

## Socially responsible investing gets a boost

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A new investment code requires institutional investors to look past immediate financial profits to long-term sustainability.

### Sustainability and good business

Socially responsible investing has, in the past, been ignored by investors who believe that companies which put 'softer' issues – such as environmental and social issues – on the same level as financial profits, will underperform.

However, the oil spill disaster in the Gulf of Mexico last year, which resulted in BP's investors losing half the value of their investments overnight, was a reminder that the way a company conducts itself today will ultimately affect its profitability tomorrow.

**A company that approaches its business in a responsible manner is more likely to build capital over time than one which does not.**

Already energy usage is having an impact on the bottom line as electricity costs soar. A company that focuses on reducing its use of energy does so to survive, not just to "be green".

Companies that do not act responsibly may also pay the price in the form of fines, taxes, regulatory action or consumer pressure.

For example, oil companies may have to start paying an environmental tax towards a fund for cleaning up oil spills in much the same way that US and UK banks are being taxed in order to fund future bailouts.

### Sustainability and investment

With the world facing serious sustainability challenges from climate change to imbalances in wealth, investors cannot ignore the need to consider these issues as part of their long-term investment strategy.

### New code launched

The Code for Responsible Investing in South Africa (CRISA), launched in July, aims to encourage institutional investors like pension funds and unit trusts to include environmental, social and governance (ESG) issues in their investment decisions.

Companies that are managing their ESG issues today have the potential to outperform others over the long term.

### Pension funds must consider the future

The code at this stage is voluntary but CRISA will empower pension funds to ask the right questions of fund managers to ensure that they are making responsible investing part of their mandate.

This has become even more important in light of the revised Regulation 28 of the Pension Funds Act which requires pension funds to consider issues that may affect the sustainable long-term performance of a fund's assets. Apart from social and environmental concerns, institutional investors also need to consider the corporate governance and international best practices of the companies that they are investing in.

Liberty has always believed in following best investment practices and we believe that ESG factors are critical to delivering sustainable investment performance.

For more information: <http://www.asisa.org.za/index.php/info-centre/responsible-investment.html>

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