



# Integrating ESG Principles in Pension Fund Management

**Presented by:**

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## Overview

- 1 Introduction
- 2 Trump Effect on Sustainability.
- 3 What is ESG, Sustainability, CSR and link to SDGs
- 4 Sustainable Investments and Financing
- 5 Integrating ESG into Fund Management
- 6 Challenges & Opportunities

# Who is Protos Capital



Countries we've worked in

**PROTOS CAPITAL LLP** is a Sustainability integration, impact modelling and reporting consulting firm, to businesses, policy makers and investors. We exist to empower our clients and partners for sustainable growth.

We are passionate about building sustainable businesses that maximize returns while having a positive impact to the environment and society.

We know that businesses transition through various stages of ESG maturity, and we help shape this transition, allowing business to use their ESG performance as a differentiator in markets they operate.

## OUR VALUES

 **Courage**

 **Acumen**

 **Responsiveness**

 **Partnership**

# What We Do



# Clients Who Have Trusted Us



*Taste the Difference!*





# TRUMP **WITHDRAWS** FROM PARIS CLIMATE AGREEMENT



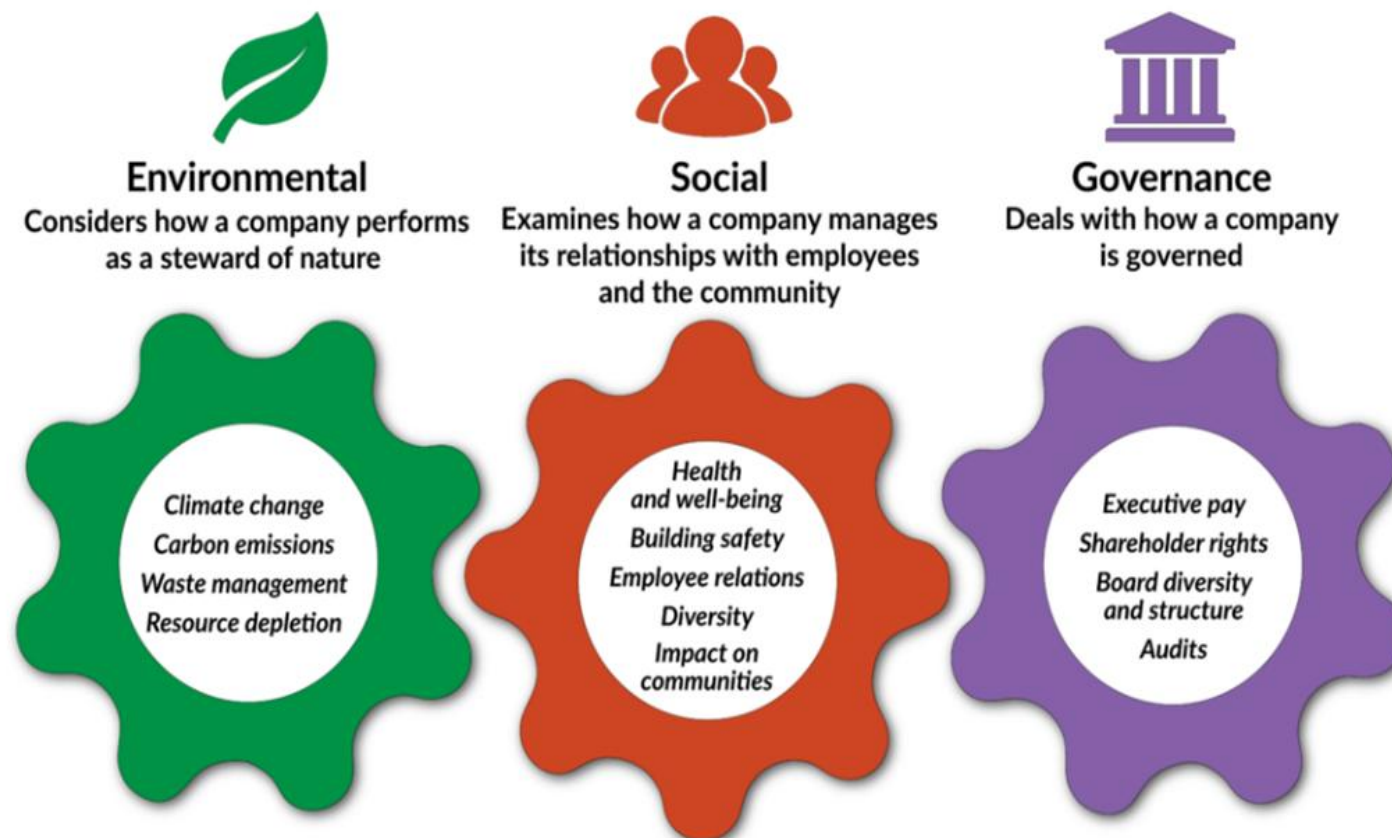
**BlackRock drops sustainability-  
related terms from 56 funds  
ahead of ESMA deadline**

*Fellow US manager Federated Hermes also adjusts names, exclusions for ESG, SDG and biodiversity funds.*

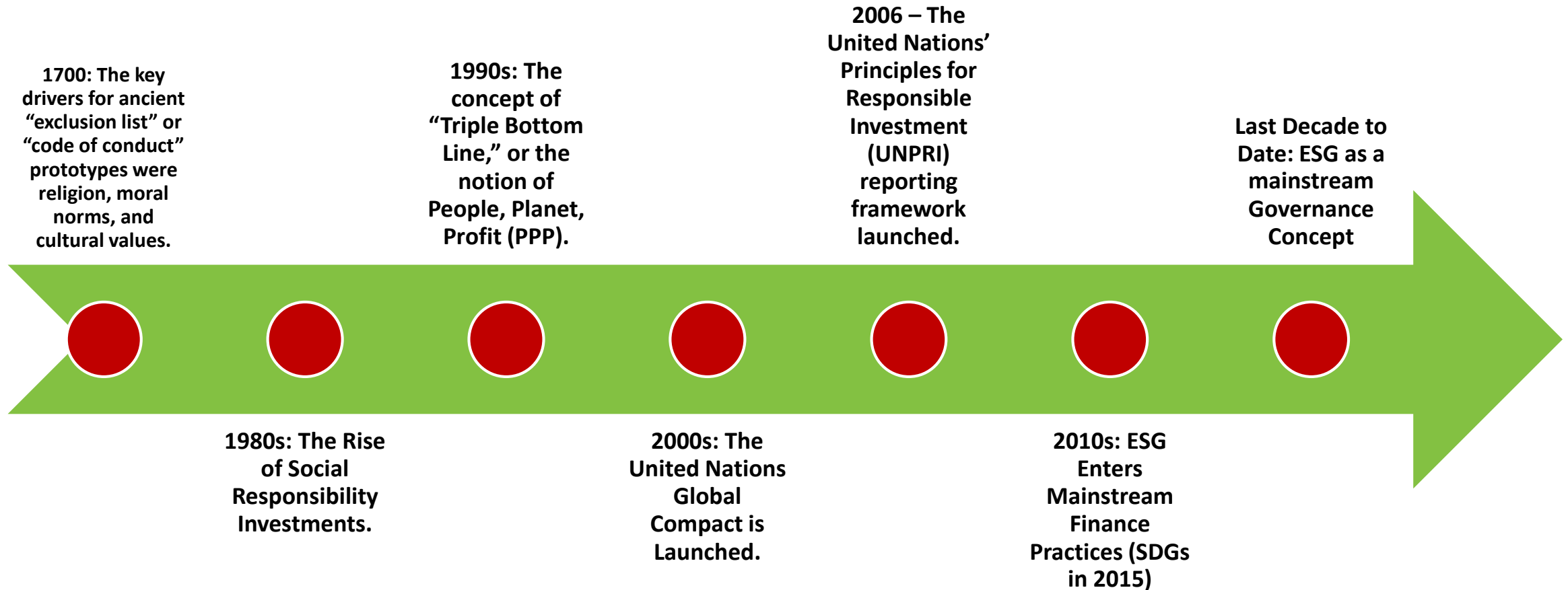
# What is ESG?



Environmental, Social & Governance



# Evolution of the ESG Concept





# What then is Sustainability?

Sustainability and ESG



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**GOVERNANCE**

# Link to Sustainable Development Goals

## How ESG, Sustainability all link with SDGS



The SDGs are the **blueprint** for achieving a better and more sustainable **future**



They address the **global challenges** we face: ending poverty, reducing inequalities, tackling climate change



The **17 Goals** and **169 targets** are all **interconnected** and must be implemented by **2030**.



# Reflection.....

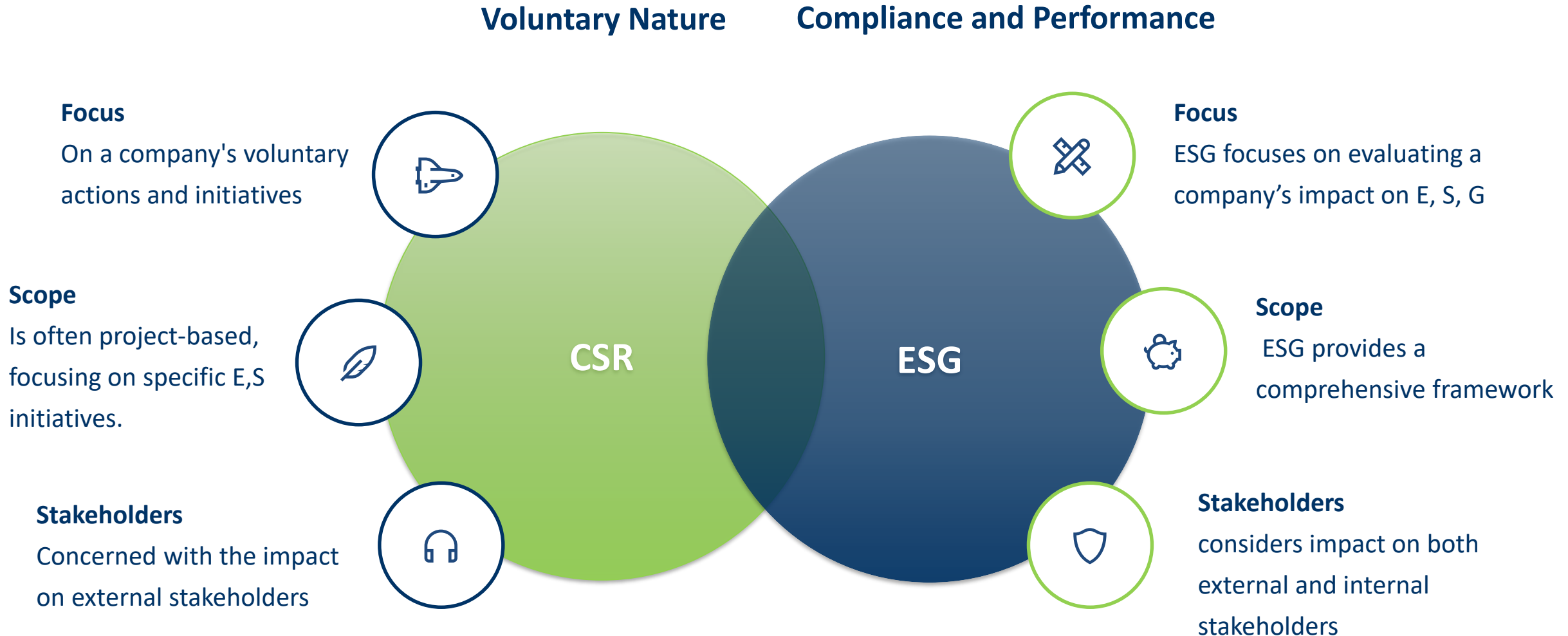


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## How Does ESG Compare to CSR?

# COMPARING ESG TO CSR



# Why Should Pension Funds Care?



## Stewardship & Fiduciary Duty

Act in the best interests of beneficiaries  
Legal obligation  
Active Ownership  
Duty of care



## Power to Influence Change

Pension funds are a formidable force to get companies to embrace ESG Values



## Sufficient Investor Appetite

There is sufficient momentum and appetite for sustainable investments by investors. (*Case study Sustainable bonds in 2024* )



## Innovation & Diversification

ESG considerations enable pension funds to innovate investment products and give opportunities for diversified investments hence better long-term risk adjusted returns.



# Appetite for Sustainable Investments in Africa



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## Tanzania's water utility Tanga Urban Water Supply and Sanitation Authority

- Issued a 10-year water infrastructure green bond projected to enhance access to safe and affordable clean water for 6,000 households (26,000 people). – **103% oversubscribed**. 65% local investors and 35% foreign investors.

## CRDB Bank's Kijani ('green') bond

- Targeted at smart agriculture, renewable energy water and water managements, forestry, pollution control, health and education, food security among others. – **429% oversubscribed**.

## Rwanda's first green bond by Prime Energy Plc

- Issued in November 2024. The proceeds were used to support clean energy solutions and business expansion.

## NMB Bank Gender Bond 2024

- Geared towards reducing income inequality and advancing financial inclusion for the underserved segment of women in the community. 197% oversubscribed

## Absa Bank Botswana 2023

- Issued Sustainable Bond to finance or refinance a portfolio of eligible green and social projects, including renewable energy, green buildings, and affordable housing.

## Kenya's green DREIT by Acorn Holdings

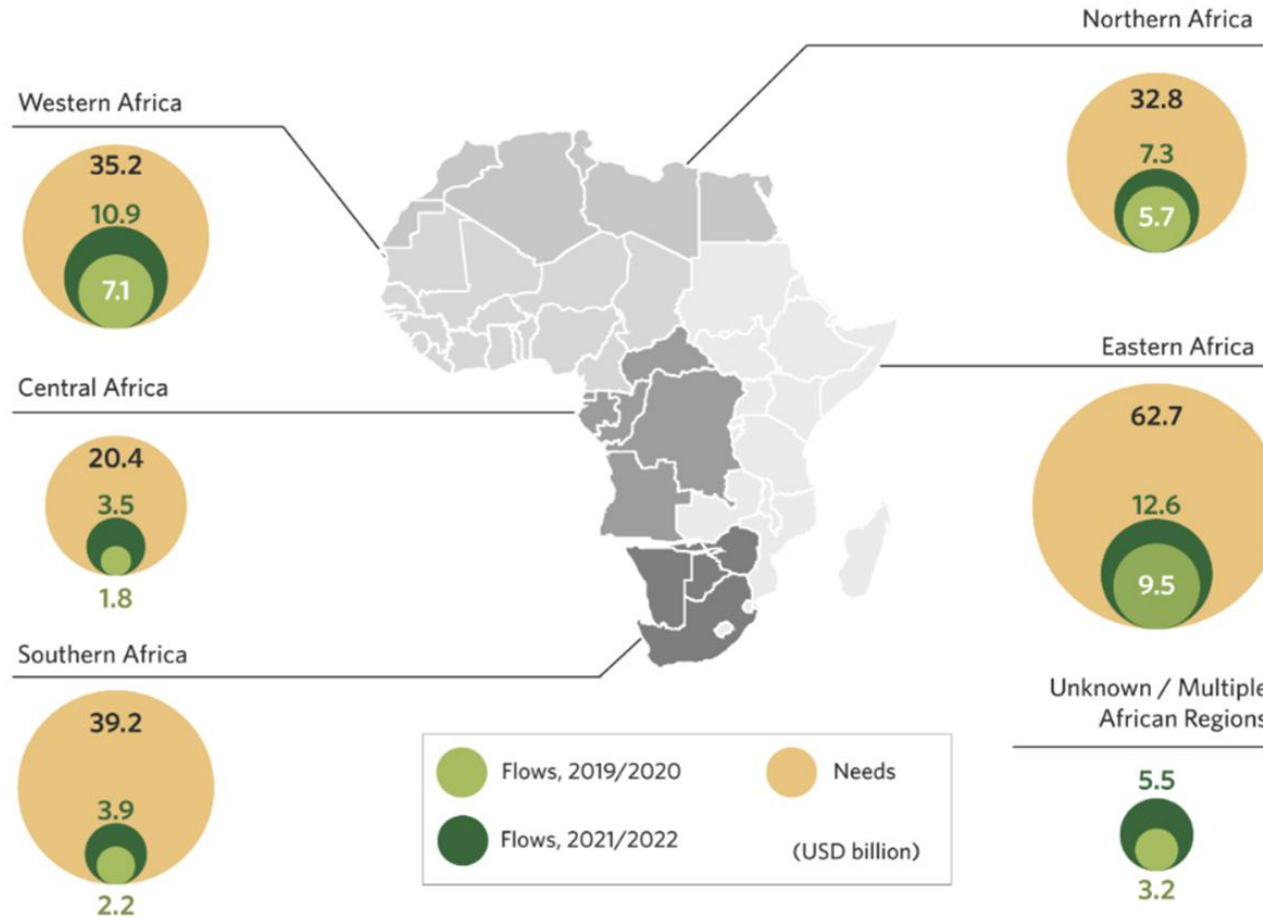
- Was redeemed from the stock exchange in 2024. Had been oversubscribed.

# The Financing of Africa's Critical Sectors Hinges on ESG



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Source: Climate Policy Initiative 2024



# Reflection.....

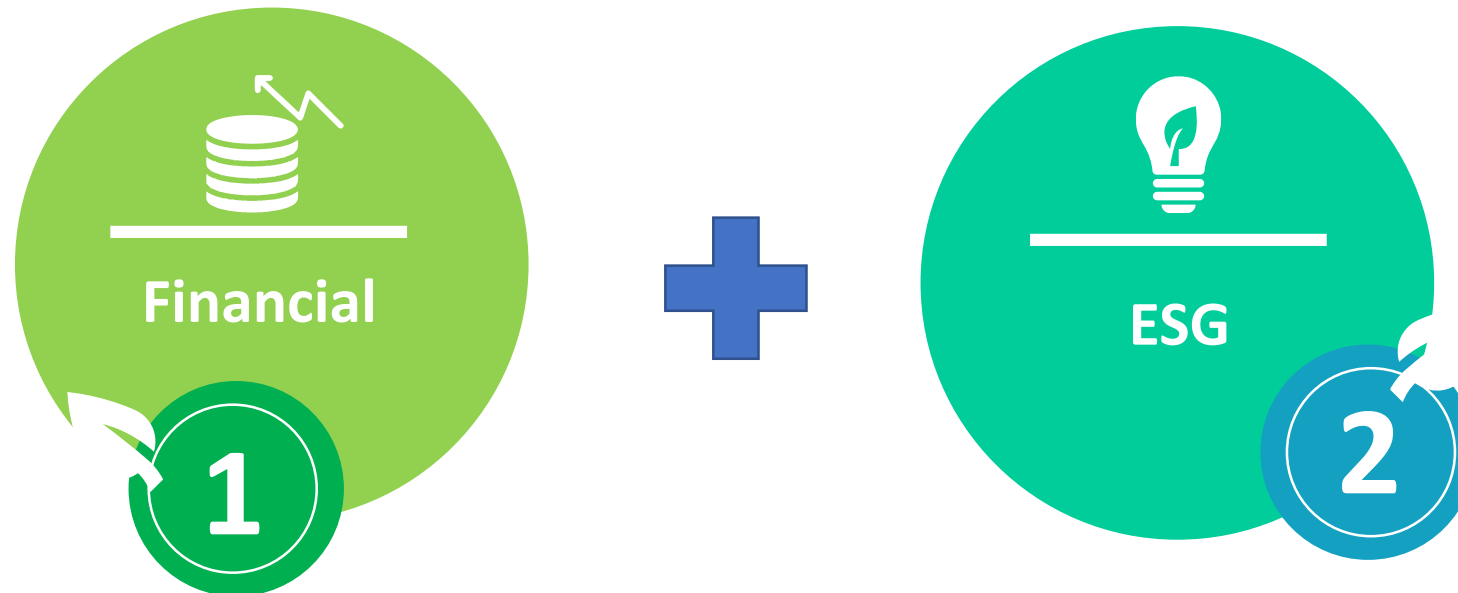


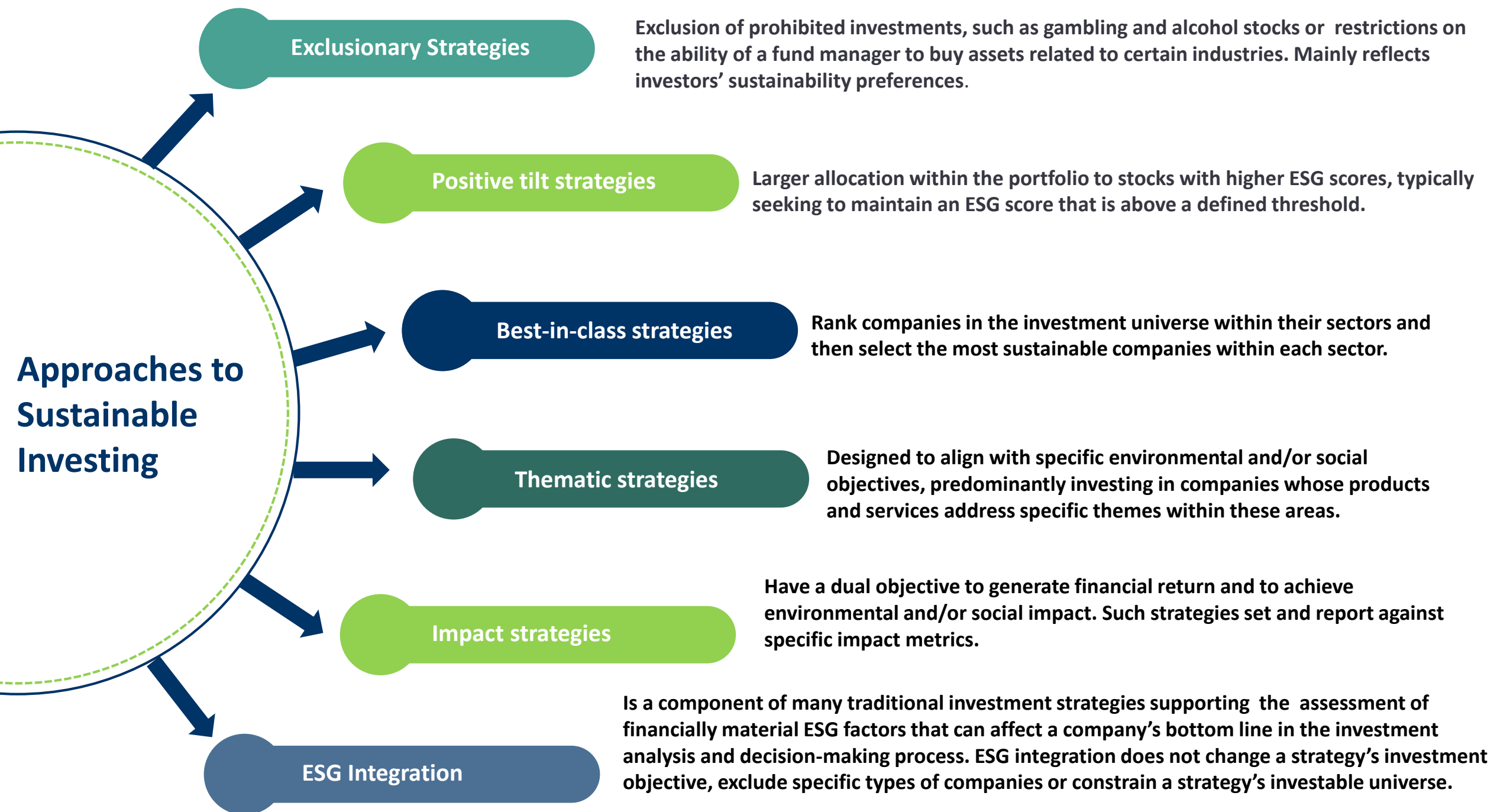
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**What do we need to do to create sustainable investment products in Kenya?**

# Defining Sustainable Investing







# Reflection.....



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**What are the main considerations at investment for most Fund Managers?**

# Practical Actions To Integrate ESG into Fund Management



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## Build ESG Competence

Capacity build Trustees, Portfolio managers, Fund managers and investment teams on ESG.

## Develop, publish & Implement Policy

## Set Commitments & Targets

Fund to invest with purpose – for return and sustainability and determine what success looks like.



## Annual Review

Annual evaluation of the portfolio performance and readjust as need be.

## Disclosure and Reporting

Pension fund to disclose to stakeholders sustainability investment strategies and implementation across the portfolio.

## Monitoring

ESG issues to be a standard agenda in performance review meetings.

## Selection of service providers

Consider sustainability value alignment with asset managers and other service providers.

# The Concept of Sustainable Financing



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**Sustainable finance:** Financing that incorporates environmental, social, and governance (ESG) considerations to drive sustainable development outcomes.

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**Green finance:** A subset of sustainable finance that refers to investments that support environmental goals, such as reducing waste, increasing biodiversity, or reducing carbon emissions.

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**Climate finance:** A subset of green finance that refers to investments in areas that support climate change mitigation and adaptation.

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# Characteristics of Sustainable finance



**Definition:** Use of proceeds.



**Selection:** Process for project evaluation.



**Traceability:** Management of proceeds.

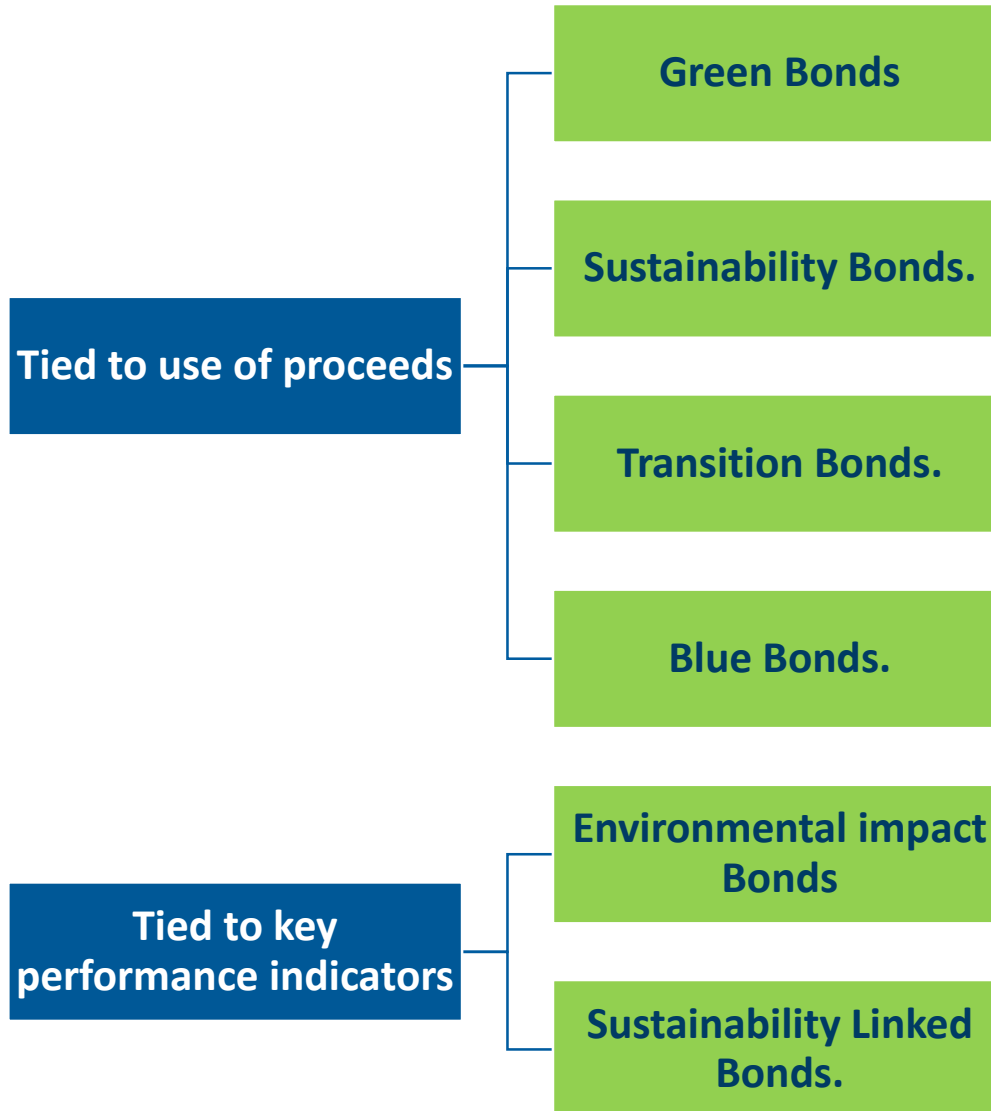


**Transparency:** Monitoring and reporting.



**Verification:** Assurance through external review.

# Sustainable Finance Instruments and Mechanisms



## Other financial Instruments

- Green Mutual Funds
- Green Loans
- Grants
- Concessional loans
- Guarantees

## Financial Mechanisms

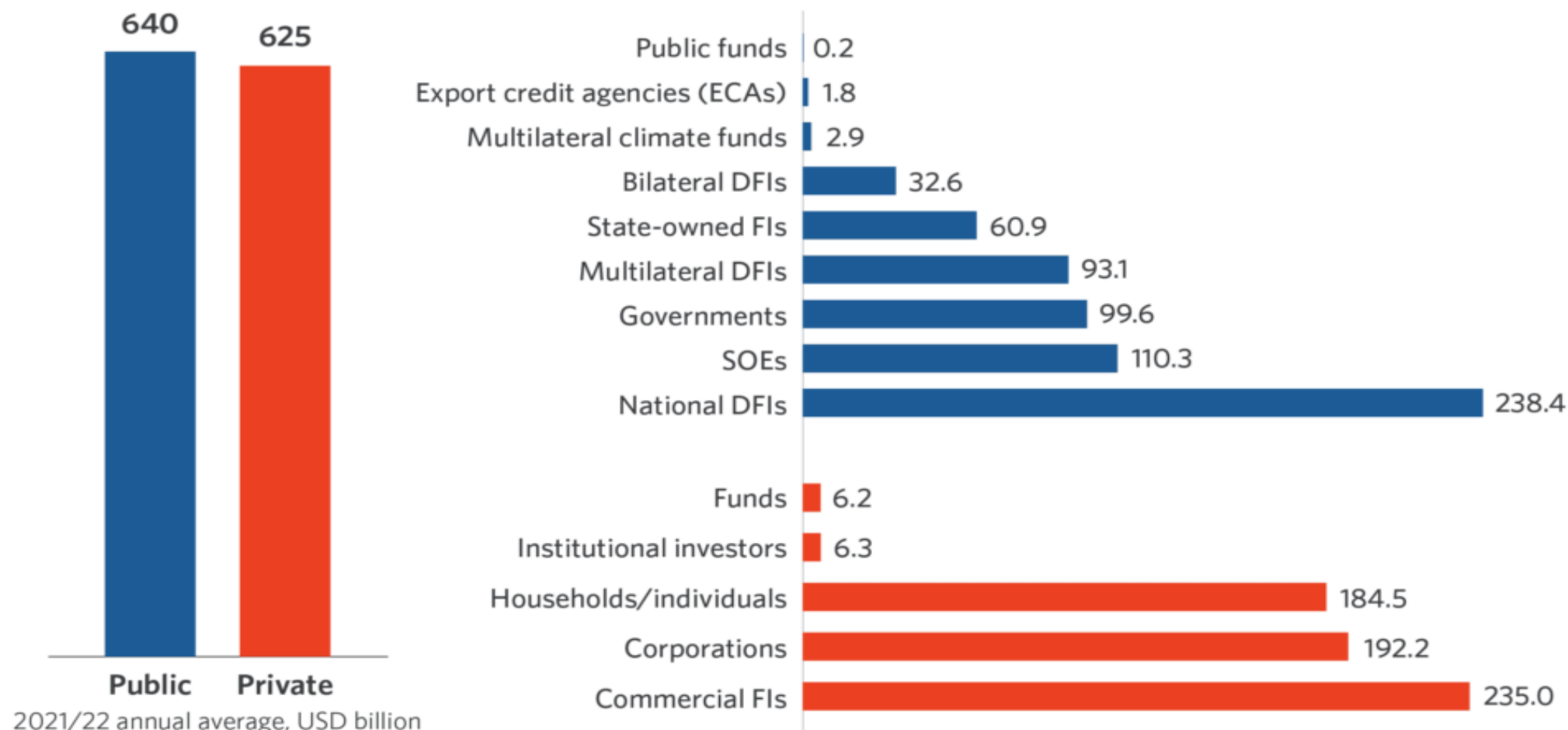
- Blended Finance
- Public-Private Partnerships
- Crowdfunding
- Results-Based finance



# Main Sources of Sustainable Finance



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2021/22 annual average, USD billion

Source: Climate Policy Initiative

# ESG evolving as part of the Global Economic Engine

What should pension funds do?



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**Focus on the concept of Enterprise Value**, eliminating the unnecessary distinction between sustainability and business fundamentals, shaping a more mature, embedded and economically driven approach to sustainability.

**Show the alpha in ESG** by quantifying financial related sustainability risks and factoring them in investment decision making.

**Move away from high profile proclamations of ESG commitments** and focus on results-oriented actions transparently disclosed and to which funds can be held accountable.

**Balance the pressures of regulatory/policy shifts with consumer and stakeholder expectations**, while forging local partnerships that amplify impact and build goodwill.

**Innovate home grown solutions to financing problems**, leveraging partnerships with government and other private sector players, DFIs and financiers.

Navigate this time of uncertainty **balanced with optimism to create a self-sufficient continent** that not only withstands global shocks but also sets the standard for future-forward development.

# Reflection.....



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**Is there an alternative to AID to  
fund Africa's Critical Sectors?**



**“While Sustainable Financing may not be the silver bullet to Africa’s large financial needs, there’s no doubt that financing that is targeted at sectors that solve Africa’s most critical problems will be critical for development.”**

**Loise**

**Thank You**