



Responsible investing

Rating our investment managers

Responsible investment (RI) practices contribute to our greater purpose, which is to enable businesses and people from all walks of life to achieve their financial goals and life aspirations. We help people grow their savings, protect what matters to them and invest for their future.

Momentum Outcome-based Solutions rates investment managers annually so that we better understand how far along they are on their RI journey. The scope of RI practices is wide and we have therefore assessed the investment companies' overall RI framework and the level of transparency confirming their actions.

As supporters of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), it is in our interest to encourage investment managers to adopt a climate change focus for a sustainable and Just Transition future. We have included a new question to assess if investment managers have adopted the TCFD recommendations and published their TCFD reports. We also continue to encourage our investment managers to acknowledge climate-related risks and for it to be evident in their respective investment manager's policies.

Through our involvement with the Association for Savings and Investment South Africa (ASISA), our support for the Code for Responsible Investing in South Africa (CRISA), being a signatory to the United Nations-supported Principles for Responsible Investment (PRI), and supporter of the recommendations of the TCFD, it is important for us to encourage other investment managers, service providers, asset consultants and investment owners to apply RI practices in their daily operations.

Jana van Rooijen
Responsible Investment Specialist



Why an investment manager RI rating?

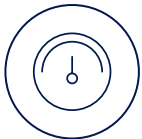
Momentum Outcome-based Solutions created an investment manager RI rating model to establish the level of RI practices that the various investment managers apply. This model complements the appointment, monitoring and review process of the investment managers.

We have different portfolio and business offerings, which provide various ways for clients to gain access to investments:

- For direct investments and where we have investment management agreements in place with underlying investment managers, we can direct compliance with our principles.
- Where we outsource to external investment managers, their approach to environmental, social and governance (ESG) factors is an important consideration when we assess their capabilities. We focus on their approach, advocate and mandate alignment where practical and monitor their progress. The appointment process will always consider the due diligence report of our investment manager's research team, with the RI rating score.
- Clients have access to execution and advisory services, which allow them to select their own investment managers. In some instances, these investment managers may not comply to the extent we believe they should, but they meet our minimum requirements.

Our RI rating approach

Our investment manager RI rating model consists of the following indicators:



Investment management organisation

This indicator guides us to understand the RI culture in the company. Company values should inform their policies and lead to fair and transparent information for their stakeholders.



Investment management resources

This indicator gives insight into the level of oversight and accountability assigned to management and investment staff to ensure RI practices are upheld. It also assesses the level of ESG expertise or functions to interpret how ESG risks translate into investment decision-making and outcomes. This determines the quality of ESG integration.



ESG integration

This indicator helps us understand to what extent investment managers integrate ESG across their assets under management. The key point is the extent of ESG integration rather than the type or form being implemented.



Active ownership

This indicator provides insight into the extent to which the investment manager contributes to a well-balanced economy for investors. It is used to assess to what degree the fiduciary's formal rights are used to influence the activity and behaviour of invested companies.

We assessed

We assessed 56 South African investment managers and grouped them as follows:

Insurance/bank/financial investment manager group		consisting of 11 companies	Large and established asset owners owned by insurance companies or banks or are part of large financial services groups.
Large boutique investment manager group		consisting of 9 companies	Established, owner-managed boutique with assets under management above R50 billion.
Small boutique investment manager group		consisting of 36 companies	Small owner-managed boutique with assets under management of below R50 billion.
UN PRI signatories group		consisting of 32 companies	Signatories to the PRI and have been assessed by the PRI.
Non-UN PRI signatories group		consisting of 24 companies	Not signatories to the PRI or have not yet been assessed by the PRI.

How should the RI rating be interpreted?

- 5** The investment manager is a market leader when it comes to RI practices.
- 4** The investment manager has demonstrated above-average application of RI practices.
- 3** RI practices are inherent in the investment manager's investment culture.
- 2** The investment manager is in the process of embedding RI practices within its organisation and processes.
- 1** The investment manager has not demonstrated enough RI practices within the organisation and processes.

We engaged

Throughout the annual RI rating assessment process, we use it as an opportunity to engage with the investment managers and bring them along with us on the RI journey. We give recommendations to the investment managers that we believe will positively contribute to their RI practices. It is important that we achieve alignment with our appointed investment managers when it comes to responsible investment principles.

Register of recommendations	Number of investment managers
Publish a Climate Change Investment Policy	43
Support the TCFD recommendations	24
Disclose proxy voting records	22
Encourage PRI membership	18
Disclose company engagement register	14
Disclose proxy voting policy	12
Disclose your RI policy	11
Publish a CRISA statement	6
Disclosure of escalation processes within policies	4
RI practices to form part of performance appraisals of staff and/or linked to their remuneration incentives	4
Encourage them to have an oversight function of the implementation of responsible investment practices	3
Recommended to only abstain when there is conflict of interest	2
Publish their TCFD report	2

Engagements conducted on each indicator (%)

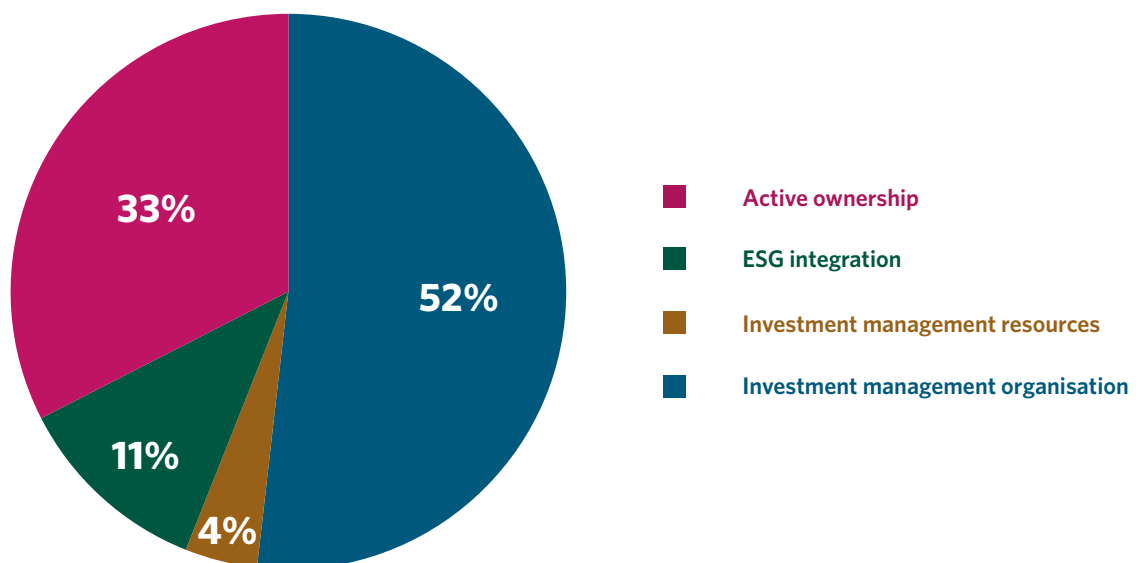
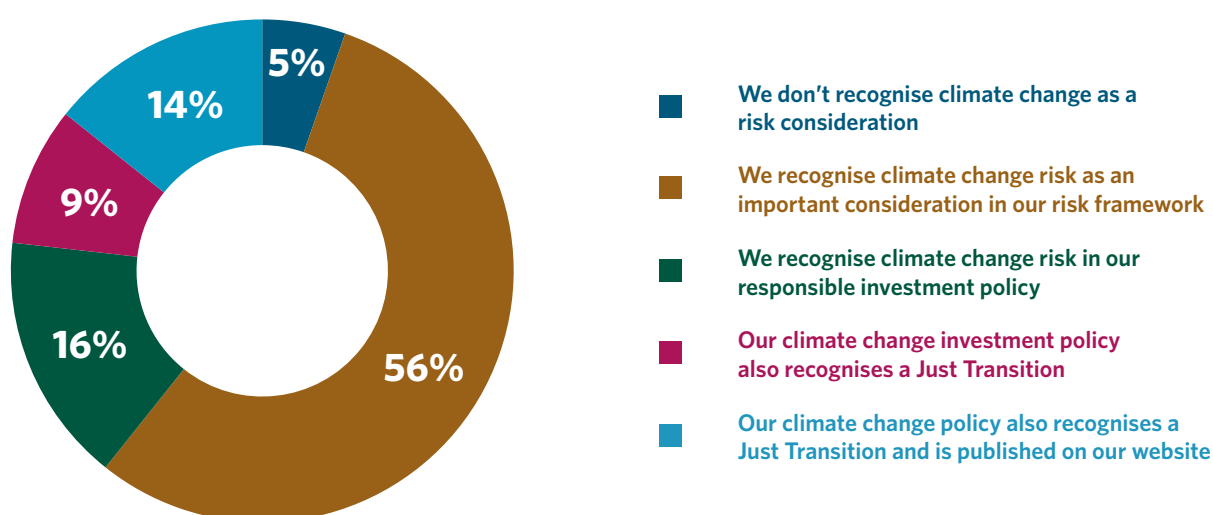


Diagram 1: % of engagements conducted on each sub-indicator

Diagram 1 provides a percentage breakdown of the recommendation points we engaged on with the investment managers categorised under the sub-indicators. The active ownership recommendations mainly focused on encouraging the investment managers to disclose their proxy voting activities on their websites and sharing their engagement register with their investors. We encouraged 39% of the investment managers to disclose their proxy voting records on their websites. This information gives comfort that the shareholder resolutions voted on are aligned to the respective investment managers' voting principles and expresses their view to companies. As investment managers, we need to consider the records' readability, accessibility and ease of interpretation by clients, beneficiaries and other stakeholders as recommended by the PRI's publication "Making voting count". From an organisational approach, we mostly encouraged managers to publish a climate change investment policy, support the TCFD recommendations and to consider becoming a PRI signatory. We encouraged 43 investment managers to publish a climate change investment policy. Ninety five percent of the investment managers agreed and recognised that climate change is a real risk. Part of our Sustainable Development Goals (SDG) framework is to positively contribute towards the Goal 13: Climate Action. Our investment team has committed to encourage investment managers to also publish their climate change investment policies. We started this process during our 2020 assessment and have seen how the percentage of managers with climate investment policies have increased from 10% to 23%.

Climate policies assessment



TCFD adoption assessment

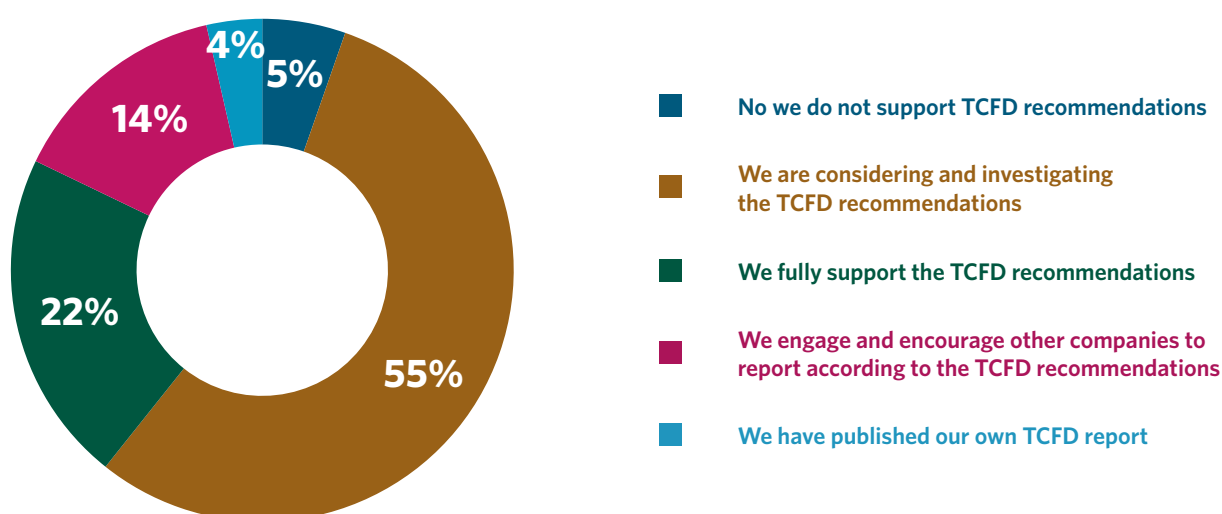


Diagram 2: Investment managers policy commitments on climate-related risks

Comparison of annual average ratings

Comparing the averages across the respective groups (diagram 3), it is apparent that larger institutions have a better responsible investment framework approach. That is mostly due to their available resources and infrastructure that enable them to implement and report on their RI activities. To become a PRI member is also an expense that not every investment manager can afford. They might also not have the resources to spend on completing the PRI annual assessment, which is a laborious reporting process.

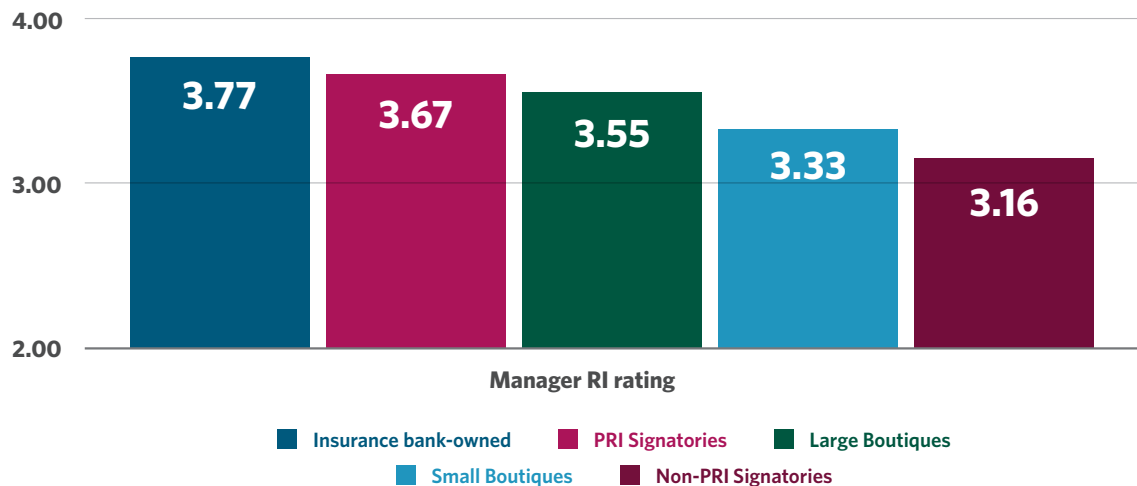


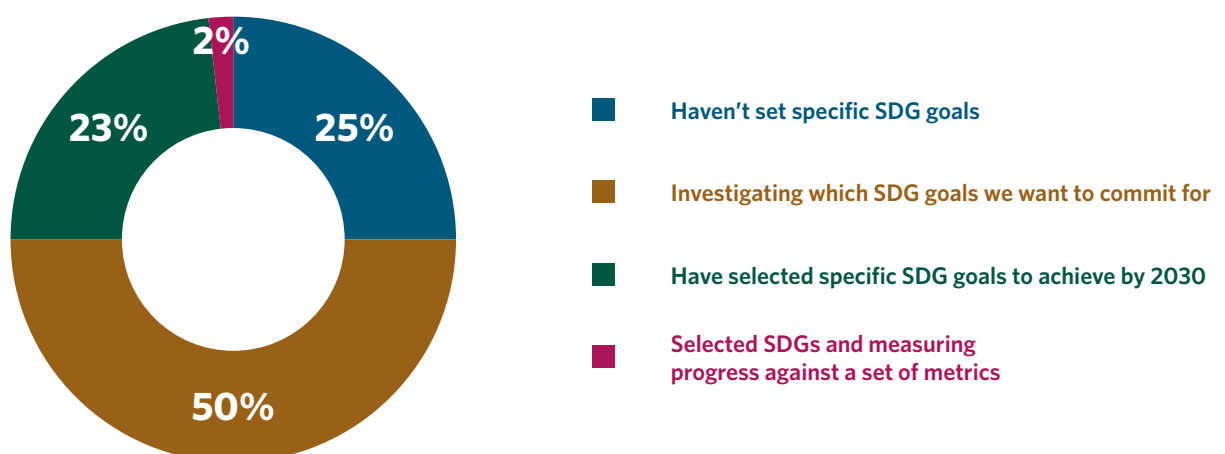
Diagram 3: Comparison of averages across groups

Sustainable Development Goals (SDGs)

As investors, we have a profound opportunity to make a difference through our investment actions. All UN member states adopted the 17 SDGs in 2015, as a universal call to action to end poverty, protect the planet and make sure all people enjoy peace and prosperity by 2030. Our investment team went through a process of understanding the SDGs and concluded that it is a matter of making intentional forward-looking commitments. Using our strengths and capabilities, and doing what we do best as an investment team by identifying sound investment opportunities, we created an SDG framework. We have selected six SDGs for a more focused approach that also seeks alignment, practical integration and scale across Momentum Metropolitan. To read more about it, please refer to our Stewardship Report [here](#).

This year, we assessed to what extent other investment managers have committed themselves to the SDGs. This assessment did not impact this year's rating process.

Commitment to SDGs



We believe in delivering a sustainable outcome for our clients

We commit to continually encourage, engage and support our investment managers on their RI journey, thereby contributing to our clients' investment experience and build on a sustainable investment outcome. With us, investing is personal.