

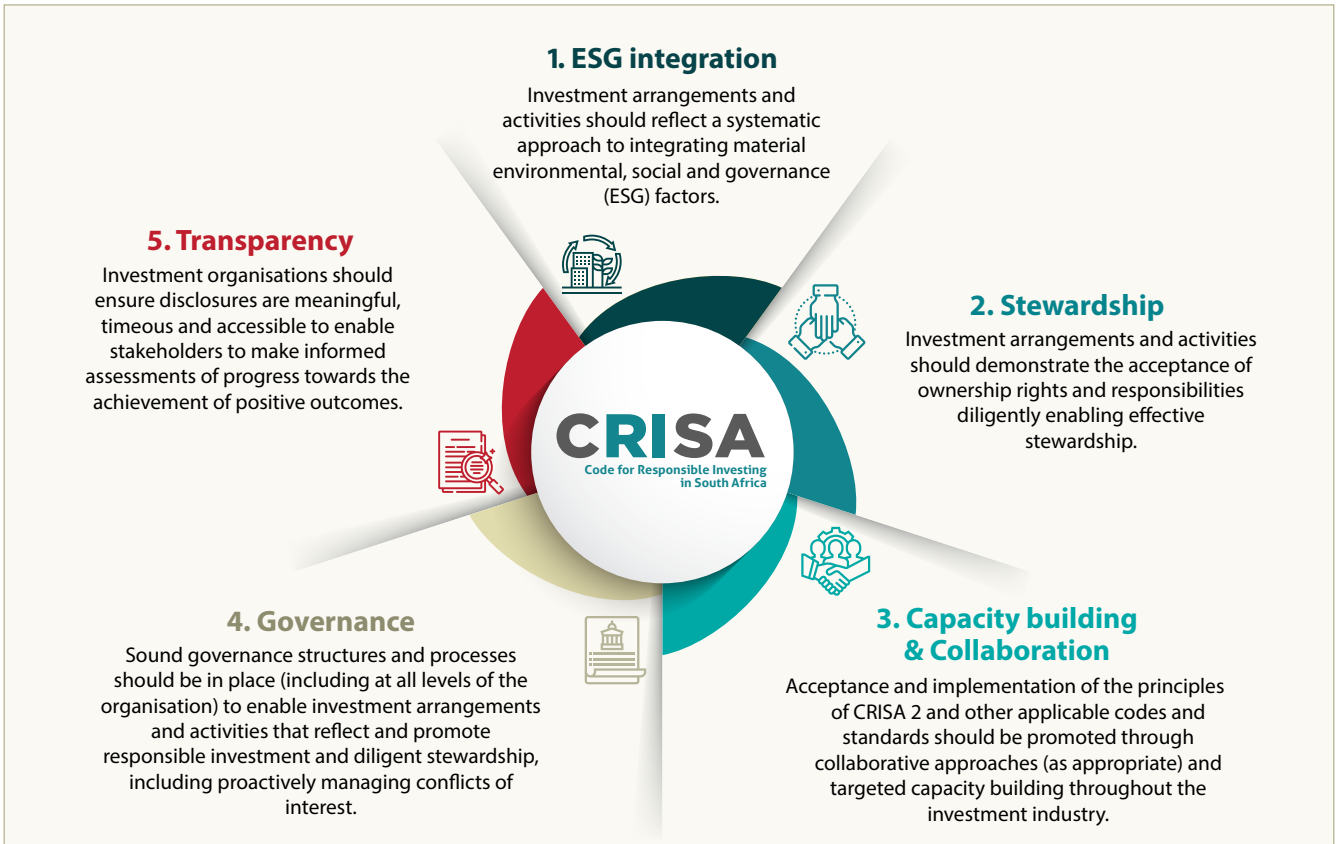
The cover page features a dark teal background with large, overlapping circular shapes in red, teal, and yellow. A stylized, low-angle photograph of a modern skyscraper with a grid of windows is positioned in the upper right quadrant. The title 'CRISA 2' is in a large, bold, white sans-serif font, with 'Frequently Asked Questions' in a slightly smaller, bold, white sans-serif font below it. A horizontal line with red, yellow, and teal segments is positioned below the title.

# CRISA 2

## Frequently Asked Questions

# CRISA AT A GLANCE

## The five principles of CRISA 2



## Implementation of the principles

Implementing the 5 principles of CRISA 2 is intended to be a systematic, iterative process of:

- integrating material environmental, social and governance (ESG) factors into investment arrangements and activities (Principle 1); and
- demonstrating the acceptance of ownership rights and responsibilities diligently enabling effective stewardship (Principle 2); and
- contributing to capacity building and collaboration (Principle 3),
- in an accountable manner through being founded in sound governance practices (Principle 4) and
- promoting transparency (Principle 5) through meaningful disclosure, towards the attainment of positive outcomes.

## CRISA outcomes



## Effective date

The effective date for reporting publicly on the application of CRISA 2 is **1 February 2023**.

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# 1. WHAT IS CRISA 2?

The Second Code for Responsible Investing in South Africa, 2022 (“CRISA 2”)<sup>1</sup> builds on the first CRISA Code (2011)<sup>2</sup> and contains five voluntary principles for stewardship<sup>3</sup> and responsible investment<sup>4</sup> as a key component of the South African governance framework<sup>5</sup>.

# 2. WHAT ARE THE 5 PRINCIPLES OF CRISA 2?



Figure 1: The five principles of CRISA 2

1 <https://www.crisa2.co.za/crisa2code/>

2 [https://www.crisa2.co.za/wp-content/uploads/2022/09/CRISA\\_Code\\_for\\_Responsible\\_Investing\\_in\\_South\\_Africa.pdf](https://www.crisa2.co.za/wp-content/uploads/2022/09/CRISA_Code_for_Responsible_Investing_in_South_Africa.pdf)

3 As per the Financial Reporting Council. 2020. *The UK Stewardship Code 2020*.

Available at: [https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code\\_Final2.pdf](https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Final2.pdf) [2022, August 31].

4 As per the United Nations Principles for Responsible Investment (UN PRI). [n.d.]. *An introduction to responsible investment*.

Available at: <https://www.unpri.org/investment-tools/an-introduction-to-responsible-investment> [2022, August 31].

5 Together with The Institute of Directors in Southern Africa (IoDSA) NPC. 2016. *King IV™ Report on Corporate Governance for South Africa*. Available at: [https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/IoDSA\\_King\\_IV\\_Report\\_-\\_WebVersion.pdf](https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/IoDSA_King_IV_Report_-_WebVersion.pdf) [2022, August 31].

### 3. WHAT ARE THE OBJECTIVES OF CRISA 2?

The primary objective of the second CRISA Code, 2022 (“CRISA 2”) and its principles is to affirm CRISA as a key component of the governance framework for South Africa.

In addition, CRISA 2 seeks to support the following objectives:



Figure 2: Supporting objectives of CRISA 2

It is the intention of the CRISA Committee that CRISA 2 will continue to evolve and expand on its objectives via additional practice and guidance notes, which may be issued by the CRISA Committee<sup>6</sup> from time to time.

Additional guidance on CRISA 2 will be informed by CRISA stakeholder feedback.<sup>7</sup>

<sup>6</sup> For more information about the CRISA Committee, please visit [www.crisa2.co.za](http://www.crisa2.co.za)

<sup>7</sup> Feedback on CRISA 2 can be sent via email to [info@crisa2.co.za](mailto:info@crisa2.co.za)

## 4. HOW ARE THE CRISA 2 PRINCIPLES INTENDED TO BE IMPLEMENTED?

Implementing the 5 principles of CRISA 2 is intended to be a systematic, iterative process of:

- integrating material environmental, social and governance (ESG) factors into investment arrangements and activities (Principle 1); and
- demonstrating the acceptance of ownership rights and responsibilities enabling diligent and effective stewardship (Principle 2); and
- contributing to capacity building and collaboration (Principle 3),
- in an accountable manner through being founded in sound governance practices (Principle 4); and
- promoting transparency (Principle 5) through meaningful disclosure, towards the attainment of positive outcomes.

## 5. WHAT ARE CRISA 2'S INTENDED POSITIVE OUTCOMES?



Figure 3: CRISA 2 and intended positive outcomes

### Outcome 1: Positive impact

CRISA 2 defines positive impact as:

- *“making measurable positive contributions to the UN’s Sustainable Development Goals;*
- *realising benefits to society, the environment and/or other stakeholders alongside a financial return;*
- *achieving a reduction in negative consequences; and*
- *exercising positive influence (such as on the implementation of sound governance practices).”*

### Outcome 2: Innovation

CRISA 2 defines innovation as:

- *“developing and implementing novel ideas, investment approaches, methodologies, products or strategies for engagement and collaboration, to maximise positive impact, promote inclusion and build resilience.”*

### Outcome 3: Inclusion

CRISA 2 defines inclusion as:

- *“applying the principles of the Code to support a more inclusive society and economy along all ESG pillars, such as a just transition towards a greener, more inclusive economy that enables sustainable development, protects livelihoods, and supports the availability and equality of opportunities to access financial services and products.”*

## Outcome 4: Resilience

CRISA 2 defines Resilience as:

- *“taking into consideration the threat of unanticipated changes, challenges to the global economic system and the potential consequences, for pricing of risk and assets, having the ability to withstand and recover from disruptive events, and furthermore developing an ability to adapt to changing conditions.”*

## 6. TO WHOM DOES CRISA 2 APPLY?

The CRISA 2 principles are of **universal relevance**, capable of **flexible application** on a **proportionate basis**<sup>8</sup> as the context may require, by asset owners, asset managers and service provider organisations within the investment value chain who may be involved in investment arrangements and activities, and who wish to voluntarily align themselves with the principles.

CRISA 2 applies to **asset owners**<sup>9</sup>, **asset managers**<sup>10</sup> and **service providers**<sup>11</sup>. Other organisations within the investment value chain or who may be involved in **investment arrangements and activities**<sup>12</sup>, are similarly encouraged to apply the principles of CRISA 2.

In the event of conflict between the principles of CRISA 2 and applicable legislative provisions, the **legislative provisions or regulations will prevail**.

**Foreign investment institutions** are encouraged to apply the voluntary principles of CRISA 2 to the extent that they invest in South African assets.

**Southern African Development Community (SADC)**<sup>13</sup> **investment institutions** are invited to consider the voluntary principles of CRISA 2 to the extent that they invest in Southern African assets.

## 7. WHEN DOES CRISA 2 TAKE EFFECT?

The effective date for reporting publicly on the application of CRISA 2 is **1 February 2023**.

## 8. HOW DO ORGANISATIONS ENDORSE CRISA 2?

Endorsement of CRISA 2 and its principles is offered on a voluntary basis.

Endorsement indicates support for CRISA 2 and its principles on a flexible and proportionate basis by organisations voluntarily aligning themselves with the principles.

Endorsing organisations can best demonstrate their endorsement of CRISA 2 by publicly reporting on an “apply and explain” basis their application of the CRISA 2 principles from 1 February 2023 onwards.

8 **Proportionate basis:** “meaning that even those (organisations) with limited resources and varying business models and investment approaches should be able to implement the principles in a manner that is fit for purpose within the context and as may be suitable to the type and size of organisation, the nature of its investment arrangements and activities and the resources at its disposal. Application can therefore be pursued in an incremental or scaled fashion.”

9 **Asset Owners:** “organisations that represent the holders of long-term retirement savings, insurance and other assets. Examples include retirement and pension funds, sovereign wealth funds, foundations, endowments, insurance and reinsurance companies and other financial institutions that manage deposits.”

10 **Asset or Investment Managers:** “an organisation that manages an investment product.”

11 **Service providers:** “those who act under mandate of the institutional investor in respect of any of the investment decisions and investment activities dealt with in CRISA, including asset and investment managers and consultants.”

12 **Investment arrangements and activities:** “encompassing any or all of:  
a) the processes, decisions and execution of capital or asset allocation;  
b) investment or asset management regardless of asset class;  
c) establishing mandates with service providers;  
d) the giving of advice or performance of other intermediary activities or services;  
e) the acceptance of ownership responsibilities or stewardship; and  
f) investment research.”

13 Southern African Development Community (SADC). [n.d.]. Southern African Development Community (SADC). Available at: <https://www.sadc.int/> [2022, August 31]



## 9. IS THERE A FORMAL APPLICATION PROCESS TO ENDORSE CRISA 2?

Given the voluntary and broad-based nature of CRISA, there is currently no requirement to formally apply for recognition as an organisation committed to endorse CRISA 2.

Endorsing organisations can best demonstrate their endorsement of CRISA 2 by publicly reporting using an “apply and explain” basis about their application of the CRISA 2 principles from 1 February 2023.

Should the CRISA Committee receive strong demand from CRISA 2-endorsing organisations to be publicly listed via the CRISA website and/or other publicly available list, the CRISA Committee may consider establishing such a database in future. Should your organisation be interested in being included on such a database for CRISA 2, please email [info@crisa2.co.za](mailto:info@crisa2.co.za) for further information.

## 10. HOW SHOULD ORGANISATIONS REPORT ON CRISA 2?

The application regime for CRISA 2 is “**apply and explain**”<sup>14</sup>. Application of the principles is implicit, while explanations should demonstrate how the principles have been interpreted, which practices have been implemented and how that interpretation and implementation have translated into real-world outcomes, including where any adaptations have been made to scale application of practices on a proportionate basis.

CRISA 2 includes per Principle **Implementation practices** and **Reporting elements** guidance for Principles 1 through 4. Principle 5 on Transparency states: “*Investment organisations should ensure disclosures are meaningful, timeous and accessible to enable stakeholders to make informed assessments of progress towards the achievement of positive outcomes.*”

### Principle 5: Transparency - Implementation practices

- 5.1 In addition to the specific reporting elements recommended in Principles 1 to 4, investment organisations should ensure disclosures are timeous and accessible to enable stakeholders to make informed assessments of progress towards the outcomes of diligent stewardship and responsible investment, including **progress against indicators or metrics and any future targets or objectives**.
- 5.2 **Regular engagement with key stakeholders** should take place to identify and understand information requirements.
- 5.3 **Disclosures should be made public** as far as possible in order for disclosures to be **readily accessible to stakeholders**. For private and unlisted investment organisations or vehicles, transparent public disclosure is considered good practice since it can build trust, support sound governance and risk management and enhance investment value.<sup>15</sup>
- 5.4 It is recommended that investment **organisations pursue integrated reporting**<sup>16</sup> to provide a holistic overview of their investment strategy and philosophy, investment arrangements and activities as well as their progress and outcomes achieved.<sup>17</sup>
- 5.5 In addition to applying such **statutory guidelines or directives as issued by the FSCA or relevant regulator** from time to time, applying the **disclosure recommendations of King IV™ and globally accepted** reporting standards is considered good practice in relation to disclosure of implementation of Principles 1 to 4.

### Principle 5: Transparency - Reporting elements

- 5.6 An overview of the approach to applying CRISA 2, including an indication of the proportion of assets that it applies to and where any of the principles or recommendations may be applied differently from how they are set out (for example as a result of scaling application on a proportionate basis) and the reasons for such variation.
- 5.7 The subject matter disclosed, medium used and time intervals for when disclosures take place on particular matters should be clearly communicated and consistently applied, for example quarterly, twice a year or annually.<sup>18</sup> Where the frequency varies according to the information, this should be clearly stated.
- 5.8 It should be clearly communicated which information is publicly available, and where this can be found.

<sup>14</sup> The outcomes-based approach to governance and “apply and explain” are captured in [King IV™](#) as the original intellectual thinking of the King Committee.

<sup>15</sup> For more on this concept see: United Nations Principles for Responsible Investing (UN PRI) and ERM. 2018. *ESG Monitoring, Reporting and Dialogue in Private Equity*. Available at: <https://www.unpri.org/download?ac=4839>. [2022, August 31].

<sup>16</sup> For example, in line with the Integrated Reporting Framework.

Available at: [http://www.integratedreporting.org/wp-content/uploads/2022/08/IntegratedReportingFramework\\_081922.pdf](http://www.integratedreporting.org/wp-content/uploads/2022/08/IntegratedReportingFramework_081922.pdf) [2022, August 31].

<sup>17</sup> Particularly the guiding principles of reliability, completeness, consistency and comparability are considered good practice.

<sup>18</sup> While disclosure at set time intervals is necessary to ensure consistency, it can also be noted that disclosure is something that can be pursued at all times and with due attention to the rights and requirements of shareholders, clients, investors, regulators and the public at large.



- 5.9 Where any standard, initiative or framework is used to guide disclosure, this should be clearly communicated, together with any metrics, targets and indicators applied.
- 5.10 To enhance the quality of reporting, the guiding principles of the Integrated Reporting Framework (particularly as it relates to reliability, completeness, consistency and comparability) are considered good practice.

## 11. HOW WILL CRISA 2 BE MONITORED AND/OR ENFORCED?

All endorsements of CRISA 2 are offered on a voluntary basis. As a voluntary Code, each endorsing organisation's voluntary endorsement indicates support for CRISA 2 and its principles.

The CRISA Committee does not have regulatory or oversight powers and as such is not in a position to monitor and/or enforce the Code.

Given the voluntary and broad-based nature of CRISA, the CRISA Committee is not in a position to verify the application of CRISA 2 by endorsing organisations. The CRISA Committee may partner with academic and other institutions on a periodic basis to assess a sample of endorsing organisations' application of CRISA 2 and for the development and issuance of further guidance on specific aspects of CRISA 2.

For CRISA 2, as a voluntary Code premised on self-regulation by the investment industry, it is expected that asset owners will require from their investment managers and other service providers a thorough understanding of their approach to stewardship and responsible investment, which may include a formal endorsement of CRISA 2 and reporting on an organisation's approach to implementing the CRISA 2 principles.

Mandates<sup>19</sup> and contractual agreements between asset owner clients and their service providers should also reflect the application of the CRISA 2 principles where such application has been outsourced to a service provider. Mandates should clearly define the approach to be taken and expectations. The onus remains on the provider of the mandate (such as the asset owner or client) to ensure the mandate deals with stewardship and responsible investment and that there are processes to oversee the application of these provisions when executing the mandate. Mandates and contracts should provide for performance and reporting requirements and sanctions for non-adherence.

## 12. CRISA 2 AND VARIANCES FROM THE CRISA CODE (2011)

The underlying tenets of the principles of the CRISA Code<sup>20</sup> (2011) remain relevant, and as a result the revised CRISA Code "CRISA 2" retains similar core aspects.

CRISA 2 does, however, introduce some shifts to align with global and local developments, respond to the needs of investment organisations pursuing stewardship and responsible investment, and to strengthen the call for action, particularly through the following:

- Incorporation of the concept of stewardship more explicitly and as applicable across all asset classes.
- Broadening of applicability to enable universal and flexible application across asset classes, investment styles and type of organisation.
- Highlighting the importance of ensuring sound governance over stewardship and responsible investment, through the introduction of a dedicated governance principle (CRISA 2: Principle 4).
- Expanding the practice recommendations through incorporating focused implementation and reporting elements within each principle, while retaining a broader transparency principle (CRISA 2: Principle 5) to address the overarching approach to disclosure.
- Shifting to an outcomes-based approach and "apply and explain" application on a proportionate basis.
- Adopting concepts from sources that are widely accepted as authoritative, including:
  - the triple context<sup>21</sup> and six capitals<sup>22</sup>;
  - integrated thinking<sup>23</sup> and integrated reporting<sup>24</sup>; and
  - sustainable finance<sup>25</sup>.

<sup>19</sup> **Mandate:** "the arrangement between an institutional investor and its service provider whereby the service provider makes investment decisions or performs investment activities for and on behalf of the institutional investor."

<sup>20</sup> <https://www.crisa2.co.za/crisa2code/>

<sup>21</sup> **The triple context:** The combined context of the economy, society and environment within which an organisation operates.

<sup>22</sup> **The six capitals:** Financial, manufactured, human, intellectual, social & relationship and natural capital as captured in the International Reporting Framework.

<sup>23</sup> **Integrated thinking:** The active consideration by an organisation of the relationships between its various operating and functional units and the capitals the organisation uses or affects. Integrated thinking leads to integrated decision making and actions that consider the creation, preservation or erosion of value over the short, medium and long term.

<sup>24</sup> **Integrated reporting:** A process founded on integrated thinking that results in a periodic integrated report by an organisation about value creation, preservation or erosion over time and related communications regarding aspects of value creation, preservation or erosion.

<sup>25</sup> **Sustainable finance:** Encompasses financial models, products, markets and ethical practices to deliver resilience and long-term value in each of the economic, environmental and social aspects and thereby contributing to the delivery of the Sustainable Development Goals and climate resilience.

This is achieved by the financial sector by:

- evaluating portfolio as well as transaction-level environmental and social risk exposure and opportunities, using science-based methodologies and best-practice norms;
- linking these to products, activities and capital allocations;
- maximising opportunities to mitigate risk and achieve benefits in each of the social and environmental and economic aspects; and
- contributing to the delivery of the Sustainable Development Goals

## 13. HOW DOES CRISA 2 ALIGN WITH KING IV™?

CRISA and King IV™ are complementary codes that reinforce and complement each other<sup>26</sup>. CRISA 2 adopts certain approaches introduced by King IV™ (such as the outcomes-based approach and “apply and explain” regime) and recommends some of its practices as good practice (such as the disclosure approach and integrated reporting).

CRISA 2 is intended to be a standalone code forming part of the governance framework for South Africa. The references to King IV™ in the Code therefore reflect alignment and acknowledge the intellectual thinking of the King Committee, while retaining independence.

## 14. HOW DOES CRISA 2 ALIGN WITH REG.28?

The principles of CRISA 2 are intended as complementary guidance to Regulation 28 and will further assist funds in adopting a responsible investment approach.

Regulation 28 of the Pension Funds Act, 1956<sup>27</sup> promotes responsible investing of fund assets, based on a sustainable, long-term, risk-aligned and liability-driven investment philosophy. Regulation 28(2)(b) of the regulations to the Act requires all funds to have an investment policy statement and Regulation 28(2)(c)(ix) requires that boards of funds consider ESG factors before investing in an asset.

Specifically, the Preamble to Reg. 28 states:

“A fund has a fiduciary duty to act in the best interest of its members whose benefits depend on the responsible management of fund assets. This duty supports the adoption of a responsible investment approach to deploying capital into markets that will earn adequate risk-adjusted returns suitable for the fund’s specific member profile, liquidity needs and liabilities. Prudent investing should give appropriate consideration to any factor that may materially affect the sustainable long-term performance of a fund’s assets, including factors of an environmental, social and governance character. This concept applies across all assets and categories of assets and should promote the interests of a fund in a stable and transparent environment.”

## 15. HOW DOES CRISA 2 ALIGN WITH GUIDANCE NOTICE 1 OF 2019: SUSTAINABILITY OF INVESTMENTS AND ASSETS IN THE CONTEXT OF A RETIREMENT FUND’S INVESTMENT POLICY STATEMENT?

The principles of CRISA 2 are intended as complementary guidance to the FSCA Guidance Notice 1 of 2019 to further assist funds in adopting a responsible investment approach. The purpose of the Guidance Notice is to provide guidance to boards of funds on how the board must comply with Regulation 28(2)(b) read with Regulation 28(2)(c)(ix), in particular how its investment philosophy and objectives, as reflected in its investment policy statement, seek to ensure the sustainability of its investments and assets, and to set out the Authority’s expectations regarding disclosure and reporting on issues of sustainability.

In assessing and enforcing compliance with Regulation 28(2)(b) read with Regulation 28(2)(c)(ix) by boards of funds, the FSCA has advised that it will in particular apply the requirements set out in paragraph 4 of the Guidance Notice.

<sup>26</sup> [https://cdn.ymaws.com/www.iodsa.co.za/resource/resmgr/King\\_IV/sector\\_supplements/Retirement\\_fund\\_supplement.pdf](https://cdn.ymaws.com/www.iodsa.co.za/resource/resmgr/King_IV/sector_supplements/Retirement_fund_supplement.pdf)  
<sup>27</sup> <http://www.treasury.gov.za/publications/other/reg28/Reg%2028%20-%20for%20Budget%202011.pdf>

## 16. HOW DOES CRISA 2 ALIGN WITH UN PRI?

CRISA 2 is a voluntary domestic code for South Africa capable of universal application. PRI<sup>28</sup> is an international investor initiative for which a formal application to become a PRI signatory<sup>29</sup> is required, as well as the annual payment of a signatory fee<sup>30</sup> and annual reporting via the PRI's Reporting and Assessment<sup>31</sup> framework.

The principles of CRISA and PRI are aligned in respect of intended objectives and outcomes. The origins of CRISA are also closely tied to PRI's network of signatories in South Africa. PRI is also represented on the CRISA Committee and PRI is supportive of CRISA 2 and the need to appropriately resource the CRISA Secretariat<sup>32</sup>.

Organisations endorsing CRISA 2 and who are also formal signatories to PRI may benefit from reporting and disclosure efficiencies emanating from the PRI's Reporting and Assessment<sup>33</sup> framework's public signatory reports<sup>34</sup>.

## 17. WHY DOES PRINCIPLE 2 USE "DILIGENT STEWARDSHIP" INSTEAD OF "ACTIVE OWNERSHIP"?

CRISA 2 is capable of universal application across all asset classes and types of organisations. Ownership concepts across equity investments are already complex, for example in relation to pooled investments, nominee holdings and rapid movements in secondary markets, as well as misconceptions about whether a shareholder has rights equal to those of an owner. In asset classes other than equity, ownership may not even be relevant.

The CRISA Committee has therefore decided to use the concept of diligent discharge of stewardship duties, which would incorporate active ownership in its original sense (where it would apply), but would also cater for situations where stewardship is relevant but not specifically related to ownership. Where fiduciary duties are owed, the investment institution should actively enquire and participate at annual general meetings, for example, to ascertain whether or not the company is truly creating value or eroding it.

## 18. WHY DO THE PRINCIPLES NOT READ "AN INVESTMENT ORGANISATION SHOULD...?"

To reinforce the outcomes-based approach intended for CRISA 2, the principles are intended to be framed as a state of being or operating. Therefore, they are phrased as statements reflecting a state that has been achieved or which is strived for. For example, Principle 1 states a situation where "*Investment arrangements and activities should reflect a systematic approach to integrating material environmental, social and governance (ESG) factors*"; in other words, integration efforts are in place or have been undertaken. Similarly, the other principles take this approach.

Furthermore, CRISA 2 foresees an ongoing and iterative approach to the implementation of the principles towards the ultimate realisation of the intended outcomes of impact, innovation, inclusivity and resilience. In reflecting an ideal state of being or operating, application of the principles then becomes supportive of the process towards these outcomes, rather than their being tick-boxes in and of themselves.

<sup>28</sup> <https://www.unpri.org/>

<sup>29</sup> <https://www.unpri.org/signatory-resources/become-a-signatory/5946.article>

<sup>30</sup> <https://www.unpri.org/signatory-resources/become-a-signatory/5946.article>

<sup>31</sup> <https://www.unpri.org/signatories/reporting-and-assessment>

<sup>32</sup> <https://www.unpri.org/download?ac=1390>

<sup>33</sup> <https://www.unpri.org/signatories/reporting-and-assessment>

<sup>34</sup> <https://www.unpri.org/signatories/reporting-and-assessment/public-signatory-reports>



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**CRISA**  
Code for Responsible Investing  
in South Africa