

Investments



An investment framework for responsible investing

Beliefs



Beliefs

Responsible investing beliefs that underpin our approach

We aim to help our clients achieve their investment objectives through our portfolio of financial products and services.

Socio-economic empowerment is an imperative for South Africa, which we believe we are well positioned to contribute to. The power of investing responsibly is that not only can it help our clients reach their investment goals, but, through deploying those investments responsibly and sustainably, it can also help promote a better quality of life for South Africans and South African communities.

We define responsible investment (RI) as an investment practice that integrates factors that may materially affect the sustainable performance of assets and the best interests of the clients and communities we serve. These factors include environmental, social, corporate governance (ESG) aspects and broader systemic issues such as climate change, sustainable development and active ownership. We believe that for investments to remain profitable in the long term, societies and financial systems must develop in an equitable and sustainable way. Ultimately, we believe investment processes should evolve to a point where the impact of any investment on society, and the economy around it, can be measured.

RI practices that incorporate ESG considerations have seen widespread acceptance globally as part of the mainstream investment approach. We believe that the evolution of responsible investment from a risk and return approach of ESG integration will include a third dimension - the impact measurement of assets.

We hold a set of responsible investing beliefs that underpin our approach:

➤ **A broader and longer-term perspective on risk**
Members in pension funds increasingly demand that all parties in the investment chain take their broader long-term interests, and those of future generations, into account. ESG risks and opportunities have a material impact on long-term investment outcomes.

A sustainable investment view is more likely to create and preserve long-term investment capital through active ownership and stewardship and it helps realise long-term shareholder value. Long-term streams of returns and long-term themes, rather than short-term price movements, are more likely to achieve desired investment outcomes.

➤ **Considering ESG risks and opportunities**
ESG considerations present risks and opportunities to investors that can have a material impact on long-term risk and return outcomes. Consequently, a sustainable investment approach, which considers such risks and opportunities, is preferred.

ESG factors are not only about corporate responsibility and good reputation management. They also directly affect the short-term and long-term operational and financial performance of companies.



We distinguish between financial implications (such as risks and costs) associated with ESG considerations where there is often shifting public sentiment and regulation and growth opportunities in industries more directly affected by sustainability challenges (such as growing populations and natural resource constraints).



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. 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.



We embrace the principles of active ownership. We believe that the asset managers we select have an important role to play in positively influencing the underlying companies they invest in and enhancing the value of the markets within which they operate. We appreciate that voting alone does not secure better outcomes and resolutions that are tabled at a company's annual general meeting do not always address ESG-specific risks. What is required is a commitment to continuous engagement and monitoring in order to evaluate asset managers' efforts in enhancing the value of companies and markets.

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.

Environmental and social integrity

- + We have a duty to act in the long-term interests of our beneficiaries.**

By adopting a RI approach into the way we invest, we are able to improve our ability to meet our commitments to all our stakeholders and better align our investment activities with the broader interests of society. This is a commitment that is consistent with our fiduciary responsibilities.
- + Measuring the impact of investments, particularly those made in listed markets, has become increasingly important.**

In September 2015, the global community - represented by all member states of the United Nations (UN) - adopted the Sustainable Development Goals (SDGs). The 17 SDGs seek to guide the global community's sustainable development priorities in areas of critical importance for humanity and the planet. We are supportive of this framework and we are an enthusiastic participant in the engagement processes aimed at fostering and influencing better SDG-aligned impact and reporting outcomes from listed companies. We are a signatory of the UN Global Compact, the world's largest corporate sustainability initiative, to further signal our support for more sustainable business practices and operations.
- + Unlisted markets can offer investment opportunity sets where investors can directly make a difference.**

Through the Alexander Forbes Investments South Africa Private Markets (AFISAPM) portfolio, we have partnered with established providers using the strength of our manager research capability and the depth of our asset manager network. Through these networks, we have been able to source suitable sustainable investments. The portfolio has a clear focus on environmental impact where it invests in the development of renewable sources of energy such as solar, wind and hydro power. The portfolio also has exposure to social infrastructure assets such as education, student accommodation, community property development and healthcare facilities. These investments explicitly cater for the infrastructure and developmental needs of South Africa while providing a compelling investment return objective to meet our clients' investment goals.

In our commitment to create positive environmental and social change, we leverage investment opportunity sets that are aimed at fostering and influencing the needed changes our country needs.

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