

SPECIAL PROJECTS
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Institute of Retirement Funds Africa

DESPITE the break-neck pace of today's world, Old Mutual's Director of Investments, Hywel George, believes it's those with a long-term approach that reap rewards.

He says, "The last decade has tested market participants' ability to withstand short-term volatility while navigating long-term structural changes. We live in a world where the pace of change in politics, technology and social dynamics can seem astounding.

"We anticipate a long-term trend towards increas-

ing mechanisation and exponential growth in computing power. Will such automation positively or negatively impact economic growth, well-being and employment levels?

"The implications are not yet fully understood but plotting a route forward in an uncertain world is helped by having a secure long-term view.

"For example, our Macro Solutions boutique tracks asset class returns annually with research spanning 87-years. However, being a long-term investor is not just about being able to understand long-term trends.

Focusing on long-term outcomes using ESG benchmarks

Old Mutual's Director of Investments, Hywel George



"It is also about being able to have a systemic view of the market and its connectivity to other social and biophysical systems.

"Seeing the world in this way results in a clearer appre-

ciation of how long-standing environmental, social and governance (ESG) impact the stability and viability of markets.

"For us responsible investment is central to our client promise and we see it as being

additive to our competitive advantage.

"We understand that for committed long-term investors and other core market actors, the interconnectivity of ESG issues and long-term mar-

ket returns is no longer one of idle contemplation."

In June, Swiss RE announced that by the end of the year, all of its US\$130bn global portfolio will be shifted to ESG benchmarks.

George adds, "Within our business Old Mutual Customised Solutions has led the domestic market with its family of ESG indices.

"These are low tracking error products designed to offer market returns with a measurable ESG delta to the benchmark.

"In simple terms, such best-in-class strategies offer a very

low cost option on the long-term mispricing of ESG risks.

"For asset owners with long-term liability horizons it is becoming increasingly clear that pursuing short-term returns in a manner that potentially undermines long-term system stability is not a prudent course of action."

Robert Lewenson, Head of ESG Engagement: Old Mutual Investment Group, says,

"To act as responsible stewards of assets, we ensure that the management teams of investee companies are accountable for company performance and conduct.

"We implement our stewardship activities both in terms of proxy voting and engagement with listed investee companies, locally and internationally, and with investee companies in unlisted markets.

"We see this as an effective way to meet our commitment to protect investor interests with regards to the way companies manage their ESG risks and opportunities.

"We publicly disclose the outcomes of our responsible ownership activities on a regular basis and our latest report can be accessed on our website."

ACCORDING to ongoing global benchmarks, the primary imperative for retirement funds and industry service providers remains the focused and constructive engagement with members, pensioners and stakeholders.

Constructive engagement crucial for retirement fund members

Findings from detailed research undertaken by the Institute of Retirement Funds Africa (IRFA) into the practice of stakeholder engagement. This requires consistent and rigorous assessment and measurement of stakeholder perceptions, attitudes, and service needs. It also needs open and honest communication as well as financial reporting and member education practices. These should raise stakeholder awareness, strengthen trust and confidence in the industry, improve stakeholder understanding and influence stakeholder behaviour in terms retirement funding.

IRFA president, Wayne Hiller van Rensburg, says, "The research methodology developed for the Institute's benchmarking and measurement processes is fully compliant with the FSB Circular PF130 as well as the King IV report on corporate governance. This is notably in the areas of ethical and responsible leadership, performance appraisal and risk management as well as addressing reasonable stakeholder needs, expectations and rights.

"And these include the right to be educated and informed when it comes to retirement funding and discretionary choice," he emphasises.

IRFA has determined that the

definition of stakeholders in the communication and engagement mix extends way beyond traditional definition.

He adds, "We found that stakeholders of best practices funds are defined as any person, group or organisation that has an interest or concern in the specific fund or industry. This means the playing field has widened considerably. Active and sustainable engagement with members, pensioners, service providers, organised labour and other interested parties has become mandatory.

"The study shows that collaboration between funds and service providers in communicating with members and pensioners and in delivering the service package a priority."

Drilling down on the nature of this engagement, IRFA recommends the regular communication of fund benefits and services and the provision of accessible communication channels. It advises regular assessment of member understanding, behaviour and educational needs and the development and implementation of member education programmes.

Non-negotiable is communication

in a language and style understandable and appropriate to all stakeholders. The crafting of communication messages and the provision of channels, accessible by all stakeholders, measurement of the effectiveness of stakeholder communication based on stakeholder understanding and behaviour and the communication of all environmental, social and governmental impacts of fund operation are also key.

So how does local industry rate itself against these best practice engagement processes?

He says there is work to be done, particularly in the field of measurement as well as in terms of member education. And concludes, "Overall compliance and best practices with regard to fund communication processes has been rated by local industry at 62.81 percent. High ratings to the variables in this battery are communicating in a cost effective manner, ensuring that stakeholder communication includes information on the operations, administration and investments of the fund and communicating consistently and transparently with all stakeholders with whom engagement is more than a moral obligation, it is necessary.

BO MASOLE, the founder and CEO of Victus Global Ltd, told delegates attending the annual IRFA conference that impact investing is simply the deliberate intention of achieving both a financial and social value. She cited a groundbreaking initiative as an example of where this type of investment can make a difference.

Victus Global Ltd is a food technology consultancy specialising in the development of globally competitive products and focuses on creating social change through the creation of funds, which aim to achieve social change and shift gender power relations. The Victus Global Group focuses on transforming agriculture in Africa through investment, capacity building and increased intra-Africa and international trade.

In analysing impact investment as a socially responsible and current investment trend, she and colleague Zee de Gersigny, emphasise that impact investing rests on the following four assumptions.

Intentionality - investments made with the intention of having a positive social or environmental impact.

Investments have a return expectation - investments made with the intention of generating a return on capital.

Range of return expectations - a wide range of returns that

Impact investing for a sustainable future



Bo Masole, founder and CEO of Victus Global Ltd, and co-founder of Victus Capital Ltd.

range from below market returns to risk-adjusted returns.

Impact measurement - investor to measure and report the social and environmental impact.

Bo added that impact investing has a strong affiliation with gender lens investing, incorporating gender analysis into financial analysis aiming to make better decisions. Its focus is on the representation of women in leadership, the gender disparities in capital and credit availability and it identifies ways to address these.

As an example of impact investing she detailed a Victus project, the Global Food Safety Initiative, which provides businesses access to capital, markets and expertise especially in Africa with emphasis on gender opportunities in agriculture.

In terms of reference on the project she noted that 60 percent

of the world's uncultivated arable land is situated on the African continent. 39 million hectares of agricultural land in Africa is physically suitable for irrigation but currently only seven percent of this farmable land is irrigated, and in sub-Saharan Africa that figure is at only 3.7 percent.

65 percent of Africa's labour force is in agriculture and women comprise of almost half the agricultural labour force in sub-Saharan Africa. Yet \$25 billion (US) of food is imported each year.

The United Nations Industrial Development Organisation (UNIDO) launched a capacity building project in 2012. There are many challenges including an insufficient understanding of the requirements and expectations of the retailers. The supply chain is challenging and there is lack of knowledge in food safety systems,

storage and transportation. Retailers are unable to obtain high-quality products from local suppliers.

Hence the Global Food Safety Initiative, which has worked with food processing companies and helped SMMEs implement food safety standards and local food legislation in supplying retailers. The programme includes grassroots skills transfer where people are empowered with agricultural knowledge. The initiative has also implemented a global food safety management system, creating high quality, globally competitive and safe products.

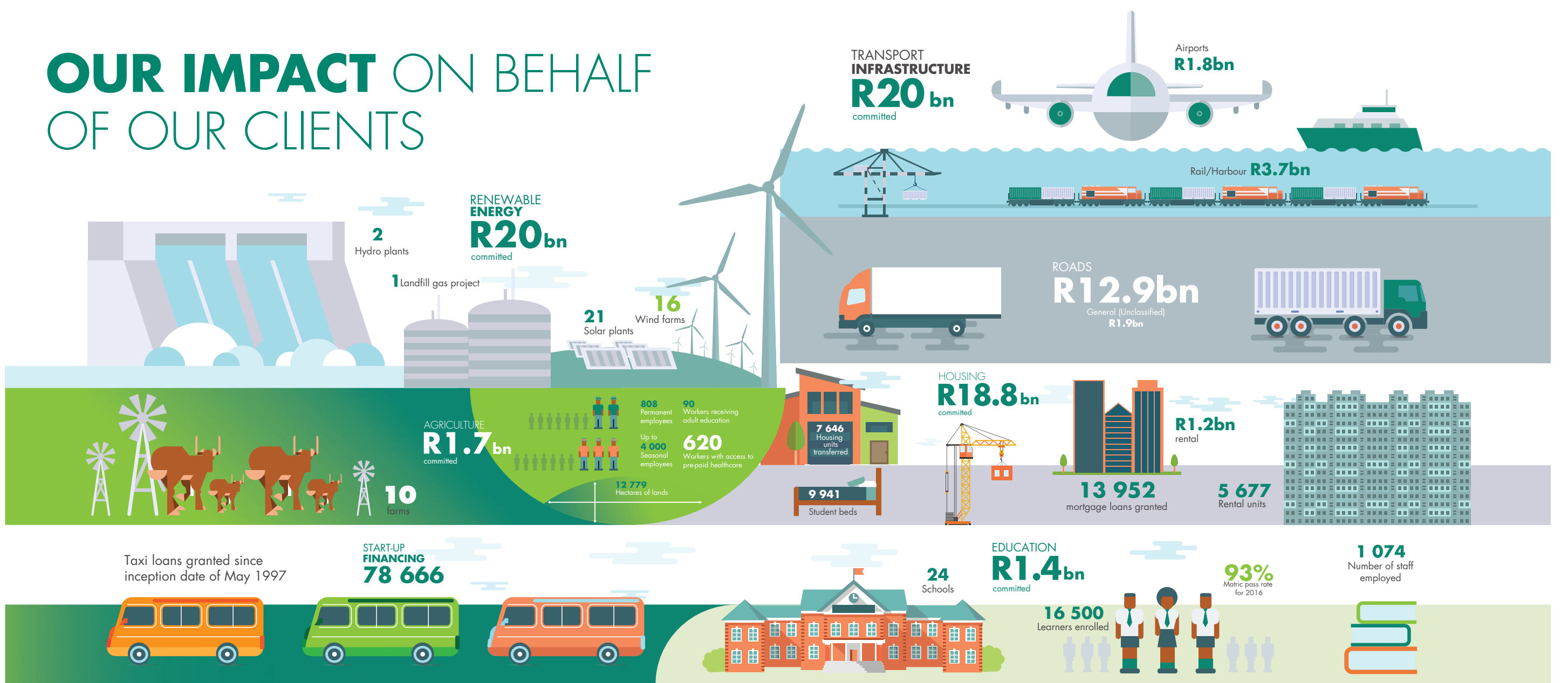
Masole says women still face an uphill battle within the agricultural sector because they are less likely to own assets which can serve as collateral. They are more likely to be excluded because of unequal property rights or discriminatory regulations, laws and customs. SMMEs represent 45 percent of employment, 33 percent of GDP in emerging markets. A third of the small and medium-sized enterprises in the world are run by women but 70 percent of women owned SME's cannot access financial institutions.

Masole concludes "There are numerous investment opportunities in Africa's agricultural sector and the capacity building project's aim is to encourage Pension Funds to look at them and invest in them.

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