

Investments



Transformation Policy Summary

Our transformation policy works alongside our asset manager research function, which focuses on investment process and philosophy to ensure that it all aligns with our clients' requirements.

Our transformation policy applies to the operations and decision-making of Alexander Forbes Investments Limited, including the investment committee, the investments advisory team and the investment team. This policy considers transformation aspects across three core themes: advice, investments and operations.

We regard ourselves as a responsible corporate citizen. To this end we:

- are a signatory of the Principles for Responsible Investing (PRI)
- are an endorser of the Code for Responsible Investing in SA (CRISA)
- subscribe to the transformation principles expressed in the Financial Sector Code (FSC) to increase inclusion and broad-based empowerment in the financial services sector



Purpose

The purpose of our transformation policy is in support of and an extension of our overall commitment to the transformation of the South African economy through broad-based black economic empowerment (B-BBEE). It:

- focuses particularly on the investment management industry
- advances the objectives of our transformation strategy through our investment activities
- guides our investment activities in support of investment companies and professionals who contribute to the growth and transformation of the South African economy

Transformation is an evolving process that works within the context of sound business practices. Practical challenges exist, but instead of viewing this as a risk, we prefer to see this as an opportunity. We want to work with all asset managers in our value chain in such a way that it gives us confidence that they are sufficiently transformed by 2025. We view transformational efforts as complimentary to producing innovative and creative ideas and investment solutions, for the benefit of our multi-managed solutions, and our clients' future investment outcomes.

Policy statements

We recognise that we operate in the context of an unequal and non-representative investment management landscape. Therefore, we commit to supporting initiatives that reduce these inequalities and drive diversity and inclusion to achieve broad-based representation. Importantly, we seek to do this while ensuring sustainable and superior long-term, risk-adjusted returns for clients.

Notwithstanding this mission of intent, we further commit to doing so in the best interests of our stakeholders. Accordingly, this policy will ensure the values of openness, fairness and inclusion

are considered in a consistent, competitive and transparent manner in the promotion of diversity and broad-based representation.

Our policy emphasises the critical need to significantly increase the pipeline of black (and specifically black women) investment management firms and professionals. This must be achieved within the ambit of the FSC. Our procurement process will promote fair and transparent engagement.

We will not compromise on health and safety, commercial, quality and service standards.

We scour the investment landscape to identify and support suitable candidates to achieve our transformation objectives

Currently, the top 45 asset manager allocations across our Life and Unit Trust portfolio solutions constitute approximately 99% of total assets under management. Over 90% of these asset managers are already compliant in terms of their B-BBEE ratings.

Start-up, emerging managers and established managers

We support and identify start-up and emerging asset managers to:

- allow them to build appropriate track records
- give them access to unique investment opportunities that may otherwise be overlooked
- cultivate the next generation of transformed portfolio management and investment professional talent

We believe that start-up and emerging asset managers have a strong ability to produce outperformance. Therefore supporting these asset managers should provide compelling outcomes for clients.

Selection criteria for start-ups

- Have a track record not exceeding five years at appointment
- Assets under management < R2 billion at appointment
- Meet an acceptable manager rating, as determined by our manager research team

- Demonstrate a capability to meet mandate requirements through either a track record as a portfolio manager, or key members of an investment team who have evidenced successful and verifiable track records with previous asset management firms

Selection criteria for emerging managers and more established managers

- Have a track record not exceeding 10 years at appointment
- Assets under management < R15 billion at appointment
- Meet an acceptable manager rating, as determined by the manager research team
- Have an investment style or factor exposure, and a competitive advantage that is required in our asset allocation, strategy selection, manager selection and ongoing monitoring activities
- Have a B-BBEE Level 2 contributor status



Asset managers

These are asset managers who:

- have existing contractual agreements for assets under management allocations in our portfolios
- may be included within portfolio recommendations for Investments advisory clients
- could qualify based on the investment team and operational due diligence processes

Selection criteria for asset managers

- Attain a minimum B-BBEE Level 3 contributor status, which must be achieved within a three-year phased improvement of FSC scorecard points
- Achieve a minimum 40% representation of black investment professionals of whom 40% of their total investment (16% of total) must be black women investment professionals
- Achieve a minimum 40% representation by black individuals in senior management within a three-year phased improvement of FSC scorecard points

- Improvement expected year on year
- At the date of implementation, asset managers who do not meet the above targets are to provide a three-year plan to achieve them. These plans will be monitored every year
- A change to a lower B-BBEE contributor status will prompt a review and possible withdrawal of the asset manager research value and support provided, leading to partial or complete termination

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Stockbrokers

We require asset managers who have existing contractual agreements in our portfolios to allocate an increasing portion of their brokerage services to black-owned stockbroking businesses, considering the principles of best execution, value-added services and data to benefit the client.

We will allocate and direct our own brokerage to black-owned stockbrokers by:

- allocating 15% to black-owned stockbroking businesses within the first year

- increasing the allocation to 30% within three years, and
- increasing it to at least 40% within five years

A stockbroker is defined as black-owned if it has:

- 51% black ownership
- a minimum of 50% black representation at board level and senior management level

Enterprise and supplier development

We recognise that the future of employment and economic growth is dependent on small and medium enterprises (SMEs), particularly in South Africa, where SMEs are expected to create 90% of new jobs by 2030.

Enterprise and supplier development (ESD) is increasingly becoming a focus for transformation since it can:

- have a significant impact on broader socio-economic development
- enable sharing of value within a company's operational ecosystem

We are committed to growing SMEs for measurable and meaningful socio-economic impact to aid progress towards sustainable and inclusive economic growth. To this end, we allocate a portion of our annual profits towards investment into SME suppliers.

Under our transformation policy, we only consider suppliers classified as start-up and emerging for inclusion into the black asset manager ESD programme.

Qualifying criteria for enterprise and supplier development

- A B-BEE Level 2 contributor status, with a one- and three-year phased improvement of FSC scorecard points
- Preference will be given to entities that have black ownership of at least 51% or black women ownership of at least 30%
- Entities to maintain or improve their status during the duration of their selection in the programme
- A change in status resulting in dropping a level will result in a review and possible withdrawal

of support. A partial or complete withdrawal will occur in this instance

- Qualifying entities must meet the investment and operational due diligence framework and processes where appropriate
- We will conduct a review throughout the programme of:
 - B-BBEE status
 - performance
 - value and impact created
- The review will be based on defined and articulated elements in the contracting phase in key performance indicators and associated metrics

One of our core investment beliefs is that diverse investment teams with shared values are more likely to outperform. Collectively, diverse investment teams often have a better, and broader, understanding of the marketplace, and the combination of different cognitive styles is more likely to produce innovative and creative ideas and investment solutions.





Disclaimer

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The complaints handling procedure and conflict of interest management policy can be found on our website: www.alexforbes.com