

Confidential



TRANSFORMATION POLICY STATEMENT

Effective Date: 1 October 2023

Policy Owner: GEPF

Document Classification:

Confidential

© GEPF 2023

Confidential

Table of Contents

0.	GLOSSARY OF TERMINOLOGY	3
1.	INTRODUCTION	6
2.	POLICY PURPOSE	7
3.	IMPLEMENTATION	9
4.	TRANSPARENCY AND REPORTING	10
5.	OVERSIGHT AND GOVERNANCE	10
6.	POLICY REVIEW AND EVALUATION.....	11

Confidential

0. GLOSSARY OF TERMINOLOGY

Abbreviation/Terminology	Description
B-BBEE	Broad-based Black Economic Empowerment refers to the South African government legislative policy as published in the Broad-Based Black Economic Empowerment Act 53 of 2003 (B-BBEE Act), which aims to facilitate broader participation in the economy by black people. A form of affirmative action, intended to redress the inequalities created by apartheid.
CRISA 2	The second Code for Responsible Investing in South Africa, 2022. It contains voluntary principles encourages institutional investors and service providers into integrating ESG issues in investments decisions.
Developmental Impact	Developmental impact refers to the effect that a particular event, project, or intervention has on the overall growth, advancement, and progress of a community, region, or nation. It is a measure of the positive or negative changes that occur as a result of the intervention, and considers a wide range of social, economic, environmental, and political factors.
Developmental Investments	Developmental investment refers to investments made in the development of a country, region, or community, usually in the form of infrastructure, education, and other projects that aim to improve the economic and social well-being of the area and its inhabitants.
Economic Infrastructure	Economic infrastructure refers to the physical and institutional structures, systems, and facilities that are necessary for the functioning of an economy. It encompasses the assets, networks, and services that enable the production, distribution, and exchange of goods and services, and supports economic activity and growth.
Environmental Sustainability	Environmental sustainability refers to the responsible use and management of natural resources and ecosystems to meet the needs of the present generation without compromising the ability of future generations to meet their own needs. It encompasses the interconnected social, economic, and environmental dimensions of sustainable development, and aims to balance economic progress with ecological preservation.
ESG	Refers to Environmental, Social, and Governance factors.

Confidential

Abbreviation/Terminology	Description
ESG Integration	The process of including ESG factors in investment analysis and decisions to better manage risks and improve returns.
Impact Investing	Impact investments are investments made with the intention to generate positive, measurable societal and environmental impact alongside a financial return
Impact Management Framework	An Impact Management Framework (IMF) is a systematic approach for evaluating and monitoring the social, environmental, and economic impacts of an organization, project, or intervention.
Just Transition	A just transition aims to achieve a quality of life for all South Africans, in the context of increasing the ability to adapt to the adverse impacts of climate change, fostering climate resilience, and reaching net-zero GHG emissions by 2050, in line with the best available science. Transitioning out of carbon intense activities to a greener economy in a fair and inclusive that does not harm livelihoods of workers and communities while maximizing climate action benefits.
Low-carbon Economy	A low carbon economy aims to reduce the use of fossil fuels and shift to cleaner, renewable energy sources, and to increase energy efficiency in all sectors of the economy.
SME Finance	SME finance, also known as small and medium-sized enterprise (SME) finance, refers to the financing solutions and services that are designed to meet the financial needs of small and medium-sized businesses.
Social Infrastructure	Social infrastructure refers to the facilities, services, and institutions that support the basic needs and well-being of a community and its members. It encompasses the physical and institutional structures that support social and community services, such as education, health care, housing, and social services.
Sustainability	The ability of an entity to conduct its business in a manner that primarily meets existing needs without compromising the ability of future generations to meet their needs. Conducting business sustainably includes managing the interaction of the business with the environment, the society, and the economy towards better long-term outcomes.

Confidential

Abbreviation/Terminology	Description
Sustainable Agriculture	Sustainable agriculture refers to a form of farming practices that meets the needs of the present generation while preserving the ability of future generations to meet their own needs. It is an approach to agriculture that considers the social, economic, and environmental impacts of farming activities, and aims to create a sustainable food system that provides nutritious food, protects, and enhances natural resources, and promotes social and economic well-being.

Confidential

1. INTRODUCTION

This Transformation Policy sets out the principles by which the GEPF will be guided in directing investments that will promote the socio-economic transformation objectives of the GEPF. This policy also identifies specific impact areas that will be targeted in order to realise the GEPF's socio-economic objectives.

The GEPF is also committed to being an active owner in Listed and unlisted assets. Moreover, and due to their high economic impact, the GEPF has a strategic interest in Unlisted Investments 'the Isibaya Portfolio' and would endeavour to use these assets as a key lever for the achievement of our transformation objectives.

The GEPF is committed to achieving market related returns for its members and pensioners of the Fund, while also supporting positive, long-term, economic, social, and environmental impact for South Africa.

The socio-economic transformation objectives of the GEPF include:

1. Industry-level transformation: Actively invest in return-seeking, sound investments that support the transformation of the financial services sector and, encourage the development of black-owned asset managers, including public/listed market fund managers, private market managers, stockbrokers, audit firms, actuarial service providers, and other relevant and emerging financial service providers;
2. Economic transformation: Actively invest in return-seeking, sound investments that advances B-BBEE and transformation within the broader economy, supports access to finance for black-owned small and medium sized enterprises;
3. Socio-economic transformation: Investments in asset classes aimed at delivering positive financial social service outcomes for previously disadvantaged South Africans;
4. Making investments that support South Africa's Just Transition and improve South Africa's long-term environmental sustainability;
5. To be an active owner in the investments that we make, ensuring that the performance of our investments is aligned to our socio-economic transformation objectives.

Confidential

2. POLICY PURPOSE

This policy seeks to create a framework for the investments of the GEPF for socio-economic transformation, and to be aligned with the socio-economic transformation objectives articulated in the National Development Plan. These include:

- Reduce poverty through job creation, social protection, and the expansion of economic opportunities;
- Economic growth and job creation through the development of infrastructure, investments in education and skills development, and the promotion of small business development;
- Social cohesion by addressing the historical divisions and inequalities that exist in South African society, and the development of women, youth, and persons with disabilities.

The GEPF's Transformation Policy seeks to provide a framework for the consideration of socio-economic transformation objectives in the implementation of its investment, developmental investment and responsible investment policies and strategies. The Transformation Policy shall apply to the GEPF's investment strategy, more so the Fund's unlisted investments (through the "Isibaya Portfolio") due to their broader developmental and social impact.

The socio-economic transformation objectives and corresponding investment pillars are outlined below.

Confidential

Investment Pillars	Socio-economic transformation objectives and impact areas
Economic Infrastructure	<p>One of the key socio-economic transformation objectives of the GEPF is economic growth and job- creation.</p> <p>The associated impact area is the creation of employment opportunities through the promotion of economic growth. This includes the investment in infrastructure development in the manner described in our developmental investment policy, the expansion of manufacturing and services industries, and the promotion of small business development (see below). A thriving economy creates more job opportunities, which in turn reduces poverty and inequality.</p> <p>Impact Areas:</p> <ul style="list-style-type: none"> • Economic Growth • Job Creation
Environmental Sustainability	<p>Our investments for environmental sustainability are aimed at protecting communities against the worst impacts of climate change, provide access to clean energy sources and that have a positive impact on the environment for a more sustainable future.</p> <p>Impact Areas:</p> <ul style="list-style-type: none"> • Access to clean energy services. • Climate resilience • Opportunities in the green economy.
Social Infrastructure and services	<p>Access to education, healthcare and affordable housing near economic opportunities are similarly, other impact areas that are important to the GEPF. This includes ensuring access to critical social services to underserved communities.</p> <p>The GEPF is also committed to the support of the development of its own employees, particularly, women, youth and persons with disabilities.</p> <p>Impact Areas:</p> <ul style="list-style-type: none"> • Access to education • Access to healthcare • Skills Development • Access to affordable housing

Confidential

Investment Pillars	Socio-economic transformation objectives and impact areas
Job creation, new enterprises, and BBBEE	<p>The GEPF is committed to employment equity and the support of transformed small, medium enterprises, and the development of its employees who are women, youth and persons living with disabilities.</p> <p>The GEPF also considers the transformation of the financial services sector a key impact area and supports the objectives of the Financial Sector Code (FSC).</p> <p>The GEPF shall adopt a “Two-channel” approach to transformation.</p> <p>Channel 1: Asset/Fund Manager Transformation</p> <ul style="list-style-type: none"> - Driven primarily through the Manager Development Program and allocations to black-owned asset/fund managers to be made in accordance with the Manager Development Program. - Broadening of the reach GEPF impact to the broader value chain of the financial services sector. This refers to the supporting of other stakeholders of the investment process (in addition to investment managers) such as investment consultants, brokers and research providers. <p>Channel 2: Investee Company Transformation</p> <ul style="list-style-type: none"> - Investments in growth and strategic sectors of our economy to achieve economic growth and job creation objectives. - Improve the transformation-related performance of those sectors as active owners driving pro-empowerment recruitment and procurement policies. <p>Impact Areas:</p> <ul style="list-style-type: none"> - Skills Development - Employment Equity - Emerging fund manager support - SME support

3. IMPLEMENTATION

- a. The GEPF will make the resources available to ensure the objectives of this policy are understood and embedded in all processes of the organisation.
- b. The GEPF shall allocate the necessary resources to implement the transformation policy.
- c. The GEPF shall develop a Transformation Strategy that shall outline the GEPF's transformation targets aligned to its socio-economic transformation impact areas.

Confidential

- d. The GEPF shall endeavour to consult all key stakeholders prior to the adoption of transformation targets.
- e. The GEPF shall establish a Transformation Committee and working groups to monitor implementation of the Transformation Policy.
- f. The Transformation Committee shall report to the Board of Trustees on progress made toward achieving the objectives of this policy.
- g. Reports to the Board of Trustees by the Transformation Committee shall include the performance of the Incubation Manager Program.

4. TRANSPARENCY AND REPORTING

The GEPF is committed to public transparency and commits to reporting on its progress toward its transformation objectives annually in the GEPF's annual report to GEPF stakeholders. Such reporting will align to the requirements of the Broad-Based Black Economic Empowerment Act (2017) and the Financial Sector Code (FSC), such as the required and voluntary disclosures¹ implemented from time to time.

The GEPF recognises the importance of disclosure on how its investments and operations translate into socio-economic transformation outcomes. The GEPF also appreciates the growing expectations of our stakeholders for increased levels of transparency and disclosure. The GEPF will progressively expand the scope of reporting on its performance on socio-economic transformation targets as these evolve over time.

5. OVERSIGHT AND GOVERNANCE

The GEPF's Board of Trustees' primary concern is to act in the best financial interests of the Fund and its beneficiaries, as well as the socio-economic transformation objectives of South Africa. Seeking the best return that is consistent with our transformation objectives and a prudent and appropriate level of risk.

¹ For example the [FSC Retirement Fund Scorecard](#)

Confidential

The GEPF's Board of Trustees further believes that environmental, social, a governance (ESG) factors can have an impact on the performance of its investments and its ability to achieve the socio-economic transformation objectives of the GEPF.

The governance and oversight of this policy shall be guided by the process and structures set out in the Fund's Developmental Investment Policy. The Transformation Committee shall be responsible for the implementation of the Fund's transformation objectives, as set out in this Policy.

6. POLICY REVIEW AND EVALUATION

This Policy will be reviewed every three-years or as and when necessary provided that such a required review will be within 6-months after new legislation has been implemented. The Investment Committee is responsible for implementing, updating and reviewing this Policy.