Publication: Today`s Trustee
Date: Friday, September 01, 2017
Page: 40



# Called to account

Purporting to be a retail client, youthful ESG enthusiast Lise Pretorius* did some dipstick research. Her conclusions invite consideration.

Only a handful of the South African asset managers, invited to articulate how their claims of responsible investment were being implemented, have attempted to engage with the substance of my argument. Originally published by *Moneyweb* in May, the managers were identified and their approaches summarised.

It could be that many asset managers aren't as attentive to retail investors as they are to institutional. If so, it's a bad sign. Amongst other environmental, social, and governance (ESG) factors, a responsible investor seeks to invest in companies that engage with their stakeholders. A responsible investor should be held to the same standard.

I'd emailed 27 SA signatories to the UN-backed Principles for Responsible Investment. In the email I presented myself as a retail investor looking to move my assets to a fund that either takes ESG issues into account or that's specifically focussed on sustainability.

It clearly asked for an explanation of respective managers' ESG integration processes and for details of any funds that match my preferences. As PRI signatories, these were the SA asset managers who'd voluntarily and publically committed to being ESG integrators. So I'd expected some sort of response from them all.

This hadn't happened. In summary:

- Of the 27 asset managers, 13 replied after my first email. The other 14 were sent a follow-up email. Six responded after the second email, some with apologies;

- Eight didn't respond at all. These were representatives of Meago, Mvunonala (unsurprisingly), Mazi, Absa, Argon, Stanlib, Mergence, and Sanlam (surprisingly).

- Of the 19 responses, not all were useful.
  - Cadiz's reply – perhaps the most forthright – simply stated that they "don't take ESG principles into account when managing money";
  - Investment Solutions and Investec replied that there were no ESG funds available to retail investors. Neither explained their approach to ESG integration more generally;
  - Momentum asked, I presume in jest, for "more details regarding the term ESG";
  - Ashburton referred to two "ESG hedge funds", but the funds' fact sheets made no mention of ESG;
  - After a non-starter response from Absa, I then asked why it isn't offering any funds with ESG integration given that it's a PRI signatory. Having included a copy of the principles in my replying email, I was told to contact a financial advisor;

Publication: Today`s Trustee
Date: Friday, September 01, 2017
Page: 41



**Pretorius . . . disappointed, not disillusioned**

- △ Afena said that it does integrate ESG into its investment process but does not have any ESG-specific funds, and linked me to its RI policy.

- ▶ Of the others, 12 had something useful to say in varying degrees
  - △ Allan Gray and Coronation gave detailed explanations of their ESG integration processes but stated that no retail funds are explicitly tailored to integrate ESG;
  - △ Drakens, Aeon, Kagiso and Element all gave detailed explanations of their ESG integration processes and referred to their retail fund(s) that integrate ESG;
  - △ Prudential gave a detailed explanation of its ESG integration, active shareholder involvement and industry involvement in enhancing ESG, but did not specify any funds;
  - △ Comanco (jointly owned by trade unions and Old Mutual), Prescient, and Futuregrowth gave no explanation of their ESG integration but attached information about particular sustainability-related funds available to retail investors e.g. the Community Growth investment and gilt funds and the WWF Living Planet fund;
  - △ 27Four Investments, as a fund of funds manager, detailed its engagement with underlying asset managers on ESG policies, summing up that "there is not a wide range of rigorous ESG fund options available to allow us to build risk- managed portfolios" and contended that "there is a lot of window dressing";
  - △ Oasis called with an offer to discuss my investment preferences. It disclosed fees, taxes and other logistics around moving my money.

An important caveat is that an asset manager's response, or lack of it, doesn't necessarily reflect its commitment to RI. A non-useful response, as Investec suggested, may have been from a client-services department not fully up to speed.

Also, of course, some asset managers who offered thorough explanations of their RI practices might have included elements of spin. Nonetheless, even accepting that my research was unscientific, it is illustrative of asset managers' different treatment of retail clients wanting to call them out on RI.

If my individualistic efforts help to stimulate the thinking of asset managers, on ways to reach best-practice standards for communication of RI amongst the public, they will have been worthwhile. There are good examples for the industry to emulate. Take a bow Investec, Futuregrowth and Old Mutual for their engagement with my exercise.

** Lise Pretorius holds an MSc in environmental economics from the London School of Economics. Currently at Cape Town consultancy firm GCX, where she develops long-term sustainability roadmaps for JSE-listed clients, she's soon to join the WWF in Singapore. There she'll be working with investors, regulators, stock exchanges and banks across the South-East Asia region on integration of ESG into their investment practices.* ■