



BENGUELA GLOBAL
FUND MANAGERS

Benguela's ESG Engagement with Super Group

Benguela Research Team

As per the proverbial saying “garbage in garbage out”, quality information is the cornerstone of fundamental investment analysis. Quality information may have numerous characteristics, but accuracy, reliability, consistency, relevance, comparability and timeliness are a few that are vital. While global accounting standards have provided *some* degree of consistency and comparability across financial data, currently there are no local or global ESG disclosure requirements. This forces us, as investment analysts, to remain ever more vigilant when utilising ESG data in our analyses.

In line with our guiding principle of *maximising informational advantage through long-term focus and in-house research*, our in-depth research process inherently includes the validation of key data points in our analysis by way of peer and industry comparisons. The importance of data quality checking was highlighted during our recent research of Super Group Limited.

While investigating the potential competitive advantage of Super Group's Supply Chain Africa business, it has become apparent that Super Group has been reporting inaccurate and incomparable ESG data for the periods FY2017 to FY2020. We utilised Super Group's FY2020 ESG Report for their disclosures on kilometres travelled, fuel consumed and CO₂ emissions in order to assess efficiency. Super Group's reported disclosures inferred the following:

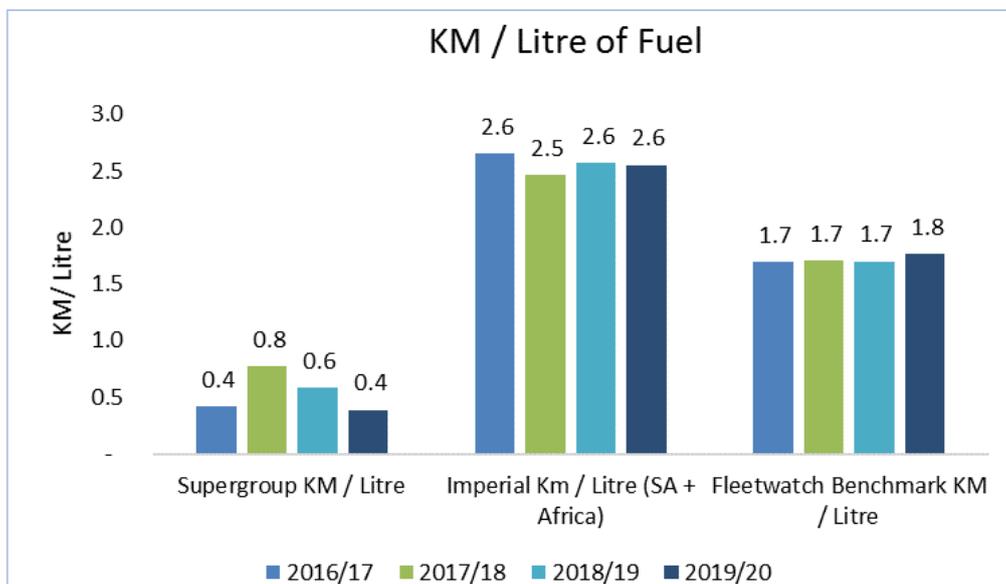


Figure 1: Source: Company Reports, Fleetwatch. Note: Imperial Logistics' Africa division is the closest listed peer to Super Group's Supply Chain Africa division; and Fleetwatch is a supplier of industry benchmarks for the South African trucking industry.

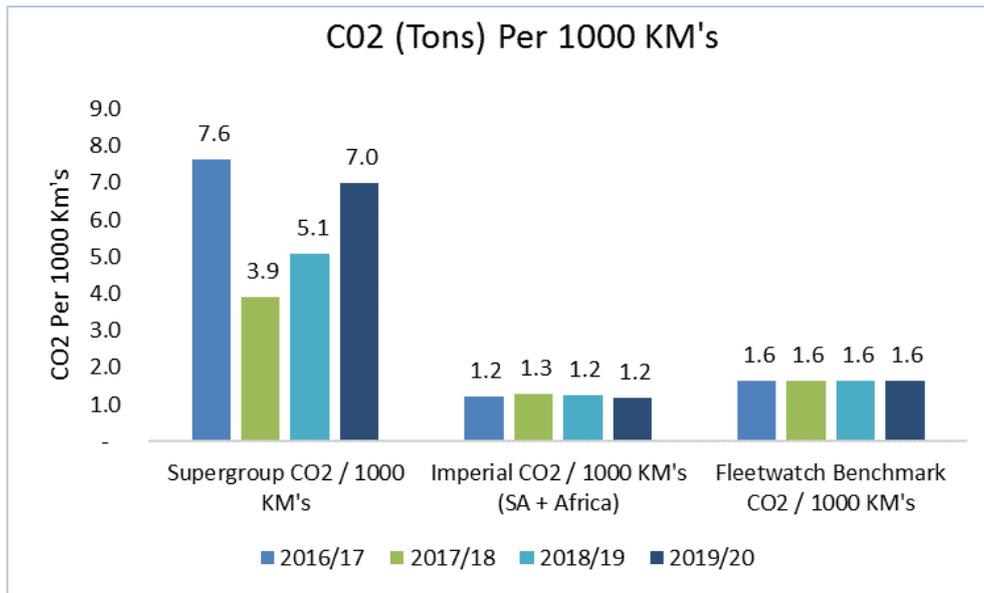


Figure 2 Source: Company Reports, Fleetwatch

Figure 1 indicates that Super Group's fuel efficiency – as measured by kilometres driven per litre of fuel – is more than three times less efficient than the industry average and almost five times less efficient than its closest peer. Or it indicates, more realistically, that the reporting of either the number of kilometres travelled by Super Group's trucks is incorrect or the fuel consumption reported by Super Group is incorrect, or both.

Again, as per Figure 2, it appears that Super Group's trucks emit materially more CO₂ than the industry average and its closest peer. While some discrepancy is understandable, the extent of the disparity further supports our assertion of inaccurate reporting of either CO₂ emissions, kilometres travelled or both.

Not only does the poor-quality reporting impact Benguela's analysis of vehicle utilisation and efficiency, but the incorrect reporting of these metrics also has meaningful implications on the ESG scoring of the company.

As such we engaged formally with the executives and the Board of Super Group for clarity on the inaccurate disclosures above. The outcomes were as follows:

- Benguela's assessment of the incorrect disclosure on comparable km's travelled was confirmed by Peter Mountford – group CEO.
- Super Group has excluded kilometres travelled by vehicles utilised for dedicated contracts.
- This materially reduces the number of kilometres travelled and makes comparisons to peers and industry benchmarks impossible.
- The correct and comparable number of kilometres travelled by road by the Group is 216.0 million kms per annum versus the 39.99 million kms reported. The difference is material!
- Super Groups CO₂ emissions per 1000 km's are 13% higher than SA trucking benchmarks and 50% higher than listed peer Imperial Group. This is not an insignificant difference.
- Super Group has ensured us that they will "change the basis of our future ESG reporting to include kilometres travelled on all contracts". They will also "include a note highlighting the change in this basis of disclosure in the June 2021 ESG Report".



It is concerning that for the FY2017 to FY2020 periods, Super Group has been reporting these incomparable data points without any opposition from the market, especially with an increasing focus on ESG disclosure. We hope our engagement with management will lead to improved and more accurate disclosure. It is another example of the importance of asset managers holding management to account – i.e. investing responsibly. The correct CO₂ per km gives us more clarity on Super Group's environmental impact given the higher emissions relative to the industry and to Imperial Group. This affirms the importance of our in-depth research process, as well as our commitment to holding companies accountable to best practice ESG principles.

