

**SOCIALLY RESPONSIBLE
INVESTMENTS:
MAKING
SENSE OF THE INVESTMENT
AND POLICY JARGON**

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BACKGROUND

- Transformation and empowerment prominent since early 1990s
- Yet uncoordinated approaches
- Broad Based BEE Act and Strategy Document provides welcome clarity



FINANCIAL SECTOR CHARTER

- Released 17 October 2003
- Significant impetus to SRI debate
- Signatories commit to:
 - Targeted Investments – infrastructure, low-income housing, black SMEs
 - BEE Transactions – black ownership in an entity



OTHER SOURCES OF MOMENTUM

- NEDLAC Growth and Development Summit (June 2003) – 5% of institutional funds to be invested in the “real economy”
- President Mbeki’s State of the Nation Address (May 2004):
“we will engage our social partners to implement the decision ... that 5% of the funds held by institutional investors will be invested in the real economy”



OTHER SOURCES OF MOMENTUM cont.

- Emphasized again in February 2005 State of the Nation Address:
- “look to finalise discussions, especially in the context of the Financial Sector Charter, on investing 5% of investible capital of financial institutions in productive activity”



NATIONAL TREASURY RETIREMENT FUND REFORM DISCUSSION PAPER (December 2004)

Funds be required to state in writing in a document to be distributed to their members and participating employers whether they intend to invest any part of the assets of the fund in socially desirable



**NATIONAL TREASURY RETIREMENT FUND REFORM
DISCUSSION PAPER (December 2004) cont.**

- Funds be permitted to invest up to 10% of their assets in such investments provided that it can reasonably be expected that such investments will yield a return of not less than the increase in the rate of inflation over the period of investment.



**NATIONAL TREASURY RETIREMENT FUND REFORM
DISCUSSION PAPER (December 2004) cont.**

Very poor grasp of SRI, but confirms
move to a “voluntary” 5-10% investment
in SRI has gained significant momentum
and appears inevitable.



DEFINING SRI

- Lots of debate, but no coherent, consistent and widely accepted definition.
- SRI = investment where the investor is aware of the impact of his investment on the real economy and the behavior and actions of investee companies, and looks to use this power and influence in a positive way.
- SRI is a political-economic framework that can be applied to all asset classes



PRIMARY AND SECONDARY SRI

- Primary – direct investments in companies and/or projects
 - Include new infrastructure and SMEs
 - “Real Economy” and “Targeted Investments” included here
 - Powerful direct impact



RELATED CONSIDERATIONS

- Investment characteristics
- Comprehensive SRI policy
- Developing the market



CONCLUSION

- SRI becoming a material financial issue
- Historical evidence of significant losses due to poor SRI policies
- Clear conceptual framework is essential first step

