional conduct and excellence
- Exhibiting honesty, integrity, fairness, and respect in all its dealings
- Working against corruption in all its forms, including extortion and bribery

6. FUND APPROACH TO ESG

As part of its commitment, the Fund and its asset managers will seek to utilise different approaches to guide and empower them in their pursuit of superior risk-adjusted returns and taking a more active approach to ESG management, moving towards the holistic integration of ESG across the organisation as a whole.

Different asset classes and investments will be exposed to different levels of ESG risk and opportunity depending on different factors, including investment strategy, geographic location, stage of project lifecycle, type of industry or sub-industry, operational performance and historical track record, etc. This means that it is not possible to adopt a single approach to ESG across the different asset classes invested in by the Fund.

Therefore, within the bounds of the Fund's overall investment mandate, internal ESG requirements and the specific ESG objectives set at an individual asset class level, the Fund adopts an ESG integration approach that is risk based and tailored to the specific investment in question.

Asset Class	Commitments
Tracker mandates	<ul style="list-style-type: none"> • Voting on proxies and engaging with management and directors of underlying investments on material ESG issues.
Quantitative mandates	<ul style="list-style-type: none"> • Assessing how asset managers incorporate ESG factors into quantitative models and investment decisions as part of the asset manager selection and management process and on-going monitoring of performance.
Listed Equity	<ul style="list-style-type: none"> • Asset managers are required to integrate ESG issues into active ownership practices. • To better understand both ESG risks and opportunities, asset managers should make use of ESG tools, metrics, analysis, and research when assessing and monitoring shares and constructing portfolios. • Voting on proxies and engaging with management and directors of underlying investments on material ESG issues.
Listed Bonds/ Fixed-Income	<ul style="list-style-type: none"> • When evaluating the credit risk of listed bonds through research, assessments, forecasted financials and relative value/spread analysis, assets managers should consider ESG factors. • Apply ESG considerations to bonds that are unlisted and when setting debt covenants.
Hedge Funds	<ul style="list-style-type: none"> • Explicit and systematic incorporation of ESG issues in investment analysis and decisions, to better manage risks and improve returns. • Voting on proxies and engaging with management and directors of underlying investments on material ESG issues.
Listed Property	<ul style="list-style-type: none"> • Asset managers should actively engage property management and asset management around material ESG issues. • Asset managers are required to integrate ESG issues into active ownership practices. • To better understand both ESG risks and opportunities, asset managers should make use of ESG tools, metrics, analysis, and research when assessing and monitoring properties and constructing portfolios. • Voting on proxies and engaging with management and directors of underlying investments on material ESG issues.
Alternative Investments (Private Equity, Unlisted Bonds, Real Assets, Development Impact)	<ul style="list-style-type: none"> • Before investing in any alternative investment, asset managers should undertake a thorough due diligence to ensure that material ESG issues are considered. • Investments should be actively engaged around ESG issues to enhance long-term company performance and maximise returns.

7. ESG REQUIREMENTS FOR THIRD-PARTY ASSET MANAGERS

The Fund has outsourced majority of the investment of its assets to a range of third-party asset managers. These third-party asset managers are held to the same set of ESG standards as the Fund's own internal asset managers. Each third-party asset manager shall therefore

undergo an ESG due diligence process as part of the manager selection, appointment and monitoring process, to ensure alignment with the Fund ESG requirements, including the following:

- Managers to consider ESG factors prior to making investment decisions;
- Requirement for asset managers investing on behalf of the Fund to be active owners of the assets under their management. This involves incorporating ESG considerations into investment processes and decision making and engaging with management and directors of investee companies on material ESG issues;
- Adherence to the Fund's reporting requirements, including formal report back on how ESG factors have been integrated into their investment processes and how this has impacted on their portfolios;
- Managers to work towards fully integrating the principles set out in CRISA and PRI (where feasible);
- Ensuring that there is transparency and disclosure on applicable ESG policies and how these have been incorporated into investment processes and decision making;
- Assessing alignment with Sustainable Development Goal (SDG) goals and targets as part of investment processes; and
- Disclosure of any conflict of interests every six months.

8. CONTRIBUTING TO INDUSTRY LED RESPONSIBLE INVESTMENT

The Fund is committed to working with others in promoting incorporation of ESG into investing processes and supporting efforts to improve responsible investment practices both nationally and internationally. As part of this commitment, it became a signatory of the Principles for Responsible Investment on 22 October 2009. In addition, it also subscribes to the Code for Responsible Investing in South Africa (CRISA), launched in 2011.

The principles of the PRI and CRISA are aligned in intent with the latter providing guidance to the investment community on what is needed to give effect to the PRI in a local context. Both the PRI and CRISA aim to help signatories to highlight the financial relevance of ESG criteria, encourage collaborative engagement and promote broader acceptance and implementation of ESG into investment processes.

Over time, the Fund will review and consider involvement in other ESG investment related industry initiatives and/or organisations as appropriate.

9. PROXY VOTING AND ENGAGEMENT

The Fund is exposed to a wide array of ESG risks and opportunities given its broad sector mandate. Furthermore, the nature of its investment strategy means that it often cannot easily disinvest from one entity or sector into another. It is therefore important to ensure that investee companies adhere to good ESG practices in areas that are considered material to the on-going success of the Fund. The Fund will therefore identify key ESG engagement priorities as a Fund and as part of its on-going engagement with investee companies and its asset managers. These will be incorporated into the Fund on-going active ownership activities and engagement measures as listed below.

The Fund's proxy voting entails the voting of its shares at shareholders meetings of investee companies, attending shareholders meetings and holding the managers of assets responsible for voting. The Fund exercises proxy voting in a manner that is consistent with its Proxy Voting and Engagement Policy that are designed to safeguard long-term shareholder value by promoting good practices by investee entities.

The Fund has a Corporate Engagement Policy which sets out the expectations for engagement with different stakeholders. The Fund will review the engagement plan periodically and in line with changes in legislation or specific trends. The Fund will also require asset managers to have an engagement plan that describes the appropriate process for engagement with investee companies.

10. DISCLOSURE

The Fund commits to annually reporting on its progress against set objectives contained in the ESG Policy. This includes submitting an annual report to the PRI, who will in turn publish a Responsible Investing Report that is publicly available on their website.

Furthermore, the Fund will have the following reporting responsibilities:

- Reporting on all aspects of the ESG Policy to the members and stakeholders in its annual reports;
- Reporting on all aspects of the ESG Policy to the FSCA annually in accordance with the Guidance Note 1 of 2019;
- Providing the Fund's ESG Policy to the members and stakeholders upon request;
- Disclosing the Fund's ESG Policy on its website; and
- Informing stakeholders of any changes to the ESG Policy and making the updated ESG Policy available on its website.

11. EXECUTION AND IMPLEMENTATION

Overall accountability for the execution of this ESG Policy lies with the Board of Trustees.

The Fund's Chief Investment Officer will own responsibility for executing the Policy and for driving ESG integration efforts across the various asset classes.

The Executive Management team will also be responsible for ensuring that the Policy always reflects the Fund's values and is implemented in accordance with member requirements. Furthermore, they will be responsible for ensuring that adequate resources are provided, whether budgetary or allocation of staff time, to ensure that the necessary capacity (internal staff or external expertise) is available to effectively oversee and implement the requirements of the ESG Policy.

All Fund investment professionals will be responsible for ensuring that investment processes are executed in a manner that are socially and environmentally sustainable, responsible, and aligned with the ESG Policy.

12. POLICY REVIEW

The ESG Policy will be reviewed every three years (or earlier if necessary) in line with developments in local and international ESG regulation, best practice, opportunities, and risks.

Specifically, the Board of Trustees will review progress against objectives set out in the policy in order to identify areas where improvement of strategy, policies, principles, practices, and activities are necessary. The Board of Trustees will take into consideration that stewardship is a long-term process in evaluating progress on set objectives.

13. NON-COMPLIANCE

Breaches of the ESG Policy will be seen in a very serious light. Non-conformance with the ESG Policy will be subject to disciplinary action in terms of the applicable EPPF disciplinary processes and procedures. Regarding external partners like asset managers and other service providers, violation of the policy could result in termination of the relationship.

APPENDIX I: STRATEGIC ASSET ALLOCATION (MAY 2020)

ASSET CLASS	ALLOCATION	GENERAL BENCHMARK
Equities	37%	FTSE/JSE Capped Shareholder Weighted All Share Index (J433 Capped SWIX) less All Property Index (J803))
Nominal Bonds	5%	ALBI
Inflation Linked Bonds	14%	CILI
Cash	2%	STEFI Composite
Property	7%	J803 for listed property
TOTAL DOMESTIC	65%	Weighted average of the above benchmarks
International Equities	21%	MSCI WORLD ALL COUNTRIES INDEX
Emerging Market Equities	6%	MSCI EM INDEX
Africa ex South African Equities	5%	MSCI EFM AFRICA EX-SOUTH AFRICA INDEX
International Property	0%	FTSE EPRA/NAREIT DEVELOPED RENTAL INDEX
International Cash	0%	1 month USD Euro deposit rate (Citigroup)
China A	3%	MSCI China A Onshore Index
TOTAL INTERNATIONAL	35%	Weighted average of the above benchmarks
TOTAL FUND	100%	Weighted average of all the above benchmarks