



CRISA Code for Responsible Investment in South Africa

**2020 Revision
Consultation Draft**

November 2020

Comments to be provided by 31 January 2021

Via email to corli@sixcapitals.co.za

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The draft revised CRISA Code is published by the CRISA Committee for comment and does not constitute a final document. The CRISA Code of 2011 remains in place until such time as a revised Code has been finalised and an effective date determined and published.



SECTION A: INTRODUCTION

As change remains the only constant of the modern world, the multiple global threats faced by humanity, such as climate change, social inequality and diseases of pandemic scale, are driving consumers, businesses, and governments towards more sustainable products, services and policies.

There is a growing consensus that investment needs to be aligned with the direction of change, both in honouring the legal duties that are assumed by fiduciaries or which are allotted through mandates, and in consciously seeking out opportunities to influence and contribute to the environment and society through investment arrangements and activities that target an economy which is both green and inclusive.

Responses such as calls for policies to reshape the world and build a future that is greener, smarter, and fairer, also reinforce the mounting sense that major shifts in investment policy and practice are imminent.

For its part, South Africa continues its battle against the triple ills of poverty, inequality and unemployment, exacerbated by economic contraction, failures in both private and public governance and calls for more urgent action on climate change. The country is ripe for the further innovations that are needed to achieve a systemic shift from commitment into action with more impact.

It is the proposition of the CRISA Committee that a reinvigorated CRISA Code, as part of a corporate governance ecosystem¹ that drives best practice across the investment value chain, can spur much needed impetus in this regard through modelling positive outcomes of diligent stewardship and responsible investment. A project was therefore commissioned by the CRISA Committee to develop a revised Code.

SECTION B: HOW TO RESPOND TO THE CONSULTATION

- Comments need to be received by or before **31 January 2021** and can be submitted via email to corli@sixcapitals.co.za.
- All comments are considered to be a matter of public record and may be published in the interests of transparency in the review process, should the CRISA Committee decide to do so.
- To facilitate the processing of feedback, it is kindly requested that all submissions incorporate the following considerations:
 - Comments should be provided with reference to the relevant consultation question.
 - Comments that relate to specific text should include a line number reference to the relevant text.
 - Comments or suggestions regarding the practical application of a principle or practice recommendation within the context of the commenting organisation, are particularly welcomed.
- In addition, each submission should contain the following information:
 - the organisation or individual on whose behalf the comments are being submitted.
 - nature of commenting organisation's category of business (e.g. asset owner / investment manager / asset consultant / civil society).
 - the name and email address of a contact person.
- For more information about the CRISA Committee, CRISA's working groups and sponsorship opportunities for the CRISA Code launch and CRISA Secretariat resourcing, please contact Adrian Bertrand via email on ABertrand@asisa.org.za.

¹ Together with King IV™



SECTION C: SUMMARY OF CONSULTATION QUESTIONS

1. Objectives of the revised Code
<ul style="list-style-type: none"> a) Do the objectives adequately frame what the CRISA Code should aim to achieve? b) Are there any objectives that should be removed or added?
2. Application of the revised Code
<ul style="list-style-type: none"> a) Do you agree with the flexible and universal approach to application and adoption? b) Should the Code contain targeted recommendations for different investment categories or types of investment organisations, or should these be dealt with in separate guidance? c) Is the approach to application on a proportionate basis sufficiently clear?
3. Foundational Framework
<ul style="list-style-type: none"> a) Is the process from applying principles and adopting practice recommendations to realise the benefits of the outcomes sufficiently clear? b) Do you agree with the outcomes and how they are outlined? c) If not, please provide suggestions on alternative outcomes. d) Do you agree with the approach to define practice recommendations across implementation and reporting elements?
4. Principle 1: Integrating sustainable finance
Do you have any comments on Principle 1 and the practice recommendations for implementation and reporting?
5. Principle 2: Diligent stewardship
Do you have any comments on Principle 2 and the practice recommendations for implementation and reporting?
6. Principle 3: Capacity building and collaboration
Do you have any comments on Principle 3 and the practice recommendations for implementation and reporting?
7. Principle 4: Governance
Do you have any comments on Principle 4 and the practice recommendations for implementation and reporting?
8. Principle 5: Transparency
Do you have any comments on Principle 5 and the practice recommendations for implementation and reporting?
9. Glossary
<ul style="list-style-type: none"> a) Do you agree with the definitions provided? If not, please provide alternative suggestions in line with globally accepted definitions. b) Are there any additional terms that should be included in the glossary? Please provide suggestions for definitions in line with globally accepted definitions.
10. General comments
Please provide any other comments that may be relevant for consideration in the review.

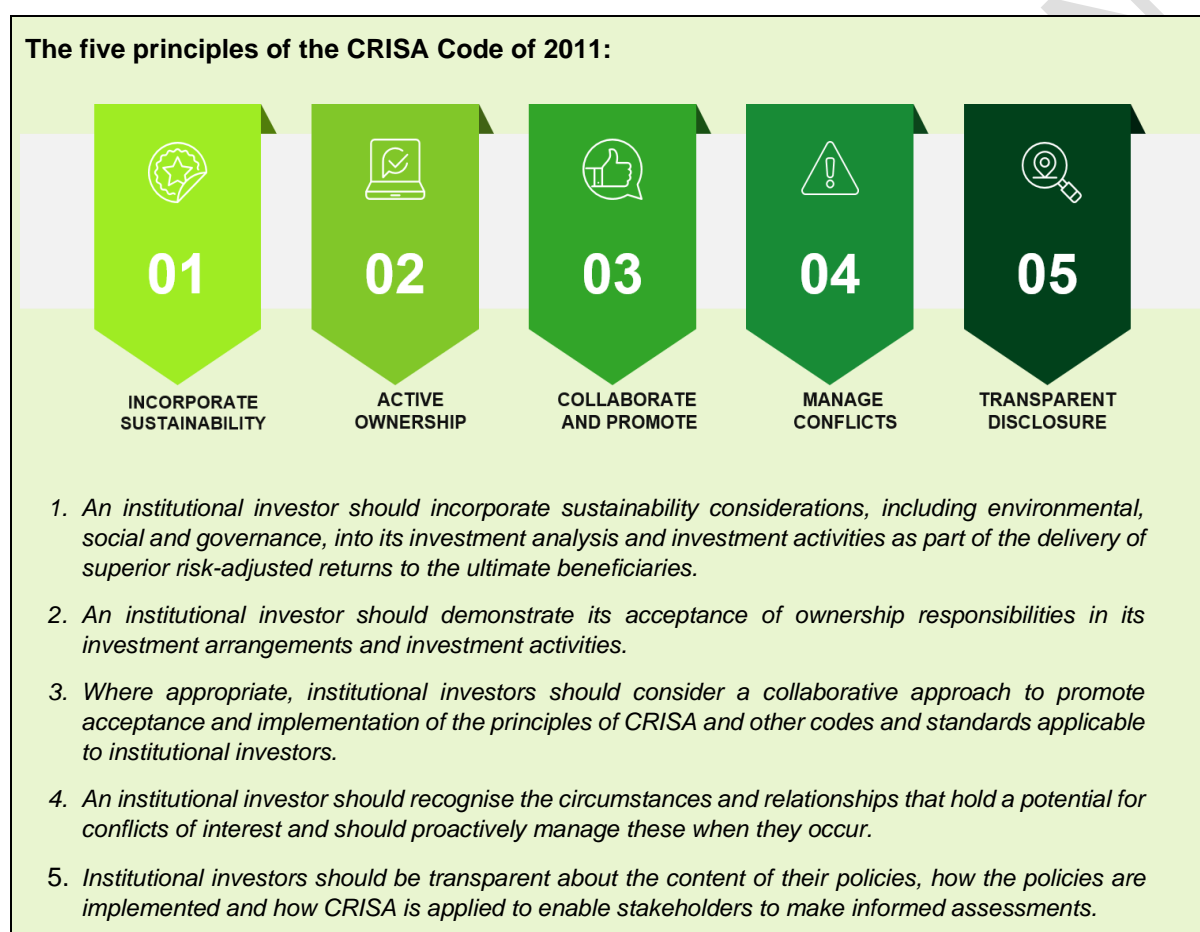


SECTION D: CONTEXT FOR REVISING THE CODE

HISTORY OF THE CRISA CODE OF 2011

1 Pursuant to the development of King III™ and calls by the South African network of the UNPRI for guidance
2 to the investor community to be included in the Report, the Committee on Responsible Investing by
3 Institutional Investors in South Africa was convened to draft a separate code to specifically set out the
4 expectations of institutional investors. The CRISA Code for Responsible Investing in South Africa was
5 consequently launched in July 2011.

6 The CRISA Code of 2011 is primarily aimed at providing guidance to institutional investors on the execution
7 of investment analysis and investment activities, and the exercise of rights so as to promote sound
8 governance. It covered the following five principles:



9 *Figure 1: The Five Principles of the CRISA Code of 2011*

10 The CRISA Code of 2011 is a voluntary code following an “apply-or-explain” regime to the following:

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

13 The CRISA Code of 2011 carries the endorsement of the Institute of Directors Southern Africa, Batseta and
14 ASISA, while the principles are supported by the FSB (now the FSCA) and the JSE.

15 Subsequent to the release of CRISA in July 2011, the following publications were issued in support of the
16 Code:²

17 ● Practice Note: Guidance on disclosure of the application of CRISA, 2013.

18 ● Adaptation of the ICGN Model Mandate Initiative for South Africa, July 2014.

19 ASISA has provided Secretariat support to the CRISA Committee since July 2017, moving from its prior
20 base at the IoDSA to be more closely aligned with the investment industry.

THE NEED FOR REVISION

21 At the heart of the CRISA Code of 2011 was recognition of the importance of integrating sustainability
22 issues, including ESG, into long-term investment strategies, within the context of the ability of an institutional
23 investor to influence and encourage investee organisations to apply sound governance principles and to
24 care for the environment in which they operate.

25 While this imperative remains, the world has shifted significantly in the decade since the release of the
26 CRISA Code of 2011, with burgeoning expansion and development in stewardship and responsible
27 investment. Increasing research points to this trend as well as the growing value proposition of incorporating
28 sustainability considerations into investment analysis and decisions, such as clearer correlations between
29 ESG activity and financial value, an enhanced understanding of risks, and innovation in product creation to
30 meet demand for growing investment opportunities through which influence and impact can be optimised.
31 Responsible investment and stewardship are also increasingly finding application across asset classes,
32 including for example in fixed income and infrastructure investment, as well as beyond public markets.

33 International developments that have influenced the evolution include (but are not limited to) the following:

34 ● The United Nations SDGs.

35 ● Recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD).

36 ● Evolving global Stewardship Codes including the ICGN Global Stewardship Principles and the
37 UK Stewardship Code of 2020.

38 ● IOPS Supervisory Guidelines on the Integration of ESG Factors in the Investment and Risk
39 Management of Pension Funds, 2019.

40 Within the South African context, a number of significant advances also impact the continuing rise in
41 prominence of responsible investment and stewardship. These include (but are not limited to):

42 ● King IV™, with particular reference to Principle 17 (Responsibilities of Institutional Investors) and
43 Part 6.4: Supplement for retirement funds.³

44 ● Regulation 28 of the Pension Funds Act, 1956.

45 ● FSCA Guidance Notice No. 1 of 2019 (issued in terms of the Pension Funds Act, 1956):
46 Sustainability of investments and assets in the context of a retirement fund's investment policy
47 statement.⁴

48 ● National Treasury's Draft Technical Paper on Financing a Sustainable Economy, May 2020⁵.

² Available from <https://www.iodsa.co.za/general/custom.asp?page=CRISAPN>

³ https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/IoDSA_King_IV_Report_-_WebVersion.pdf

⁴

[https://www.fscsa.co.za/Regulatory%20Frameworks/Guidance%20Notes/Sustainability%20of%20investments%20and%20assets%20\(retirement%20fund\).zip](https://www.fscsa.co.za/Regulatory%20Frameworks/Guidance%20Notes/Sustainability%20of%20investments%20and%20assets%20(retirement%20fund).zip)

⁵ <http://www.treasury.gov.za/publications/other/Sustainability%20technical%20paper%202020.pdf>



49 Despite these developments sharpening the focus on the increasing priority of stewardship and responsible
50 investment, there remains a general sense that action from the investment community is lagging both in
51 urgency and scope. For example, new data⁶ appears to suggest that the SDGs will not be met until at least
52 2082. Locally, significant governance failures have also underscored the need for even greater scrutiny
53 from investors.

54 As a result, the CRISA Committee and key CRISA stakeholders, such as the FSCA, ASISA, IoDSA,
55 Batseta, the King Committee and the UN-supported PRI are of the view that CRISA still has an important
56 role to play in providing implementation guidance to the South African investor community, while offering a
57 benchmark for application throughout the investment value chain and across asset classes.

SECTION E: SALIENT FEATURES OF THE REVISED CODE

VARIANCES FROM CRISA CODE OF 2011

58 The underlying tenets of the principles of the CRISA Code of 2011 remain relevant, and as a result the
59 revised CRISA Code retains similar core aspects.

60 The revised CRISA Code does however introduce some shifts to align with global and local developments,
61 respond to the needs of investment organisations pursuing responsible investment, and to strengthen the
62 call for action, particularly through the following:

- 63 ● Incorporation of the concept of stewardship more explicitly and as applicable across all asset
64 classes.
- 65 ● Broadening of applicability to enable universal and flexible application across asset classes,
66 investment styles and type of organisation.
- 67 ● Highlighting the importance of ensuring sound governance over stewardship and responsible
68 investment, through introduction of a dedicated governance principle.
- 69 ● Expanding the practice recommendations through incorporating focused implementation and
70 reporting elements within each principle, while retaining a broader transparency principle to
71 address the overarching approach to disclosure.
- 72 ● Shifting to an outcomes-based approach and “apply and explain” application on a proportionate
73 basis.⁷
- 74 ● Adopting concepts from sources that are widely accepted as authoritative, including:
 - 75 - the triple context and six capitals.⁸
 - 76 - integrated thinking and integrated reporting.⁹
 - 77 - sustainable finance.¹⁰

⁶ *Achieving SDGs 62 years behind schedule*, ESG Clarity magazine, 11 September 2020, available at https://esgclarity.com/achieving-sdgs-62-years-behind-schedule/?utm_source=Adestra&utm_medium=email&utm_term=&utm_content=Achieving%20SDGs%20%E2%80%9962%20years%20behind%20schedule%E2%80%99&utm_campaign=Matrix%20ESG%20Clarity%20-%2014%20Sep%20Mon%202020

⁷ The outcomes-based approach to governance and “apply and explain” are captured in King IV™ as the original intellectual thinking of the King Committee.

⁸ As captured in King IV™ and the International Integrated Reporting Framework

⁹ As captured in King IV™ and the International Integrated Reporting Framework

¹⁰ As per the recommended definition in the National Treasury draft Technical paper



OBJECTIVES OF THE REVISED CODE

78 The main objective of the revision is to position CRISA front and centre as a custodian of governance for
79 the South African investment community, thus re-affirming the Code and its principles as a key component
80 of the governance framework for South Africa.

81 The Code has as its further objectives the following:

- 82 ● To build a common awareness of stewardship and responsible investment throughout the
83 investment value chain and across all asset classes as universally relevant (shifting away from
84 perceptions of limited applicability to listed equity).
- 85 ● To support the evolution of the investment environment towards sustainable finance and empower
86 those within the investment value chain to take bold action towards the positive outcomes of diligent
87 stewardship and responsible investment.
- 88 ● To cultivate integrated thinking among governing bodies of investment organisations, influencers
89 and decision-makers, through building understanding of the triple context of society, economy and
90 environment within which businesses operate as well as their reliance on and impacts on the six
91 capitals.¹¹
- 92 ● To promote disclosure about policies, practices and outcomes of stewardship and responsible
93 investment.
- 94 ● To encourage collaborative action and building of capacity towards the mainstreaming of
95 sustainable finance that contributes to a more equitable and inclusive economy.

96 It should be noted that committing to a stewardship code or responsible investment principles, is only part
97 of the journey to ensure impactful implementation. Issuers and investors that operate with a sharpened
98 recognition of how their investment arrangements and activities intersect with the environment and society,
99 understand that stewardship and responsible investment are not static attitudes but require an ongoing,
100 proactive and mindful consideration of the risks and opportunities, dynamics and trends that could inform
101 or influence decisions.

102 Similarly, it is the intention that CRISA, although based on a universal set of principles, will continue to
103 evolve and expand in the guidance that it provides. This is reliant on the development of a sustainable
104 organisational model, a process which is currently underway and targeted for conclusion during 2021.

Consultation Question 1

Objectives of the revised Code

- a) Do the objectives adequately frame what the CRISA Code should aim to achieve?
- b) Are there any objectives that should be removed or added?

¹¹ In its foreword, King IV™ discusses the interconnectedness of the resources used by organisations and how its activities affect and are affected by the six capitals and the triple context within which it operates.



105 **APPLICATION OF REVISED CODE**

106 While the revised Code primarily targets constituents of the investment industry, it is intentionally broad so
107 as to enable **flexible application on a proportionate basis** as the context may require. This means that:

- 108 ● the principles should be considered to be universal and capable of application or adoption –
- 109 ○ across organisational categories, covering various types of investment institutions as well
110 as the related service providers and other supporters of stewardship and responsible
111 investment who may align themselves with the aspirations of the Code;
 - 112 ○ across asset classes;
 - 113 ○ in relation to a variety of investment philosophies, products or to guide decisions around
114 allocation of capital or assets or engagement;
 - 115 ○ across all investment arrangements and activities (as defined).
- 116 ● factors such as the size and type of organisation and its investment philosophy and style, should
117 not be seen as limitations. Applying the Code on a proportionate basis means that even those with
118 limited resources and varying business models and investment approaches should be able to
119 implement the principles in a manner that is fit for purpose within the context, to achieve the
120 outcomes of diligent stewardship and responsible investment to the extent possible.

121 **The revised CRISA Code should be implemented on an “apply and explain” basis.** Disclosures should
122 therefore demonstrate how the principles and practices have been interpreted and implemented, including
123 where any adaptations have been made to scale application of practices on a proportionate basis. For
124 example, where an investment institution or asset owner may lack the governance structures or resources
125 to implement certain practice recommendations directly, assigning responsibilities to relevant service
126 providers may be considered sufficient as long as this is disclosed and the mandate provides for reporting
127 and sanctions for non-adherence, and it does not amount to a dereliction of fiduciary responsibilities.

128 Where there is conflict between the Code and applicable legislative provisions, the **legislation will prevail.**

129 **Foreign investment institutions** are encouraged to apply the Code to the extent that they invest in South
130 African companies.

Consultation Question 2

Application of the revised Code

- a) Do you agree with the flexible and universal approach to application and adoption?
- b) Should the Code contain targeted recommendations for different investment categories or types of investment organisations, or should these be dealt with in separate guidance?
- c) Is the approach to application on a proportionate basis sufficiently clear?

STRUCTURE AND FOUNDATIONAL FRAMEWORK

131 The revised CRISA Code promotes an outcomes-based approach, in keeping with broadening perspectives
132 to strategy, governance¹² and reporting.¹³ It thus sets out:

- 133 ● Principles which are phrased as representing an ideal state.
- 134 ● Practice recommendations to support achievement of the desired state.
- 135 ○ Practice recommendations distinguish between implementation activities and suggested
136 reporting elements to support action and transparency.

137 The Code envisions an ongoing, iterative process of –

- 138 ● integrating sustainable finance considerations into investment arrangements and activities,
 - 139 ● diligently discharging stewardship duties, and
 - 140 ● contributing to capacity building and collaboration,
- 141 supported by sound governance and accountable transparency through meaningful disclosure towards the
142 attainment of positive outcomes.

143 The outcomes of diligent stewardship and responsible investment are the interrelated effects or benefits
144 that could be realised through mindful application of the principles for (any or all of) the investment
145 organisation, its ultimate beneficiaries, the investee or issuing organisation, society and/or the environment.

146 The CRISA Code encourages pursuit of the following positive outcomes:

<p>➤ Impact - making positive contributions to societal goals, realising benefits to society or the environment alongside a financial return¹⁴, achieving a reduction in negative consequences or exercising positive influence (such as on the implementation of sound governance practices).</p>	<p>➤ Inclusion - applying the principles of the Code to support a just transition towards a greener, more inclusive economy that enables sustainable development</p>
<p>➤ Innovation - developing and implementing novel ideas, investment approaches, methodologies, products or strategies for engagement and collaboration, to maximise positive impact, promote inclusion and build resilience.</p>	<p>➤ Resilience - taking into consideration the threat of unanticipated changes, challenges to the global economic system and the potential consequences for pricing of risk and assets and developing an ability to adapt by leveraging the Code as a tool for predictive insight.</p>

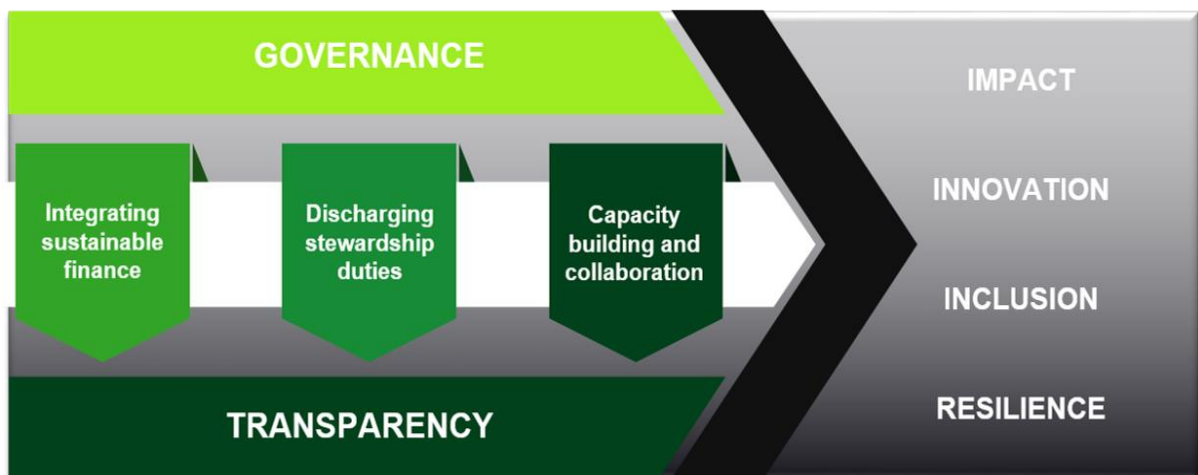
¹² Acknowledging the need for organisations to consider the full business cycle incorporating inputs, outputs and outcomes as the effects or impacts of the business model on the triple context, King IV™ introduced an outcomes-based approach to governance as ethical and effective leadership to achieve four governance outcomes of ethical culture, good performance, effective control and legitimacy.

¹³ Reporting on outcomes is a requirement of the International Integrated Reporting Framework (the internal and external consequences (positive and negative) for the six capitals as a result of business activities and outputs).

¹⁴ Regardless of whether this is pursued intentionally as is the case with impact investment or values-driven investment.



147 The process of applying the Principles and adopting the practice recommendations for implementation and
148 reporting towards achieving positive outcomes can be depicted as follows:



149
150 *Figure 2: CRISA concepts and outcomes*

Consultation Question 3

Foundational Framework

- a) Is the process from applying principles and adopting practice recommendations to realise the benefits of the outcomes sufficiently clear?
- b) Do you agree with the outcomes and how they are outlined?
- c) If not, please provide suggestions on alternative outcomes.
- d) Do you agree with the approach to define practice recommendations across implementation and reporting elements?

SECTION F: THE CODE PRINCIPLES AND PRACTICE RECOMMENDATIONS

PRINCIPLE 1: INTEGRATION OF SUSTAINABLE FINANCE

Investment arrangements and activities reflect a systematic approach to integration of sustainable finance practices, including the identification and consideration of materially relevant ESG and broader sustainable development considerations.

Implementation

- 1.1 An investment strategy or philosophy should be developed to acknowledge the triple context within which investment arrangements and activities are undertaken as well as a commitment to integrate sustainable finance practices.
- 1.2 Systematic integration of ESG and broader sustainable development considerations includes the implementation of processes to –
 - 1.2.1 identify considerations that are of material relevance, through monitoring global and local trends and industry-specific matters, or adoption of relevant guidance,
 - 1.2.2 assess the risk exposure and opportunities (using best practice norms),
 - 1.2.3 link to the investment strategy or philosophy, and
 - 1.2.4 develop responses for application to investment arrangements and activities.
- 1.3 Topic-specific policies and processes are advisable in relation to dealing with material issues that have systemic or market-wide implications (such as climate risk, socio-economic transformation, etc.) covering the development of appropriate risk frameworks or adoption of appropriate guidelines, standards, methodologies or models to guide the approach to the issue.
- 1.4 To ensure alignment by service providers, due diligence activities should be pursued with specific reference to consideration of ESG and broader sustainable development.

Reporting

The following should be disclosed regarding integration of sustainable finance practices:

- 1.5 The content of the investment philosophy or policy statement as well as the content of any further policies upon approval and upon implementation of any changes.
- 1.6 The key sustainability topics or issues that are considered of material relevance or which have been identified for integration into investment arrangements and activities.
- 1.7 An overview of how sustainable finance practices are being integrated (generally and on key topics), including:
 - 1.7.1 the adoption and/or application of any guidelines, standards, methodologies or models in implementation;
 - 1.7.2 any variances applied relative to size or available resources; and
 - 1.7.3 how the processes differ across asset classes and geographies.
- 1.8 The outcomes of implementation of sustainable finance practices during the reporting period.
- 1.9 An assessment of the effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.

Consultation Question 4

Principle 1: Integrating sustainable finance

Do you have any comments on Principle 1 and the practice recommendations for implementation and reporting?

PRINCIPLE 2: DILIGENTLY DISCHARGING STEWARDSHIP DUTIES

Investment arrangements and activities demonstrate the acceptance of ownership responsibilities (where applicable) and enable diligent discharge of stewardship duties through purposeful engagement and voting.

191 *Implementation*

- 192 2.1 Responsibly discharging ownership responsibilities and stewardship duties should be a
193 consideration when identifying key ESG and broader sustainable development issues set out in
194 Principle 1, as a further means to integrate sustainable finance practices.
- 195 2.2 Investment arrangements and activities should incorporate mechanisms that support the diligent
196 discharging of stewardship duties generally and particularly as it relates to ESG and broader
197 sustainable development concerns. These mechanisms include the following:
- 198 2.2.1 assessing the extent and quality of disclosure by investee organisations or issuers (as the
199 case may be), including evaluating integrated reporting as a reflection of value being created,
200 preserved or destroyed, and the approach to incorporating the six capitals.
- 201 2.2.2 approaches to intervention and engagement when concerns have been identified.
- 202 2.2.3 the means of escalation when concerns cannot be resolved.
- 203 2.2.4 criteria for voting decisions, participation in annual general meetings or use of proxies or
204 voting instructions, and for public disclosure of voting records.
- 205 2.3 Appropriate policies should be in place to guide stewardship activities such as engagement,
206 escalation and voting, and should apply even when passive investment strategies are followed.
- 207 2.4 Relevant controls should be applied when engagement is pursued and when seeking any
208 information, to ensure that care is taken to avoid exposure to or acting upon price sensitive
209 information that may trigger concerns around non-compliance with legislation on insider trading.

210 *Reporting*

211 The following should be disclosed regarding the discharging of stewardship duties:

- 212 2.5 The content of policies covering engagement, escalation and voting or the issuance of proxies, upon
213 approval and upon implementation of any changes, and a view on whether the policies were
214 effectively implemented during the reporting period. Where default voting policies of proxy advisors
215 are being used, disclosure should indicate the extent to which these are used.
- 216 2.6 Where applicable, full voting records (or a link to voting records) should be disclosed publicly as soon
217 as possible after the meeting to which it relates, and the reasoning behind voting decisions that were
218 in conflict with the policy or withheld, and the rationale for decisions that were against the governing
219 body (such as on remuneration policy) or against proposed shareholder resolutions.
- 220 2.7 The number of engagements on ESG and broader sustainable development concerns relative to the
221 total number of engagements, with a breakdown by topic.¹⁵

¹⁵ Topics could include for example remuneration, Board structure, independence, climate risk, etc.



222 2.8 The outcomes of stewardship activities during the reporting period, including engagements
223 undertaken (whether directly or on behalf of another, as the case may be), and how these have
224 influenced investment arrangements and activities, particularly towards the integration of sustainable
225 finance practices as envisaged under Principle 1.

Consultation Question 5

Principle 2: Diligent stewardship

Do you have any comments on Principle 2 and the practice recommendations for implementation and reporting?

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PRINCIPLE 3: CAPACITY BUILDING AND COLLABORATION

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A collaborative approach is taken where appropriate to promote acceptance and implementation of the principles of CRISA and other relevant codes and standards, to support the building of capacity throughout the investment industry and enhance sound governance practices.

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Implementation

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3.1 Collaboration among various actors along the investment value chain (including regulators, shareholders, service providers, investees and beneficiaries), and with parties outside of it (such as industry bodies, academia and civil society) should be leveraged as a tool to contribute to –

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3.1.1 building capacity and skills within the organisation and the broader industry, to enhance the identification and management of ESG and broader sustainable development issues, particularly those with systemic or market-wide implications.

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3.1.2 the development or adoption of guidelines, standards, methodologies or models that support the integration of sustainable finance and sound governance practices.

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3.1.3 enhance the impact and weight of engagement or dialogue regarding ESG and broader sustainable development concerns.

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3.2 Parties involved should be aware of the consequences of acting in concert in terms of applicable legislation, and the relevant controls should be in place to avoid non-compliance.

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Reporting

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The following should be disclosed regarding collaborative action:

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3.3 An overview of collaborative engagements and capacity building initiatives that are underway or which have been undertaken during the reporting period, whether directly or by others on behalf of the disclosing party, with an indication of the purpose of the initiative, the parties involved and an overview of controls in place to avoid acting in concert (where applicable).

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3.4 The outcomes of any collaborative engagements or capacity building initiatives undertaken during the reporting period, including whether escalation was undertaken and the outcomes of such escalation.

Consultation Question 6

Principle 3: Capacity building and collaboration

Do you have any comments on Principle 3 and the practice recommendations for implementation and reporting?

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PRINCIPLE 4: GOVERNANCE
Sound governance structures and processes are in place to enable oversight of and accountability for investment arrangements and activities towards diligent stewardship and responsible investment, including proactively managing conflicts of interest.

Implementation

- 4.1 The governing body of an investment organisation should assume responsibility for governing investment arrangements and activities relating to stewardship and responsible investment, with the application of adjustments as to the type of organisation or scaling on a proportionate basis as may be appropriate.
- 4.2 Sound governance practices incorporate the following:
 - 4.2.1 the exercise of ethical and effective leadership by the governing body in setting the direction for stewardship and responsible investment.
 - 4.2.2 appropriately resourcing stewardship and responsible investment activities.
 - 4.2.3 clear delegation or allocation of roles and responsibilities both within the organisation and in relation to service providers or clients.
 - 4.2.4 considering an appropriate approach to incentives to integrate stewardship and responsible investment into investment arrangements and activities.
 - 4.2.5 the conclusion of mandates as appropriate that clearly capture the approach and expectations to be taken. The onus remains on the giver of the mandate (such as the asset owner or client) to ensure that the mandate deals with ESG and broader sustainable development, and that there are processes to oversee application of these provisions when executing the mandate.
- 4.3 All of the circumstances and relationships that could potentially lead to a conflict of interest should be identified and a policy should be developed for preventing and managing conflicts when they occur.
- 4.4 Processes should be put in place to ensure the effective implementation of policies relating to stewardship and responsible investment, through establishing:
 - 4.4.1 appropriate oversight mechanisms.
 - 4.4.2 processes to monitor compliance with the policy by the investment organisation and its service providers.
 - 4.4.3 regular internal reporting.
- 4.5 Implementing the governance principles and practices of King IV™ and such guidelines or directives as issued by the FSCA or relevant regulator from time to time, is considered good practice in this regard.

Reporting

- The following should be disclosed in relation to governance arrangements and management of conflicts of interest:
- 4.6 The governance structures and processes in place in relation to stewardship and responsible investment and a view on how these enable oversight of and accountability for investment arrangements and activities.
 - 4.7 The content of the policy on managing conflicts of interest, how it has been applied during the reporting period including any actual cases of conflicts related to stewardship or responsible investment that were identified and managed during the reporting period.

- 295 4.8 An assessment of how effective the governance structures and processes have been in supporting
296 stewardship and responsible investment, and any planned improvements.

Consultation Question 7

Principle 4: Governance

Do you have any comments on Principle 4 and the practice recommendations for implementation and reporting?

297 PRINCIPLE 5: TRANSPARENCY

298 Meaningful disclosure is made at set time intervals in relation to the investment arrangements and
299 activities across asset classes that support the integration of sustainable finance practices,
300 discharging of stewardship duties and collaborative initiatives.

301 *Implementation*

- 302 5.1 In addition to the specific reporting expectations relating to principles 1 to 4, investment organisations
303 should ensure that disclosures are sufficiently timeous and accessible to enable stakeholders to
304 make informed assessments of progress towards the outcomes of diligent stewardship and
305 responsible investment, including progress against indicators or metrics and any future targets or
306 objectives.
- 307 5.2 Regular engagement with key stakeholders should take place to identify and understand information
308 requirements.
- 309 5.3 Disclosures should be made public as far as possible in order that it is readily accessible to
310 stakeholders. For private and unlisted investment organisations or vehicles, transparent public
311 disclosure is considered as good practice since it can build trust, support sound governance and risk
312 management and enhance investment value.¹⁶
- 313 5.4 Applying the disclosure recommendations of King IV™ and such guidelines or directives as issued
314 by the FSCA or relevant regulator from time to time, is considered good practice in this regard.
- 315 5.5 It is recommended that investment organisations pursue integrated reporting.

316 *Reporting*

317 The following should be disclosed in relation to the approach to transparency:

- 318 5.6 An overview of the approach to applying the CRISA Code, including where any of the principles or
319 recommendations may be applied differently from how they are set out in CRISA (for example as a
320 result of scaling application on a proportionate basis) and the reasons for such variation.
- 321 5.7 The time intervals for when disclosures take place, for example quarterly, twice a year or annually.
322 Where the frequency varies according to the information (for example disclosure of voting decisions
323 may occur more frequently), this should be clearly stated.
- 324 5.8 Which information is publicly available, and where this can be found.

Consultation Question 8

Principle 5: Transparency

Do you have any comments on Principle 5 and the practice recommendations for implementation and reporting?

¹⁶ This concept is discussed further in the guidance [ESG Monitoring, Reporting and Dialogue in Private Equity](#), published by the UNPRI and ERM in June 2018.



GLOSSARY

- 325 ● ASISA
326 The Association for Savings and Investment South Africa
- 327 ● Asset class
328 An asset class represents a grouping or category of investments or instruments that have similar
329 features and are often regulated in a similar fashion, and includes for example, equities or stocks,
330 fixed income, bonds, cash instruments, commodities real estate, derivative instruments.¹⁷
- 331 ● Batseta
332 Batseta Council of Retirement Funds for South Africa previously known as
333 The Principal Officers Association of South Africa (POA)
- 334 ● ESG
335 Environmental, Social, Governance
- 336 ● FSB
337 Financial Services Board (replaced by FSCA)
- 338 ● FSCA
339 Financial Sector Conduct Authority
- 340 ● Governing Body
341 “The governing body is the structure that has primary accountability for the governance and
342 performance of the organisation. Depending on context, it includes, among others, the board of
343 directors of a company, the board of a retirement fund, the accounting authority of a state-owned
344 entity and a municipal council.”¹⁸
- 345 ● ICGN
346 The International Corporate Governance Network
- 347 ● IIRC
348 The International Integrated Reporting Council
- 349 ● Integrated Thinking
350 “The active consideration by an organization of the relationships between its various operating and
351 functional units and the capitals that the organization uses or affects.”¹⁹
- 352 ● Integrated Reporting
353 “A process founded on integrated thinking that results in a periodic integrated report by an
354 organization about value creation over time. It includes related communications regarding aspects
355 of value creation.”²⁰

¹⁷ Adapted from [Investopedia](#)

¹⁸ As defined in King IV™

¹⁹ As defined in the International Integrated Reporting Framework, 2013

²⁰ As defined in the International Integrated Reporting Framework, 2013



- 356 ● Investment arrangements and activities
- 357 Encompasses any or all of:
- 358 ○ The processes, decisions and execution of capital or asset allocation;
- 359 ○ investment or asset management regardless of asset class;
- 360 ○ establishing mandates with service providers;
- 361 ○ the giving of advice or performance of other intermediary activities or services;
- 362 ○ the acceptance of ownership responsibilities or stewardship.
- 363 ● Investment organisation
- 364 An organisation engaging in investment arrangements and activities.
- 365 ● IODSA
- 366 The Institute of Directors in South Africa NPC
- 367 ● IOPS
- 368 International Organisation of Pension Supervisors
- 369 ● JSE
- 370 Johannesburg Stock Exchange
- 371 ● King III™
- 372 King III™ Report on Corporate Governance for South Africa, 2009
- 373 ● King IV™
- 374 King IV™ Report on Corporate Governance for South Africa, 2016
- 375 ● King Committee
- 376 King Committee on Corporate Governance in South Africa
- 377 ● Responsible Investment or RI
- 378 “A strategy and practice to incorporate environmental, social and governance (ESG) factors in
- 379 investment decisions and active ownership.”²¹
- 380 ● Stewardship
- 381 Stewardship includes “investment decision-making, monitoring assets and service providers,
- 382 engaging with issuers and holding them to account on material issues, collaborating with others,
- 383 and exercising rights and responsibilities.”²²
- 384 For purposes of CRISA, diligently discharging stewardship duties means managing investment
- 385 arrangements and activities towards the creation of long-term value for the economy, the
- 386 environment and society as part of the delivery of superior risk-adjusted returns to clients and
- 387 beneficiaries.
- 388 ● SDGs
- 389 Sustainable Development Goals

²¹ As [defined](#) by the UNPRI

²² As captured in the UK Stewardship Code 2020



- 390 ● Six capitals
- 391 Financial, manufactured, human, intellectual, social & relationship and natural capital as captured
- 392 in the IIRC’s International Integrated Reporting Framework.
- 393 ● Sustainable finance
- 394 “Encompasses financial models, products, markets and ethical practices to deliver resilience and
- 395 long-term value in each of the economic, environmental and social aspects and thereby contributing
- 396 to the delivery of the Sustainable Development Goals and climate resilience. This is achieved by
- 397 the financial sector by:
- 398 ○ Evaluating portfolio as well as transaction-level environmental and social risk exposure and
 - 399 opportunities, using science-based methodologies and best practice norms;
 - 400 ○ Linking these to products, activities and capital allocations;
 - 401 ○ Maximising opportunities to mitigate risk and achieve benefits in each of the social and
 - 402 environmental and economic aspects; and
 - 403 ○ Contributing to the delivery of the Sustainable Development Goals.”²³
- 404 ● Triple Context
- 405 “The combined context of the economy, society and environment within which an organisation
- 406 operates.”²⁴
- 407 ● UNPRI
- 408 United Nations supported Principles for Responsible Investment

Consultation Question 9

Glossary

- a) Do you agree with the definitions provided? If not, please provide alternative suggestions in line with globally accepted definitions.
- b) Are there any additional terms that should be included in the glossary? Please provide suggestions for definitions in line with globally accepted definitions.

Consultation Question 10

General comments

Please provide any other comments that may be relevant for consideration in the review.

²³ Recommended definition from National Treasury Draft Technical paper on [Financing a Sustainable Economy](#), May 2020

²⁴ As defined in King IV™



APPENDIX: FREQUENTLY ASKED QUESTIONS

- 409 ● How will the revised CRISA Code be monitored or enforced?

410 As it stands, the draft revised Code does not incorporate any provisions around independent /
411 external monitoring or enforcement of the principles and practice recommendations. As a
412 standalone Code, it should be capable of adoption / application in a self-regulated manner, even in
413 the absence of external oversight.

414 However, the CRISA Committee has acknowledged the validity of concerns that the effectiveness
415 of the first CRISA Code has been hampered by the lack of either regulatory enforcement or external
416 oversight and monitoring of application.

417 As a result, during the public comment period, the CRISA Committee is conducting an
418 organisational review process to consider how best to position the revised CRISA Code for success
419 through optimal effectiveness in application. This process includes development of an
420 organisational model to establish CRISA as a body that would serve as custodian of the Code, as
421 well as consideration of potential monitoring approaches to enable oversight of implementation.
422 Targeted consultations with key stakeholders in this regard will take place, however any inputs are
423 welcomed.

- 424 ● How does the revised Code align with King IV™?

425 The revised Code adopts certain approaches introduced by King IV™ (such as the outcomes-based
426 approach and “apply and explain” regime) and recommends some of its practices as good practice
427 (such as the disclosure approach and integrated reporting). However, CRISA is intended to be a
428 standalone code forming part of the governance framework for South Africa. The references to
429 King IV™ in the Code therefore reflect alignment and acknowledge the intellectual thinking of the
430 King Committee, while retaining independence.

- 431 ● Why does Principle 2 use “diligent stewardship” instead of “active ownership”?

432 The revised Code is intended to be capable of universal application across asset classes and type
433 of organisation. Ownership concepts across equity investments are already complex, for example
434 in relation to pooled investments, nominee holdings and rapid movements in secondary markets,
435 as well as misconceptions about whether a shareholder has rights equal to those of an owner. In
436 asset classes other than equity, ownership may not even be relevant.

437 The CRISA Committee has therefore decided to use the concept of diligent discharge of
438 stewardship duties, which would incorporate active ownership in its original sense (where it would
439 apply), but would also cater for situations where stewardship is relevant but not specifically related
440 to ownership. Where fiduciary duties are owed (such as in the case of a retirement fund), the
441 investment institution should actively enquire and participate at annual general meetings, for
442 example, to ascertain whether or not the company is truly creating value or eroding it.

- 443 ● Why do the principles not read “an investment organisation *should...*”?

444 To reinforce the outcomes-based approach of the Code, the principles are intended to be framed
445 as a state of being or operating. Therefore, in the draft, they are phrased as statements reflecting
446 a state that has been achieved or which is strived for. For example, Principle 1 states a situation
447 where “*investment activities and arrangements reflect a systematic approach to integration of*
448 *sustainable finance practices...*”, in other words, integration efforts are in place or have been
449 undertaken. Similarly, the other principles take this approach. As also stated in the foundational
450 framework, the Code foresees an ongoing and iterative approach to implementation of the
451 principles towards the ultimate realisation of outcomes of impact, innovation, inclusivity and
452 resilience. In reflecting an ideal state of being or operating, application of the principles then
453 becomes supportive of the process towards these outcomes, rather than being tick-boxes in and
454 of themselves.

