

Social and relationship capital



What it is

The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective wellbeing. Social and relationship capital includes:

- shared norms, and common values and behaviours of key stakeholder relationships, and the trust and willingness to engage that an organisation has developed and strives to build and protect with external stakeholders
- intangibles associated with the brand and reputation that an organisation has developed or an organisation's social licence to operate.

4. Social and relationship capital

By managing **communication** with our **stakeholders**, the Fund maintains its **reputation**, which in turn supports our **growth strategy**.

Sentinel's key **stakeholders** are its **members, pensioners, beneficiaries and participating employers**. Other stakeholders include organised labour, investment managers, government, the retirement fund regulator and various **service providers**.

By providing **excellent retirement funding** through our responsible investment strategy, Sentinel makes a meaningful **contribution** to our communities and markets.

How Sentinel manages social and relationship capital

Maintaining relationships

Sentinel provides members with user-friendly online access to their fund accounts, which are updated daily. Employers, members and pensioners can choose to have their Sentinel communication delivered by surface mail or digitally.

Members and pensioners access the Fund's client service network when information, assistance or advice is required. In-house advisory services include:

- assistance with retirement planning
- guidance on making optimal use of available options.

We interact with groups of members and pensioners to provide information of mutual interest, such as our investment strategy, investment performance, and explanations of Sentinel's products, tax implications and retirement reform initiatives.

Responsible investing

We have long held that responsible investment is a key priority and, therefore, subscribe to the Code for Responsible Investment in South Africa (CRISA). We consider ourselves duty bound to be active shareholders of the companies we invest in and to influence their corporate behaviour where necessary. A specialist firm attends relevant shareholder meetings on our behalf and votes in accordance with Sentinel's positions.

We are encouraged to note that corporates in general are responding positively to responsible shareholder activism.

In Sentinel's view, black economic empowerment (BEE) is best served by enabling entrepreneurs and skilled professionals to successfully launch their business or practices. We are actively transforming the broader investment management industry through an investment manager incubation programme for previously disadvantaged individuals.

Performance

KPI: Effective and efficient implementation of communication strategy

Objective: To provide relevant information, assistance and counselling to members, pensioners, beneficiaries and participating employers in a convenient and understandable format.

Outcomes – 2017

Communication, as well as the provision of accurate information and advice to individuals, was again challenging this year due to much anticipated amendments to pension fund legislation being postponed until 1 March 2019. This created confusion among many members, which Sentinel had to address.

Formal communications from Sentinel, including annual benefit statements, are distributed via channels opted for by employers, members and pensioners.

Members and pensioners use Sentinel's client service network when information, assistance or advice is required. These facilities consist of a secure web interface, a contact centre for general telephone enquiries, five client service centres for face-to-face interaction and a fund advisory service for professional guidance.

Newsletters

- 2 bulletins: newsletter for members
- 2 informants: newsletter for pensioners
- 17 breaking news bulletins
- 1 breaking news informant



e-Communications

- 39 916 SMS messages to pensioners
- 379 409 emails to members
- 214 424 website hits
- 84 881 enquiries resolved telephonically



Face-to-face contact

- 22 710 visits to client contact centres
- 3 519 pensioners attended the annual roadshow, hosted at 28 local and four neighbouring state venues



KPI: Being a responsible investor

Objective: Changing corporate behaviour to ensure the long-term sustainability of investments.

Outcomes – 2017

The Fund follows a holistic approach to responsible investing and ownership. A Board-approved responsible investing policy provides a robust

framework. Implementation is driven by a proxy voting policy and guidelines and a focused engagement policy and programme. Our responsible investing policy is based on three pillars:

- Active ownership through proxy voting and engagement
- Environmental, social and governance (ESG) integration through external investment managers
- Allocation to targeted impact investments.

ESG integration through external investment managers

As the Fund utilises a multi-manager structure, ESG integration is pursued through its investment managers utilising responsible investment approaches. We are encouraged by the level of active ownership being displayed by many of our external investment managers. Engagement, however, remains an area for vast improvement among many investment managers. Sentinel actively monitors ESG integration, as we consider it to be the ultimate driver for delivering sustainable returns.

2017 marks the sixth year since the Fund adopted the Code for Responsible Investment in South Africa (CRISA). Sentinel fulfilled the CRISA principles as follows:

Principle	Fulfilment
1 An institutional investor should incorporate sustainability considerations, including environmental, social and governance (ESG), into its investment analysis and activities as part of delivering superior risk-adjusted returns to the ultimate beneficiaries.	Sentinel uses a multi-specialist and multi-manager approach by outsourcing its investments to third-party investment managers. An ESG due diligence is conducted to ensure investment managers integrate ESG issues into their investment analysis and processes.
2 An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.	The Fund has a robust responsible ownership framework with three layers: an overarching responsible investment policy; a proxy voting policy; and a focused engagement programme. In the year under review the Fund voted on 3 316 resolutions and participated in 30 company engagements.
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.	Where possible the Fund collaborated with like-minded shareholders through collaborative engagements.
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.	Sentinel manages any potential conflicts of interest through a formal review process.
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.	Sentinel publishes its voting and engagement record and discusses its responsible investing activities in its integrated annual reports.

What we voted on

The Fund voted on **3 316** resolutions. It opposed **15%** of the resolutions.

	Voting themes (%)	Against votes (%)
Director matters	57	22
Audit matters	19	13
Remuneration	12	20
Capital structures	5	40
Financial assistance	6	3
Other	1	2

What we engaged on

30 companies were engaged.

Environmental issues (32%)

Risk management	7
Disclosure	27
Sustainability	66

Environmental issues raised:

- Green building policy and strategy
- Water risk management
- Energy risk
- Energy finance and funding
- Environmental policies
- Waste management

Social issues (24%)

Sustainability	63
Safety	37

Social issues raised:

- Social and ethics committee reports
- Social committee structures
- Health and safety
- Supply chain management
- Board diversity
- Labour/remuneration disparities
- Community relations

Governance issues (44%)

Board matters	53
Remuneration	27
Stakeholder issues	7
Shareholder matters	13

Governance issues raised:

- Board structures
- Director affairs
- CEO/succession planning
- Remuneration
- Capital structures
- Strategy and business risk

Objective: Introducing emerging black investment managers into the incubation programme, followed by their successful graduation into mainstream investment management.

Outcomes – 2017

Sentinel believes that black economic empowerment is best served through helping entrepreneurs to establish small businesses. Our emerging investment

manager incubation programme provides start-up black investment managers with the support to build track records and capacity before entering the mainstream investment environment.

As at 30 June 2017 the Fund supported the following investment managers through this programme:

- All Weather Capital (start-up)
- Balondolozzi Investment Services (emerging)
- Benguela Global Fund Managers (start-up)
- Excelsia Capital (start-up)
- Legacy Africa Fund Managers (start-up)
- Maru Asset Managers (start-up)
- Meago Asset Managers (mature)
- MSM Property Managers (start-up)
- Perpetua Investment Managers (emerging)
- 27Four Investment Managers (mature)

Objective: Maintain a minimum 5% exposure to high-impact investments.

Outcomes – 2017

Sentinel's high-impact investing remains consistently above the 5% objective.

