

Investments



An investment framework for responsible investing

CRISA and PRI Implementation



CRISA and PRI implementation

We hold a set of responsible investing beliefs that underpin our investment approach. These beliefs support our commitment to the Principles for Responsible Investment (PRI) and recognise the regional guidance on stewardship, such as the Code for Responsible Investment in South Africa (CRISA).

CRISA 2 contains voluntary principles that are of universal relevance, promoting an outcomes-based approach to responsible investment and diligence in exercising stewardship and fiduciary duties.

Code for Responsible Investing in South Africa (CRISA)

As fiduciaries of our client's assets, we recognise the importance of integrating responsible investing principles into our investment approach.

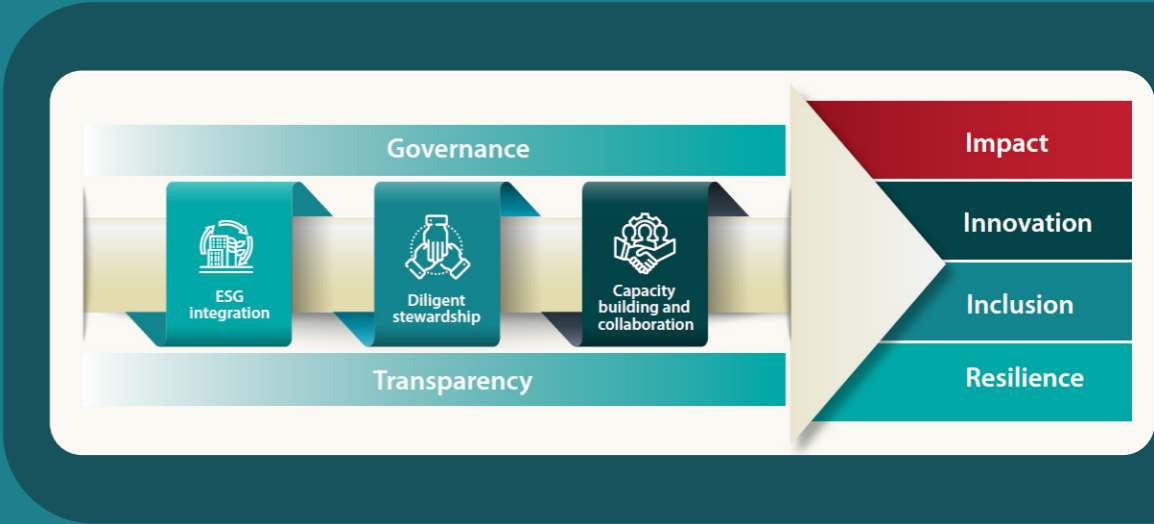
As a multi-manager, we have the ability to influence the asset managers we appoint to apply sound governance and sustainability principles in their decision-making processes and we encourage them to do the same with the companies they invest in.

It requires asset owners, asset managers and service providers to adopt it to publicly disclose and demonstrate how the principles have been interpreted, which practices have been implemented and how their interpretation and implementation of the principles have translated into real-world outcomes.



In being a signatory to CRISA, we commit to provide an impetus to the investment industry to further integrate environmental, social and governance (ESG) and sustainability principles into the investment process.

There are five key principles:



**CRISA
principle 1**
Integration of environmental, social and governance (ESG) factors

Investment arrangements and activities should reflect a systematic approach to integrating material environmental, social and governance factors (ESG).

An investment framework for responsible investing

We believe that incorporating ESG factors into our investment and stewardship decisions will support our pursuit of enhanced, sustainable returns for our clients. We have adopted a framework that follows a beliefs, policy, process and portfolio approach that aims to provide our clients with a transparent and practical pathway to understand and identify where responsible investment considerations sit within our investment approach and how they are incorporated in our investment portfolios.

Our framework for responsible investing can be accessed [here](#) to learn more about how we do this.

Four-factor ESG process

We believe a key feature of a quality asset manager is its ability to consider any factors that may affect the sustainability of an investment such as those of an ESG nature. We believe we can better achieve our goal of achieving sustainable and responsible investment outcomes when ESG factors are considered in an asset manager's investment process. This provides a more holistic view of the risks associated with the investment.

Our investment process is therefore focused on assessing asset managers on their approach towards integrating ESG considerations into their investment decision-making process.

You can find more information on our four-factor process and rating system [here](#).

We believe we can better achieve our goal of achieving responsible investment outcomes when ESG factors are considered in an asset manager's investment process.

**CRISA
principle 2**
Diligent stewardship

Investment arrangements and activities should demonstrate the acceptance of ownership rights and responsibilities diligently enabling effective stewardship.

We support the notion that long-term value is realised when shareholders are afforded an opportunity to contribute to how a company is governed. Given that we appoint asset managers to select and manage assets on our behalf, we feel that the asset manager has a role to play in active ownership. For example, voting on proxy resolutions, holding meetings with the company, or writing shareholder letters to the management outside of annual general meetings (AGM) to voice concerns on ESG issues noted by the asset manager.

Active stewardship represents additional research conducted by our team to obtain proxy guidance and sell-side research on companies. We utilise these to engage in ESG issues to critically assess how asset managers have balanced their views regarding ESG considerations within the portfolio

construction and investment implementation aspects of their processes. We expect our appointed asset managers that manage the assets of our portfolios to comply with our responsible investment policy.

We believe that asset managers are best equipped to make meaningful decisions on proxy voting and engagement because they are required to have a deep understanding of the underlying company and any potential issues that may materially affect its share price.

Proxy voting guidelines

While we are not prescriptive as to how asset managers should vote, we do provide them with guidelines.

These guidelines provide a philosophical framework within which we stipulate how an asset manager should vote and they are included in our investment-management agreements.

The guidelines are periodically reviewed to ensure they remain reflective of our approach as responsible investors.

[Find the proxy voting guidelines in our policy section.](#)

We use active stewardship to engage on ESG issues to critically assess how asset managers have balanced their views regarding ESG considerations within the portfolio construction and investment implementation aspects of their processes.

Assessment of reporting and governance

Proxy voting results are monitored quarterly. Summary reporting on the voting actions of incumbent asset managers in our flagship portfolios is available on our website. We conduct periodic in-depth analyses to better understand the rationale of voting and to ensure that it is in alignment with our guidelines and beliefs. We conduct periodic engagements on selected holdings before AGMs, utilising sell-side proxy guidance that we obtain from industry brokers, independent of the asset managers. This is done to ensure we hold asset managers to account for the assets they manage on our behalf. We believe this approach helps us foster proactive stewardship and governance regarding our fiduciary responsibilities.

Manager due diligence (DD)

In 2021, we had the below number of engagements where ESG or RI was a specific agenda item:

Reportbacks 139

CEO/CIO engagements 37

ESG DD 20

Traditional DD 66

Private markets DD 5

Private markets governance committee meetings 8

With a total of **267 engagements**, we have had extensive coverage of ESG and RI considerations across our appointed asset manager base.

We encourage conversations with the asset management industry and engage with asset managers through surveys, reportback meetings and asset class due diligences.

- In 2016, we broadened our scope to include ESG integration across fixed income investments. This DD reportback covers asset managers that represented over 90% of our local assets under management (AUM).
- We continue to engage on ESG considerations in all meetings, seeking evidence of ESG integration and opportunities and risks in asset manager investment processes.
- Ad-hoc engagements with asset managers outside of regular reportback and DD appointments also take place on any topical issues, including those raised in the media.
- Asset managers receive an ESG rating based on our four-factor model which assesses ESG integration, the use of internal and external resources, engagement activities and firmwide commitment.
- ESG ratings are provided per strategy across all asset classes whether active, passive or quantitative.
- The findings enable our portfolio management team to make more informed decisions around asset manager and strategy selection within our multi-managed portfolio solutions.



**CRISA
principle 3**
Capacity building and collaboration

Acceptance and implementation of the principles of CRISA 2 and other applicable codes and standards should be promoted through collaborative approaches (as appropriate) and targeted capacity building throughout the investment industry.

Engagements

As mentioned under CRISA principle 2, we actively engage with asset managers on issues relating to responsible investing during all meetings, where engagement on ESG issues has been included as a specific agenda item. We also have ad-hoc engagements outside of regular report-backs and due diligence trips on any topical issues, including those raised through our research or in the media. This continuing engagement allows for deeper insight and understanding of the industry.

We conduct primary research on the topic and engage experts to share their knowledge with us. We draw on the research provided by industry bodies and meet regularly with brokers who are leaders in providing ESG research.

Partnerships

Along our journey as a responsible investor, we have partnered with the World Wide Fund for Nature (WWF-SA) to positively influence and drive change towards responsible investment and environmental sustainability. The aim of this partnership was to help bolster our stakeholder engagements by informing and guiding better assessments of the risks associated with environmental factors. In shaping this framework, we are now better positioned to enhance the quality and content of environmental discussions between asset managers and the companies in which they invest.

To promote the objectives that CRISA stipulates, we acknowledge that we would be able to contribute to them through our partnerships with organisations that have committed to driving the goals of responsible investing. We are signatories to, and partner with, the below industry bodies:



We are encouraged to work with asset managers, service providers and regulators where applicable to promote both the Code and sound governance.

Sustainable investing may not yet be as mainstream locally as it is in the global context, but it is gathering momentum. Our aspiration is to use our strategic relationship with Mercer Global Investments Management Limited (Mercer) to lead and shape the local investment landscape on the issue of sustainability by observing investor demand, strategy availability and regulatory engagement on sustainable investing. This means having access to the tools and frameworks that allow us to work more closely with asset managers to drive responsible investing best practices and sustainable performance on behalf of our clients.

Collaborative engagements

We play an active and collaborative role in the industry, expressing our views, insights and thought leadership through various media engagements, responsible investing events and industry conferences.



Alexforbes taking a more holistic approach to select asset managers to ensure better client alignment and outcomes



10 questions to help you retire into a better world



Investment implication of climate change for pension funds

As a multi-manager, we have appointed asset managers to manage assets on our behalf. Collaborative engagements would, in many cases, include participating in investment engagements where we may form part of a panel for example. We are also able to collaborate and influence through policy-related developments that form part of industry engagements by policy developers such as National Treasury, the Financial Sector Conduct Authority (FSCA) and the Prudential Authority.

Examples of recent collaborative engagements include the The State of Sustainable Finance in South Africa's Retirement Sector event hosted by the International Finance Corporation (IFC) where we participated alongside members of the IFC and the FSCA. On the theme of sustainable finance within the retirement sector, we contributed to the discussion through a review of the survey on behalf of our clients. We communicated our observations from the survey and the sustainable finance opportunities we have identified in the market. We also commented on the role of green bonds in South Africa and the intersection between fiduciary responsibilities and green finance activities.

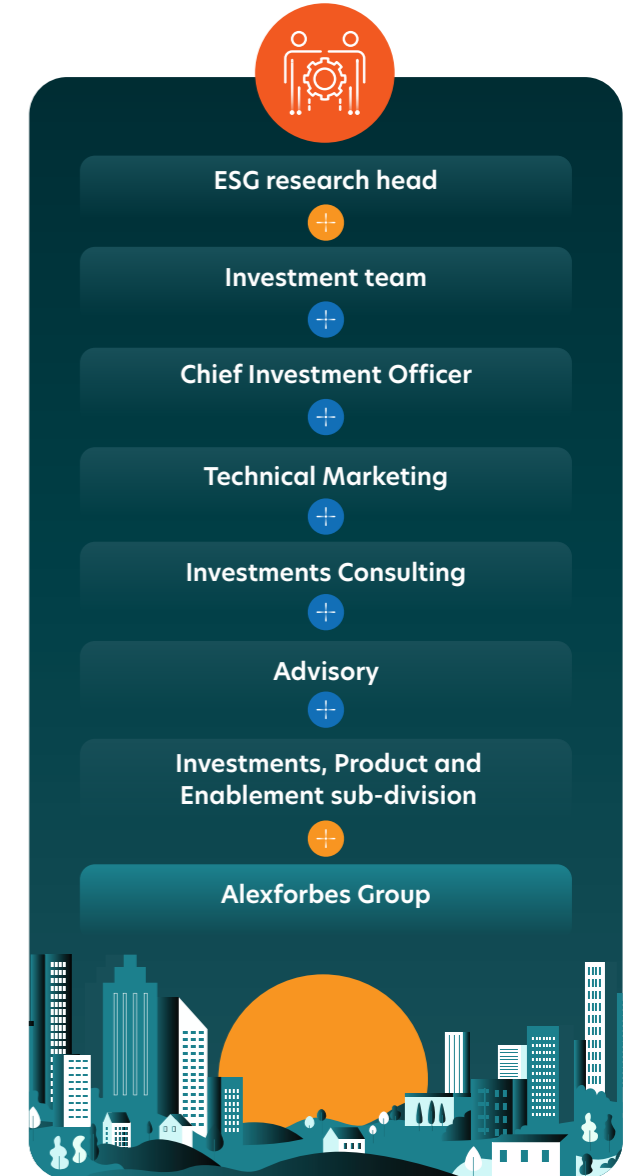
In 2022, Ninety One held a discussion on practical implications on engaging corporate South Africa to reach decarbonisation goals. We aimed to reinforce the role of asset owners and pension fund investors in the narrative of climate change.

We spoke alongside the JSE and other pivotal stakeholders in the value chain of managing assets and the wellbeing of the wide range of stakeholders that are affected, and stand to be affected, by climate change. We advocated for improved disclosure for improved risk measurement and for more collaborations around the facilitation of the green transition.

Capacity building

To manage the responsibilities and outcomes that ESG research, messaging and value-add requires, we have integrated ESG factors and considerations throughout our investment team, investment consulting and advisory sub-divisions and external divisions throughout our whole business. Starting from our dedicated head of ESG research who leads ESG investment decision-making, we have bolstered our capacity to support our efforts in positioning our ESG proposition and ensuring it forms part of our best-practice, consulting and product development capabilities as well.

To support our ESG goals from an Alexforbes Group perspective, we have a sustainability committee that is chaired by the Group Sustainability Executive and includes representation from 2 other executive committee members and various heads of different functions across the business to further ensure that ESG and sustainability is integrated throughout the Group.



**CRISA
principle 4**
Sound governance

Sound governance structures and processes should be in place (including at all levels of the organisation) to enable investment arrangements and activities that reflect and promote responsible investment and diligent stewardship, including proactively managing conflicts of interest.

Conflict of Interest

We recognise and embrace our obligations to various stakeholders, including intermediaries, shareholders, financial services providers, employees, customers, brokers, suppliers, competitors, and the wider community. The cornerstone of ethical conduct is to avoid actual or potential conflicts of interest. We have a formal Conflict of Interest policy to ensure proper disclosure and immediate mitigation of any actual or potential conflicts, which is available on our [website](#).

Governance structures

In our aim to continuously promote sound governance, we have a number of committees that support our goal of being a sustainable business that delivers returns for all our stakeholders including investors, employees, and society at large.

We have a number of committees that have executive oversight to drive ethical leadership and the highest standards of transparency.

From a specific committee for our investments business to a more general committee for the whole Alexforbes business, we apply robust governance structures across all levels of the business to manage both risks and opportunities.

Investment committee

The investment committee (IC) is a working committee and a governance body that ensures that all our investment portfolios and the changes/enhancements to these portfolios are managed in a way that follows due processes and procedures. It has the final authority to approve or reject all investment proposals and it has the final responsibility for the investment outcome of portfolios. The IC, chaired by the chief investment officer, includes investment team members, non-investment team members and one or more independent members.

Group sustainability committee

The responsibility of this committee is to promote, implement and monitor Alexforbes' sustainable

development objectives, including the Group's contribution to the sustainable development of the financial services industry, but also South African business broadly.

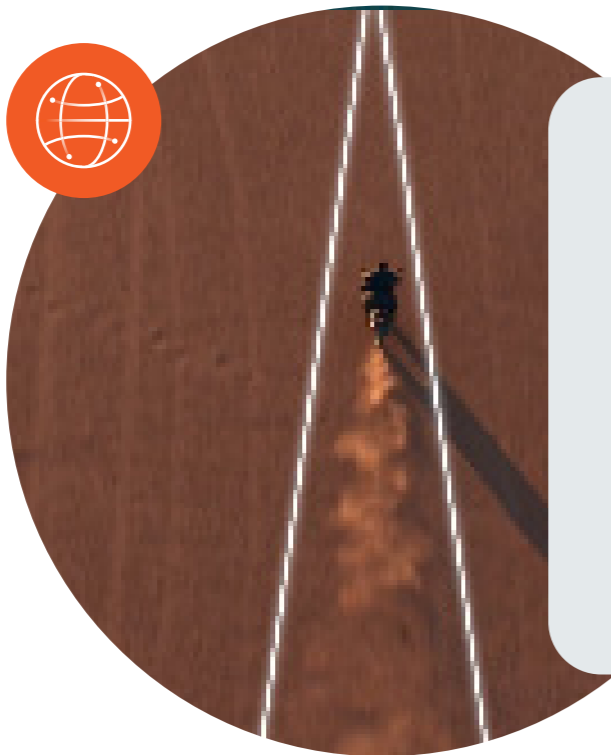
For more information on our organizational responsibility in relation to ESG issues with governance implications (such as B-BBEE, climate risk, gender and racial inequality, etc.), you can access our annual Group ESG report which provides oversight of the implementation provided by our relevant governing body structures and other implementation guidelines as set out in the CRISA 2.

[Find our annual Group ESG report here.](#)

We ensure the implementation of our conflicts of interest policy for the prevention and management thereof and we establish processes to monitor compliance with this policy.

**CRISA
principle 5****Transparency**

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.



We strive to be transparent about how we integrate sustainability considerations into our investment analysis with all our stakeholders. Documentation detailing our approach to responsible investing, how ESG factors are considered in our investment approach and our implementation of the CRISA principles can be accessed on our [website](#) along with our proxy voting guidelines and summarised proxy voting results.

This information is updated when necessary to reflect the correct information at the time it is made accessible to give an accurate view of the progress we have made in our responsible investing journey.

We aim to form structures and processes that create enhanced governance, transparency and disclosure to improve the long-term sustainability of our investment portfolios.

Principles for Responsible Investment (PRI)



The Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors and supported by the United Nations (UN) in 2006. We have been a signatory to the PRI since 2008.

We recognise our duty to investigate the impact of ESG-related issues on the performance of assets, and promote responsible alpha (responsible benchmark-beating returns) by ensuring that the asset managers we select consider and evaluate the risks and opportunities arising from the consideration and incorporation of ESG factors.

The six principles and signatories' commitment

We have a fiduciary duty to not only achieve the best possible returns at acceptable levels of risk, but also to act in the best interests of the wider community and environment we operate in. We do everything we can to protect our clients so that they can achieve their investment goals in the most sustainable way possible.

PRI signatories are required to perform mandatory annual assessments to assess the progress that they are making in incorporating ESG considerations into their investment processes, and to highlight areas of improvement. Over the years, we have continued to hold strong ratings and score

above our global peers across the majority of the reporting modules. Overall, the results demonstrate our continued efforts and commitment towards ESG risk management and complying with the mandate of the PRI.

The illustration on the next page maps out how each PRI Principle aligns with CRISA principles, reflecting a holistic fulfilment of global and local RI best practice across our investment process.

The PRI aims to address some of the world's urgent ESG issues in the world today – from climate change to the barriers around a more sustainable financial system – to achieve sustainable and inclusive societies for generations to come.

There are six key principles:

1

Incorporate ESG issues into investment analysis and decision-making processes.

Aligned to
CRISA
Principle 1

2

Active ownership incorporating ESG issues into ownership policies and practices.

Aligned to
CRISA
Principle 2

3

Seek appropriate disclosure on ESG issues by the entities in which investments are made.

Aligned to
CRISA
Principle 2

Aligned to
CRISA
Principle 5

4

Promote the acceptance and implementation of the Principles within the investment industry.

Aligned to
CRISA
Principle 3

5

Work together to enhance the effectiveness in implementing the Principles.

Aligned to
CRISA
Principle 3

6

Report on activities and progress towards implementing the Principles.

Aligned to
CRISA
Principle 5

Asset managers and asset owners that adopt the CRISA principles must publicly disclose their policies and methods of incorporating them into their investment processes.

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Company registration number: 1997/000595/06.

Pension Fund Administrator number: 24/217.

Insurer number: 10/10/1/155.

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The complaints policy and conflict of interest management policy can be found on the Alexander Forbes Investments website: www.alexforbes.com.

