

LEARNING BRIEF: THE DEVELOPMENT OF OUR RESPONSIBLE INVESTMENT PROGRAMME

5 April 2017

A. THE ISSUE THAT WAS ADDRESSED

1. RAITH finances its Social Justice grantmaking and its operations from the income earned on its investments.
2. The need to align the way in which this investment income is earned with the underlying principles that guide the whole Foundation was recognised as far back as 2008 but it was only in 2014 that a formal decision was taken by the Board of Trustees to develop a Responsible Investment programme.
3. Responsible Investment entails asset owners paying close attention to the behaviour of entities in which they have shares and calling on asset and enterprise managers to behave responsibly from a corporate citizenship perspective, which has financial, environmental, social and governance dimensions.

B. WHAT WAS DONE

1. A great deal of effort was expended on understanding RI and staff of the Foundation attended training courses to increase their understanding of the practices. These courses included several of our grantee partners.
 2. An initial grant application for a partner to undertake this activity for the Foundation in November 2014 was not accepted by the RAITH Board, following which a decision was made to undertake the activity internally, using extensive support and technical assistance from a contractor.
 3. At its Board meeting in June 2015, the Foundation adopted a Responsible Investment Strategy and in September that year, adopted an Investment Stewardship Policy, which draws heavily on the UK Financial Council's Stewardship Principles. The Strategy encourages the RAITH Foundation to take the steps to become an active shareholder and ultimately practice a responsible investment strategy. The policy clearly maps out how each principle will be addressed as well stating in detail how the Foundation will vote in company AGMs in relation to issues that arise there.
 4. The original intention was for RAITH to advise its asset manager on how to vote in company AGM's but this proved unworkable and instead the Foundation votes for itself, using advice on specific company resolutions provided to it by its technical adviser. The process of setting up this system took a good deal of work but now works relatively smoothly.
 5. In June 2016 the Foundation adopted an Action Plan that identifies a group of five mining companies on which it will focus on and try to hold to account. Elements of the Action Plan include a commitment to making its RI work public, tracking the results of its voting activities, implementing an escalation strategy to follow up on issues raised with companies, making PAIA requests and developing this Learning Brief.
 6. Working with a small group of its grantees, RAITH supported the design of FairShare SA, an initiative, to support collaboration and RI activism and in March 2017 made a grant to finance its start up. Investor activism and collaboration are key elements of the Action Plan and Fair Share will be the platform through which this will take place.
 7. The RAITH Executive and Programme Directors have written articles focusing on Sasol and Allan Gray for the Business Day.
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C. WHAT HAS CHANGED AS A RESULT

1. So far, the most evident change is RAITH's own capacity to undertake this work, which has been built to the point where we are now able to engage with some level of confidence in a terrain about which we knew very little when we started.
2. The willingness of our Board, which is a very engaged and thoughtful oversight body, has been gradually and carefully built. Their support for the RI programme has developed in tandem with as our own ability to engage.
3. While a detailed review will be undertaken, our sense is that shareholders are starting to become more active.

D. WHAT DO WE WANT TO HAPPEN NEXT?

1. The focus is now on getting FairShare up and running, gradually and incrementally.
2. The intention behind FairShare is for it to provide the coordination support and enable collaboration that is generally agreed to be missing in the RI space. RAITH grantees are encouraged to find ways of collaborating in the FairShare initiative as a way of holding the private sector to account.
3. RAITH will be stepping up its communication activities by continuing to write articles on pertinent and current issues as they arise.
4. RAITH will be undertaking a strategic review of its RI Programme for discussion at its June 2017 Board meeting so that we can agree on the next phase of this work.

E. WHAT HAVE WE LEARNED

1. The value of moving slowly and collaboratively and drawing extensively on advice from experts and partners has been the key to this journey, which has taken three full years of active work to reach this preliminary point.
2. While Social Justice grantmaking is a very sensitive and delicate endeavour, the RI work raises an altogether different level of issues that are fundamental to the operations of the Foundation and a number of concerns have had to be handled, mostly by choosing to proceed cautiously and slowly.
3. Adaptation and iteration have been the key managerial practices in this process, with various efforts being made to achieve results and this approach will be continued in the future.