UPDATE ON THE CODE FOR RESPONSIBLE INVESTING IN SOUTH AFRICA (CRISA)

Adrian Bertrand

IRC Working Group Member
CRISA Secretariat

CRISA
CODE FOR RESPONSIBLE INVESTING IN SOUTH AFRICA

IRC Annual Conference 2018

CRISA Overview

- Launched 2011; Applicable FY2012 reporting cycle
- Voluntary investor governance code to complement King Code (King III), now King IV
- Endorsed by Financial Services Board (FSB), Johannesburg Stock Exchange (JSE), Association for Savings and Investments SA (ASISA), Institute of Directors Southern Africa (IoDSA), Batseta Council of Retirement Funds for South Africa
- “Apply or Explain”

Objective of CRISA

- CRISA gives guidance on how the institutional investor should execute investment analysis and investment activities and exercise rights so as to promote sound governance.

Application of CRISA

- Institutional investors as asset owners, for example, pension funds and insurance companies
- Service providers of institutional investors, for example, asset and fund managers and consultants

Governance of CRISA

- CRISA Committee oversees CRISA Code
- CRISA Committee comprises stakeholder representatives from
  South Africa's investment industry
- ASISA, JSE, Batseta, IoDSA, PRI & representatives from investment firms, i.e. fund managers, retirement funds etc.
- IoDSA provided Secretariat support (2011 – 2017)
- ASISA now provides Secretariat support to CRISA (2017 – present)

CRISA Work programme

- CRISA Committee meets quarterly
- CRISA Committee working groups established from time to time
- CRISA aligned to UN PRI and ASISA work programme in South Africa
- Regular reviews on quality of CRISA disclosure – Committee may issue additional guidance where necessary

How to become a CRISA signatory?

- CRISA operates on an “apply or explain” basis
- No formal CRISA signatory sign-up process
- Endorse CRISA by application of CRISA Principles; &
- Reporting & disclosing annually on the application of CRISA

CRISA’s 5 Principles

1. An institutional investor should **incorporate sustainability considerations**, including environmental, social and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.

2. An institutional investor should demonstrate its acceptance of **ownership responsibilities** in its investment arrangements and investment activities.

CRISA's 5 Principles

3. Where appropriate, institutional investors should consider a **collaborative approach** to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.

4. An institutional investor should recognise the circumstances and relationships that hold a potential for **conflicts of interest** and should proactively manage these when they occur.

CRISA's 5 Principles

5. Institutional investors should be **transparent** about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

CRISA Guidance notes

- Model Mandate Practice Note
- Guidance on Disclosure of Application of CRISA
- Collaborative Engagement Guidance Note

CRISA Disclosure research process currently underway

- **Aim:** Assess the prevalence and quality of CRISA disclosure by South African institutional investors and their service providers as per the disclosure requirements outlined in the CRISA Code and the CRISA Disclosure Practice Note (& draft FSCA Sustainability Reporting Directive)
- Build on CRISA research data from previous CRISA commissioned research
- Research findings should **influence future CRISA strategy** and projects
- Improve **accountability** and **build trust**
- Ensure that **CRISA remains relevant**, both locally and internationally

Financial Sector
Conduct Authority

Recent developments

FSCA Draft Directive:
Sustainability Reporting & Disclosure Requirements

Available: www.fsca.co.za

CRISA applies to all asset classes

- CRISA Committee meeting of 8 May 2018 confirmed that application of CRISA should apply to all asset class
- Aligned to Reg. 28 of the Pension Fund Act
- Aligned to FSCA Draft Sustainability Reporting Directive for Pension Funds
- Aligned to UN PRI principles

CRISA supports Integrated Reporting

- **CRISA Principle 1:** An institutional investor should **incorporate sustainability considerations, including environmental, social and governance, into its investment analysis** and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.

- Institutional investors should drive demand for ***improved reporting by investee companies*** on material ESG issues

CRISA supports Integrated Reporting

1. An institutional investor should develop a policy on how it incorporates sustainability considerations, including ESG, into its investment analysis and activities. The matters to be dealt with in the policy should include, but not necessarily be limited to, an assessment of:

a. the sum of tangible and intangible assets of a company;

b. the **quality of the company's integrated reporting** dealing with the long-term sustainability of the company's strategy and operations. If integrated reporting has not been applied, due enquiry should be made on the reasons for this;

CRISA supports Integrated Reporting

- CRISA Principle 5: Institutional investors should be **transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.**

- An institutional investor should regularly engage with its stakeholder groupings, including investee companies and the ultimate beneficiaries, in order to, inter alia, **identify and understand information requirements** and, at least once a year, fully and publicly disclose to what extent it applies to CRISA.