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# Sustainable investment ‘taking hold in Africa’

The Government Employees Pension Fund says investment that takes environmental, social and governance issues into consideration has "a strong foothold" in sub-Saharan Africa

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INVESTMENT that takes environmental, social and governance issues into consideration has "a strong foothold" in sub-Saharan Africa, largely due to SA’s largest asset owner, the Government Employees Pension Fund.

The overall sustainable investment market in sub-Saharan Africa is ahead of similar markets in Australia and New Zealand, Brazil or South Korea, according to research by the International Finance Corporation (IFC).

Sustainable investment in sub-Saharan Africa is dominated by SA, Kenya and Nigeria, with about $125bn in assets under management — 20% of general asset management and 44% of private equity, the IFC says. "The relatively high proportion of environmental, social and governance-integrated investment is largely due to the asset commitments of the largest asset owner in SA, the Government Employees Pension Fund, which has $131bn in assets under management, and the manager of 92% of its assets, the Public Investment Corporation."

Adding impetus in SA, the revised Pension Funds Act requires that investing gives "appropriate consideration to any factor which may materially affect the sustainable long-term performance of a fund’s assets, including factors of an environmental, social and governance character".

Nedbank Capital senior transactor, Jacoleen Simpson said yesterday that research showed companies that took sustainability — environmental, social and governance issues — into account were generally better managed. The Carbon Disclosure Project’s leadership index and its performance leadership index had almost doubled the project’s performance of its Global 500 index over the past six years, she said.

The Carbon Disclosure Project is a global climate-change reporting system and holds the largest collection globally of self-reported climate change data. It works with 655 institutional investors holding $78-trillion in assets.

"It’s mostly stock-picking, based on sustainable criteria, that contributes, rather than sector bias," Ms Simpson said.

The IFC report, compiled by investment advisory firms SinCo and RisCura, predicts "significant growth of (environmental, social and governance) factors in investment management in SA, Kenya and Nigeria to 2020." But progress would be uneven and affected by national developments.

SinCo principal, Graham Sinclair said, while SA was one of the top five, globally, in this market, information that would help investors make choices was still lacking.

While the body of evidence showing that sustainable investment gave good returns was growing, the biggest barrier was "people’s thinking", he said. "It’s an educational problem … there is an industry dynamic around short-term reporting that bedevils the industry."

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