

FUTUREGROWTH: Expert Opinions: Edition July / September 2019

ESG: What to ask your manager

Angelique Kalam, manager for sustainable investment practices at Futuregrowth, offers the essential pointers.

As a fiduciary asset manager, Futuregrowth believes that environmental, social and governance (ESG) criteria are important sustainability issues that should be considered as part of a holistic investment and decision-making process.

With an increased prevalence of corporate-governance failures, environmental non-compliance, corruption and fraud, it has become apparent that non-financial issues – which include ESG – are significantly affecting companies' long-term sustainable performance. Here are some useful questions and requirements we have collated from a combination of client interactions and the UNPRI investor toolkit.

These questions and requirements aim to assist pension funds when assessing the integration of ESG into the investment decision-making process and in fulfilling their reporting requirements as outlined in the Guidance Notice 1 of 2019 (PFA): Sustainability Reporting for Pension Funds.

1. Responsible Investment Policies

Do you have a policy or set of policies that make specific reference to Responsible Investment (RI) practices and, in particular, ESG issues? If yes, provide an outline of the

policy objective;

Do you have a corporate governance and voting policy? If yes, provide an outline of the policy objective;

Do you have an exclusion list or policy that references specific exclusions, e.g. controversial weapons, human rights violations etc.? If yes, list the exclusions and rationale.

2. Integration of ESG and decision-making

Have there been any changes to your ESG integration process over the reporting period (e.g. additional resources, information sources)? If so, why?

What are some specific examples of how ESG factors are incorporated into your investment analysis and decision-making process? Outline which ESG factors were relevant to the investment company/sector and why;

Provide some specific examples of major ESG risks that you identified in the portfolio over the reporting period. What you have done to mitigate these risks?

Do you assess the investments' exposure to climate risk in your portfolios? If yes, then provide a recent example.

3. Active ownership & Voting

What public disclosures are available on your voting policies and voting outcomes?

How frequently are these voting decisions reported and disclosed?

4. Bond holder & Equity engagement

Do you have an engagement policy or other document that outlines direct engagement with listed fixed income or listed equity issuers on ESG issues? If yes, then describe your approach to ESG engagement:

How is the engagement defined?

What is the objective?

How is the engagement measured?

With how many fixed income or listed equity issuers have you engaged in total on ESG issues during the past year? Outline the issues of engagement.

5. Reporting

What type of ESG reporting is available to clients?

Are any of these reports available on your website? (If so, please provide a link.)

Futuregrowth is a signatory to the **UN Principles for Responsible Investment (PRI)**. We also endorse the **Code for Responsible Investment in South Africa (CRISA)**.

Source: UNPRI; Futuregrowth

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