



B-BBEE AND TRANSFORMATION IN A NEW DECADE

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ABOUT THE AUTHOR

As Director of Institutional Business, Tebogo is responsible for Old Mutual Investment Group's institutional client strategy and execution.

KEY TAKEOUTS



- WE HAVE AN IMPORTANT ROLE TO PLAY IN ADDRESSING THE SYSTEMIC CHALLENGES SA FACES.
- THERE IS A DIRECT CORRELATION BETWEEN THE PROSPERITY OF SOUTH AFRICA AND THAT OF OUR CLIENTS.
- WE BELIEVE TRANSFORMATION IS ALSO ABOUT A CHANGE IN MINDSET AND INTEGRATING AN AUTHENTIC CULTURE INTO THE BUSINESS.



In 2011, Regulation 28 of the Pension Funds Act was amended to, amongst other items, include two guiding investment principles for retirement funds. One of these principles pertained to the Sustainability of Investments (i.e. ESG integration and stewardship) and in June 2019, a guidance note was released by the Financial Sector Conduct Authority (FSCA) outlining the practical considerations that retirement funds should consider with respect to Sustainability of Investments.

The other investment principle pertained to Broad Based Black Economic Empowerment (B-BBEE) and in September 2019, at the inaugural Financial Sector Conduct Authority (FSCA) Retirement Funds conference, the Divisional Executive for Retirement Fund Supervision, Olano Makhubela, announced that in 2020 the FSCA will be issuing a guidance note relating to Broad Based Black Economic Empowerment (B-BBEE) in retirement funds.

This guidance note, like the one on Sustainability Investing issued in June last year, is prepared for principal officers and trustees of retirement funds on how to implement a principle of pension fund legislation, with a focus on section 2c(iii) of Regulation 28 of the Pension Funds Act that states:

“A fund and its board...must at all times in contracting services to the fund or its board, consider the need to promote broad based black economic empowerment of those providing services.” The principle’s objective was to deepen and quicken the pace of transformation in the industry, including asset management companies such as ourselves.

This development follows the inclusion of retirement funds in the B-BBEE Codes and the Financial Sector Charter in 2017 in a voluntary dispensation that supports the requirement “by Regulation 28 of the Pension Funds Act to consider environmental, social and governance (ESG) criteria and B-BBEE as part of their supplier selection processes”. Funds that haven’t done so yet will, therefore, need to engage more

deeply on B-BBEE policy developments and how they should respond in 2020.

As a responsible business and a long-term steward of South Africa’s savings, Old Mutual Investment Group (OMIG) has an important role to play in addressing the systemic challenges of poverty, inequality and unemployment in South Africa. In addressing these challenges, there are critical elements that require focus and attention. These elements are inclusive economic growth, societal transformation and building a sustainable future in which our stakeholders and communities live and operate. There is a direct correlation between the prosperity of South Africa and that of our clients. So, for us, transformation is not just a moral requirement but a business imperative.

OMIG is certified as a **B-BBEE Level 2 contributor**. Although this rating is important, we believe transformation goes beyond ratings and is also about changes in mindset and the true integration of diversity in a business. Our pursuit of investment excellence, and commitment to a future that matters, compel us to drive transformation wherever and whenever we have influence as an enabler of economic activity, a custodian of the nation’s savings, and as a progressive employer.

With that as background, we view transformation for a South African investment management business, like ourselves, as primarily being about four elements:

- 1. Diversity and demographic representation amongst business leaders and investment decision-makers** in the organisation. This is because of the importance of a diverse and inclusive leadership in transforming the organisational psyche to that of authentic inclusivity in the way investment excellence is achieved.
- 2. Black and women shareholding**, which speaks to equitable and inclusive participation in the economics of an industry responsible for managing the country’s savings.

3. Active stewardship with respect to

transformation in investee and portfolio companies. For example, at OMIG our team of ESG specialists actively engage companies we hold in client portfolios on their diversity and inclusion policies and black economic empowerment strategy, with a view to creating a broader impact on the economy with respect to transformation. As an industry, we have a responsibility and an opportunity to ensure that sustainable business practices, of which embracing transformation is critical, are embedded in the assets we invest in on behalf our clients.

4. Targeted investments in assets and portfolios that are aimed at producing transformative outcomes in society, alongside investment return.

For example, portfolios that invest in schools that provide affordable quality education, or portfolios that provide affordable housing for communities. Such investments, whilst providing decent inflation-beating returns for investors, have a very meaningful, measurable and truly broad-based social and transformative impact on our society.

OMIG'S TRANSFORMATION STRATEGY PILLARS



**DIVERSITY AND
DEMOGRAPHIC
REPRESENTATION**



**BLACK AND
WOMEN
SHAREHOLDING**



**ACTIVE STEWARDSHIP
WITH RESPECT TO
TRANSFORMATION**



**IMPACT
PORTFOLIOS**

As OMIG, we take our role and responsibilities in society very seriously when it comes to transformation. We acknowledge that we still have some way to go on a number of the elements discussed above, but we also do celebrate a number of significant strides and targets we have achieved to date.

As retirement funds deal with how to implement the B-BBEE related regulations coming their way, they

must consider transformation and B-BBEE from a holistic point of view given an asset manager's role and responsibilities in society. It is as critical to transform and promote greater inclusion and diversity in our broader economy and in communities, as it is to transform and promote diversity and inclusion internally in our organisations.