CRISA FAQs

1. What is CRISA?

The Code for Responsible Investing in South Africa (CRISA) gives guidance on how the institutional investors should execute investment analysis and investment activities and exercise rights so as to promote sound governance.

There are five key principles

1. An institutional investor should incorporate sustainability considerations, including environmental, social and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.
2. An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.
3. Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.
4. An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should proactively manage these when they occur.
5. Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

2. Who does CRISA apply to?

CRISA applies to:

- Institutional investors as asset owners, for example, pension funds and insurance companies (see page 9 of CRISA document for a definition of institutional investor).
- Service providers of institutional investors, for example, asset and fund managers and consultants (see page 9 of CRISA document for a definition of service provider).
- As the purpose of CRISA is to form part of an effective governance framework in South Africa, it is furthermore proposed that foreign pension funds, insurance companies, investment trusts and other collective investment vehicles apply CRISA to the extent that they invest in South African companies.

3. When does CRISA come into effect?

- The effective date for reporting on the application of CRISA is 1 February 2012. From the effective date institutional investors and their service providers need to disclose in their annual reports, on their websites and through other means of communication with their stakeholders to what extent they are applying CRISA and if they do not apply, why not. The disclosure also entails that they provide stakeholders with the policies required to be drafted in terms of CRISA (refer to Principle 5 and question 5 below for details).

4. How do I sign up to CRISA?

- Institutional investors and service providers should adopt the principles and practice recommendations in CRISA on an "apply or explain" basis.
- The application of CRISA is voluntary and there is no mechanism of becoming a formal signatory to the code.

5. Must every institutional investor and its service providers publish a public report on the application of CRISA on 1 February 2012?

- Principle 5.14 states that the following policies should be disclosed publicly upon CRISA becoming effective (1 February 2012) and subsequently in the event of changes to the policies:
  a) policy on incorporation of sustainability considerations, including ESG, into investment analysis and investment activities with reference to the matters as set out under Principle 1.
  b) policy in regard to ownership responsibilities, including voting as set out under Principle 2.
  c) policy on identification, prevention and management of conflicts of interests as set out under Principle 4.
- Principle 5.11 states that an institutional investor should regularly engage with its stakeholder groupings, including investee companies and the ultimate beneficiaries, in order to, inter alia, identify and understand information requirements and, at least once a year, fully and publicly disclose to what extent it applies to CRISA.

6. Where should an institutional investor report and disclose to their stakeholders about the application of CRISA?

- Principle 5.13 states that the disclosure by institutional investors should be made public in order that it is readily accessible by all stakeholders, including investee companies and the ultimate beneficiaries.
- It is recommended that institutional investors report against the application of CRISA publicly by publishing such reports on the organisation's public website or through other means which makes these policies accessible by stakeholders.

7. Does CRISA apply to all asset classes?

- CRISA applies to investment in a company as defined in the CRISA definitions: "company or investee company means a company in which an institutional investor invests or considers investing as a shareholder.
- An institutional investor must therefore at a minimum apply the CRISA principles to all companies in which an institutional investor invests or considers investing as a shareholder i.e. listed and unlisted equity investments.

8. Where an asset owner has outsourced its asset management duties should both publish its application of CRISA or will one report suffice?

- Principle 2.6 states that "Where the institutional investor outsources to third party service providers, the onus is on the institutional investor as owner to ensure that the mandate deals with sustainability concerns, including ESG, and that there are processes to oversee that the service providers apply the provisions of CRISA when executing their mandate."

- In such a situation, both the pension fund or insurance company and its asset manager should report against the application of CRISA unless the mandate from the asset owner to the asset manager provides differently.

9. Who will be checking institutional investor responses to and performance against CRISA?

- Institutional investors and service providers should adopt the principles and practice recommendations in CRISA on an "apply or explain” basis.
- The CRISA Committee will review progress against the principles and practice recommendations of CRISA on an ongoing basis.
- It is expected that an institutional investor's stakeholders, including investee companies and the ultimate beneficiaries and civil society will review an organisations reporting against the application of CRISA

10. Which takes precedence - CRISA or the Law?

- Where there is conflict between CRISA and applicable legislation or regulation, the law will prevail.

Source: IoDSA