



Q&A | Sanlam Benchmark | 22 June 2021

Question	Answer
<p>Good morning, Cyber insurance feels like quite a reactive approach to cyber security. Do you have a view of the increased spend that funds / administrators have needed to put out to "pro-actively" deal with cyber security?</p>	<p>Our research did not specifically focus on the costs or expense related to "proactive" risk-mitigating strategies. Instead, the cyber-related questions included within our survey were in response to two issues. The first issue relates to the cyberattacks at two administrators between 2019 and 2020. The other was in preparation for the enactment of POPIA at the end of June. The latter aims to protect members' personal information - a considerable risk for the industry. The feedback received is used to inform and raise awareness among our stakeholders of potential risks they may have to mitigate.</p>
<p>In the default strategies, do you have more insights into the member services model for example: 1) member services consultant per member of the fund; 2) top three activities in the model; 3) competencies of consultant; 4) method of engagement; 5) age of members engaging with member consultants?</p>	<p>The Default Regulations specify what could be covered under any model created to deliver Retirement Benefits Counselling. Specifically, the disclosure and explanation, in a clear and understandable language, includes risks, costs and charges, of:</p> <ul style="list-style-type: none">• The available investment portfolios• The terms of the fund's annuity strategy• The terms and process by which a fund, handles preserved benefits in terms of regulation 38; and• Any other options made available to members <p>Although our research did not cover which of these specific areas were considered in engaging with retirement benefits counsellors, question 8.6 and 8.9 in our Benchmark Databook (Pg28) provides more insight into the model and channels used to provide Retirement Benefits Counselling.</p>
<p>What has been the impact of corruption on Pension Fund Assets and what actions are Pension Funds taking to protect Members Assets.</p>	<p>This is a really difficult question to answer. The Daily Maverick estimates a total cost of corruption to the country of R49.15 billion. Most would not directly impact pension funds. Nonetheless, that is money removed from the economy and ultimately does impact the pockets of ordinary South Africans. For example, perhaps taxes would otherwise be lower and consumers will have more to spend, which would positively affect asset prices. Each Board of Trustees must monitor the situation for themselves. The Sanlam Umbrella Fund has rigorous monitoring in place, and only invests via highly reputable asset managers, so to that extent, the risks are mitigated. But certainly, some high profile cases have gone very wrong for retirement funds with a looser approach to issues such as governance and conflicts of interest, and this has not been good for these funds' members.</p>



<p>The COVID 19 Pandemic has taken the world by storm and people's lives changed overnight, retrenchments, company closures etc. Question were asked about the possibility of Retirement Funds allowing partial withdrawals to assist people in coping with the Financials burdens in these difficult times. what is Sanlam's position on this matter?</p>	<p>Sanlam aligns itself with the position of ASISA on this issue. We are participating in various ongoing discussions to find the best solution to balance the needs of multiple stakeholders. The 2021 Budget Review stated: <i>"The COVID-19 pandemic has influenced many countries to consider allowing individuals to access their retirement savings as an interim relief measure. Alongside the 2020 Medium Term Budget Policy Statement, the National Treasury published an explanatory note with financial sector updates that noted numerous requests to allow limited pre-retirement withdrawals from retirement funds under certain conditions, such as disasters. Government continues to engage with trade unions, regulators and other stakeholders to discuss how to allow these withdrawals, together with mandatory preservation requirements."</i> It appears that the intention is to link access to retirement savings in unforeseen crises such as COVID-19 to new provisions regarding mandatory preservation. A development of this nature will have significant implications for retirement funds and members and will have to be subject to extensive consultation. Our position on this is to positively contribute to such consultation working via ASISA.</p>
<p>Most funds invest in pooled mandates and are therefore not active owners, but the asset managers are</p>	<p>This is certainly true for umbrella funds, and perhaps to a lesser extent also true for standalone funds who often have the scale to use "segregated portfolios". Notwithstanding this, clients do "vote with their feet" and therefore exert some influence over the mandate of a pooled portfolio. Asset managers must therefore ensure that their pooled portfolios meet the requirements and expectations of clients.</p>
<p>Do you have any views on animal agriculture/the ethics of food? ESG processes have largely been silent on the risks associated with animal agriculture. Bill Gates said that rich nations should transition to alternative protein. Future investors will feel strongly about avoiding cruelty to animals, also within their investment portfolio.</p>	<p>We believe that asset managers, as part of their ESG research processes, should consider sustainable food production and animal cruelty within the larger narrative of ensuring a secure food supply for our growing population. However, the rigour of ESG processes is still evolving as newer trends and priorities arise.</p> <p>Sustainable agriculture is increasingly seen as an area ripe for transformation and potentially one of the next big investment opportunities. However, there are still significant challenges around implementing a dedicated strategy that focuses purely on this theme (particularly in a market such as South Africa, where the opportunity set for investments are "narrow").</p>