



BETWEEN THE TIDES

THE 2012 PENSION LAWYERS ASSOCIATION CONFERENCE

CRISA: The new investment codes

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CRISA: The new investment codes



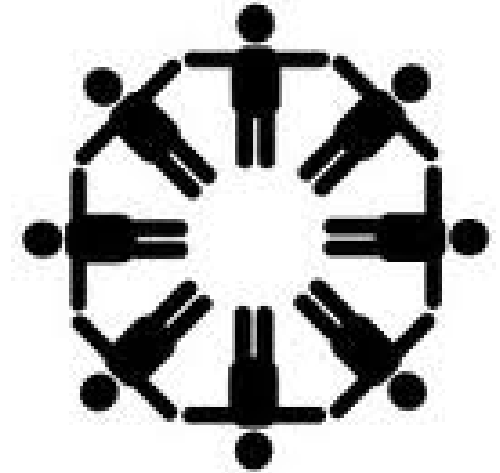
Adopting CRISA?

*It's the
right
thing to do*

Tree hugger



AND PROUD OF IT!



“CRISA won’t really make a difference”

Spot the difference



Before CRISA



After CRISA

The investment manager's formal response:

- Already a signatory of the United Nation's Principals for Responsible Investing (UNPRI) (6/14)
 - Already incorporated into the investment process
 - This is sufficient or they are reviewing
- Will comply with Regulation 28
- Thinking about it / doing something about it
- Clear with equities but more challenging for quant houses and alternative investment managers

Feedback from the bottom

- Confusion with SRI investing
- Common response is that ESG factors are considered when putting a value on a stock.
- If an aspect of ESG is dubious then
 - Either don't invest or
 - Discount the valuation
- Engagement with management appears to be limited

Actual response

- No SRI mandates
- Not signatories to UNPRI
- No ESG analyst/team within the process
- Analysts take ESG factors into account in valuation of company
- Long run impact on company's valuation and subsequent investment performance
- Consider impact of ESG factors on price relative to valuation
- Primary objective: Long term wealth creation for clients

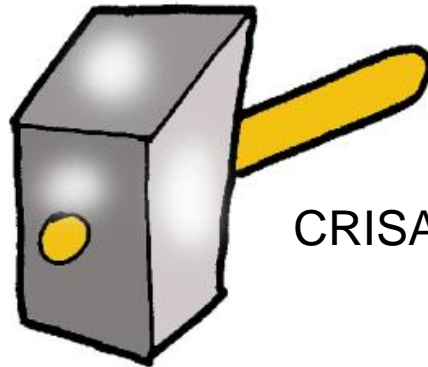


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Do we want CRISA to make a
difference?

Common concern



Investment Performance

My view

Short term investors shouldn't adopt
CRISA

Retirement Industry is a long term
investor

International research

E.S.G. Risk Factors in a Portfolio Context Integrated Modeling of Environmental, Social and Governance Risk Factors An Innovative Study for Institutional Investors November/December, 2009

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PIC to scrutinise Massmart

January 12 2012 at 09:54am

The Public Investment Corporation (PIC), which is the largest South African investor in Walmart-controlled Massmart, would increase its engagement with Massmart if it found evidence that the retailer had adopted Walmart practices that contravened the UN Global Compact, the state asset manager said yesterday.

Earlier this week Algemeen Burgerlijk Pensioenfonds (ABP), Holland's largest pension fund, announced that it had sold off its \$121 million (R982m) worth of shares in Walmart last week and had blacklisted the company because of its non-compliance with the UN Global Compact. ABP had been a long-term investor in Walmart.

The PIC, which holds a 6.8 percent stake in Massmart, is one of 47 South African signatories to the UN Global Compact and is also a signatory to the UN Principles for Responsible Investing. The Global Compact principles relate to human rights, labour, the environment and anti-corruption. Other local signatories include Old Mutual, Sanlam, FirstRand, Nedbank, Edcon, Pick n Pay and Sasol.

Yesterday the PIC said that, in the event of faltering governance at Massmart, it would not ban or pull its investment "but rather entrench ourselves deeper in enforcing adherence".

ABP's decision to divest from and blacklist Walmart had been taken after four years of engagement with management on the labour-related issues that had given rise to the pension fund's concerns.

At the same time ABP also announced it had divested from and blacklisted PetroChina for non-compliance with the Global Compact. In a statement, ABP said that it had blacklisted PetroChina because of its operations in Sudan and Myanmar, whose governments are believed to be violating human rights. ABP also noted that efforts to make the two companies change their stance through dialogue and engagement had been unsuccessful.

Massmart executive director Brian Leroni told Business Report that he was aware of the ABP divestment, but noted that it was an issue that was more appropriately dealt with by Walmart. By the close of business yesterday, Walmart had not responded to queries from Business Report.

US-based commentators noted that not only was ABP's investment in Walmart relatively small, but that there was no indication that any of the US institutional investors were likely to follow ABP's example.

However, the point was also made that with \$300 billion under management, ABP is one of the largest pension funds in the world and while it may now be pushing the same message that the US labour movement has been pushing for decades, Walmart would be wise to pay closer attention to it than it does to its critics in the labour movement.

The Global Compact principle that is thought to have been the source of much of ABP's concerns states: "Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining."

For decades Walmart has been openly hostile to efforts by the US labour movement to organise union membership within the company, which is the largest private sector employer globally. - Ann Crotty

- ABP (Dutch Pension Fund) had sold Walmart shares due to non compliance with the UN Global Compact
- ABP made their decision after 4 years of engagement on the matter
- PIC's response was that they would continue to engage with Massmart



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