



Alexander Forbes
Retirement Fund

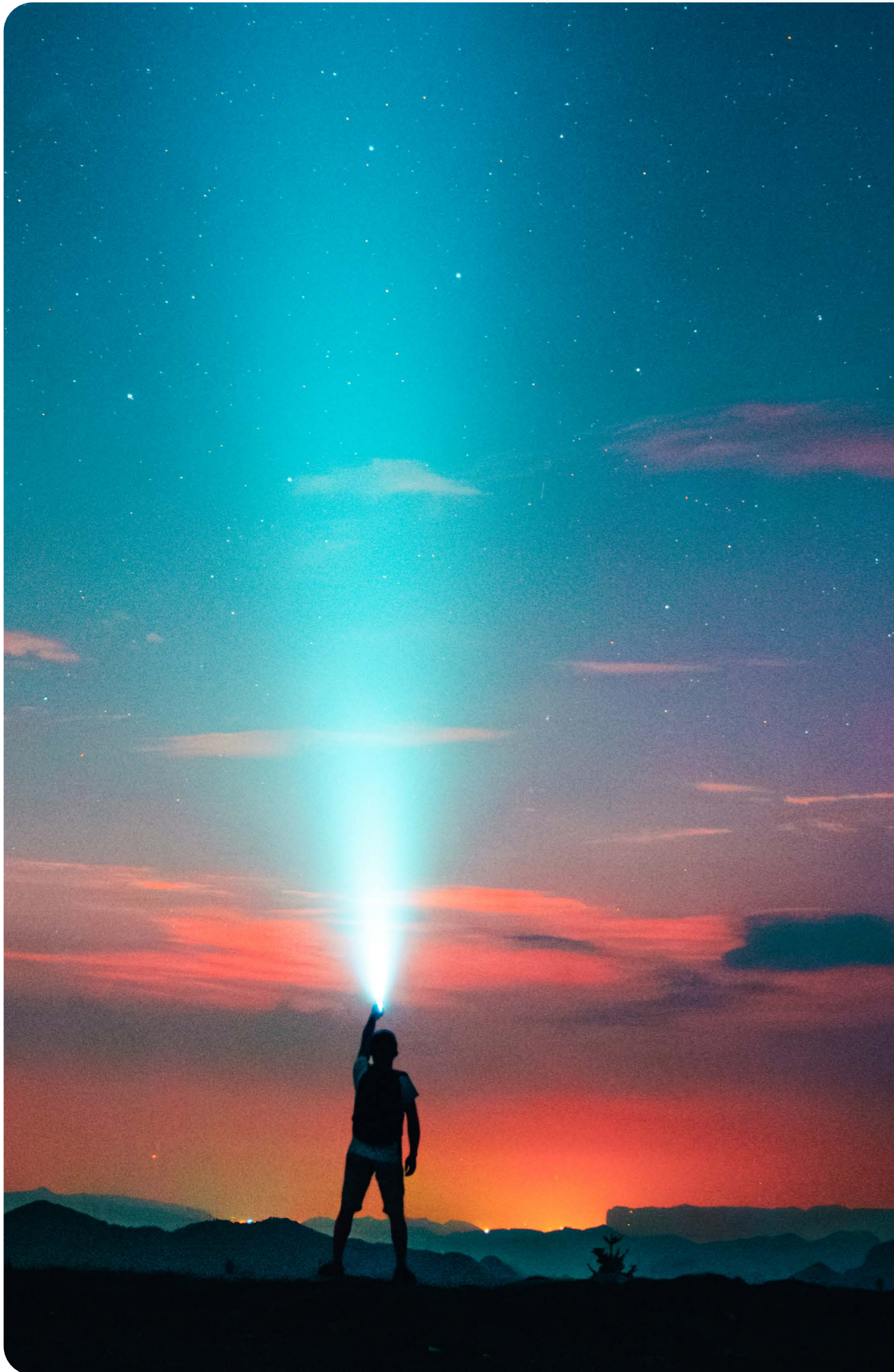
Integrated annual report

for the year ended 31 March 2024



alexforbes.com

 **alexforbes**
insight • advice • impact



Contents

05 **About this report**
07 **Our highlights**

09 AFRF overview

09 How the fund works
10 How the fund is managed
11 What sets us apart
13 Our value proposition
14 How we create value
15 Board of Trustees

17 Leadership messages

18 Message from the Chairman
19 Message from the Principal Officer

21 Retirement Fund of the Future™

22 Characteristics of a Retirement Fund of the Future™
23 Our Future-fit Gap Assessment results
24 Our progress towards becoming a Retirement Fund of the Future™

25 Material matters

25 Materiality determination approach
27 Our material matters in 2024
29 Regulatory environment
33 Our stakeholders
37 Material risks

39 Governance and fund management

40 Trustees and Principal Officer
45 Governance structures and processes
49 Oversight of fund management

53 Fund performance and responsible investing

53 Investment strategy
59 Responsible investing

71 Impact on our members and participating employers

71 Member impact
77 Member engagement
83 Alexforbes rewards

85 Summarised annual financial statements

85 Summarised AFS

89 Appendices

89 King IV application register
94 The World Bank Sustainable Investment Best Practice Disclosure Checklist

95 Glossary and contact information

95 Glossary
96 Acronyms
97 Fund administration
98 Contact details

Navigating our interactive report

Navigation tools at the top right of each page and within the report:



MAIN
MENU



BACK



PREVIOUS
PAGE



NEXT
PAGE



Find more information
in this report.



Find more
information **online**.

This report is best viewed in Adobe Acrobat for desktop, mobile or tablet.

Click to download or update to the latest

Adobe Acrobat Reader

About this report

The Alexander Forbes Retirement Fund (AFRF) board of trustees is pleased to present it's second AFRF integrated annual report (IAR). This report serves as the principal medium for communicating our financial performance and the story of value creation to our stakeholders over the past fiscal year.

Scope and boundary

This report covers the period from 1 April 2023 to 31 March 2024, and includes details on our strategic goals, operational background, material issues, risks, opportunities, performance, and governance. Any material events that occurred after this date and up to board approval of the integrated report are also included. The fund applies principles of stakeholder inclusiveness, sustainability, materiality and completeness when assessing what information to include in the IAR. The fund also applies the principles of accuracy, balance, clarity, comparability, reliability and timeliness when assessing information for this report.

Reporting frameworks and assurance

We have endeavoured to provide concise, balanced and transparent commentary on the progress we have made during the year on our strategy, performance, operations, governance and sustainability. AFRF takes direction on reporting from best practice requirements. These include the:

- International Integrated Reporting Council's (IIRC) <IR> Framework.
- Pension Funds Act (No 24 of 1956).
- King IV Code™ on Corporate Governance (King IV Code™).
- Regulatory Reporting Requirements for Retirement Funds in South Africa.
- Circular PF130.
- SARS guidelines.

In preparing this report, we assessed the following codes and standards to strengthen our sustainability and climate reporting:

Primary codes and standards

- World Bank Sustainable Investment Best Practice Disclosure Checklist for Pension Funds
- Code for Responsible Investing in South Africa (CRISA 2)
- United Nations Sustainable Development Goals (SDG)

Secondary codes and standards

- Johannesburg Stock Exchange (JSE) Sustainability and Climate Change Disclosure Guidance
- Task Force on Climate-Related Financial Disclosures (TCFD)
- Principles for Responsible Investment (PRI)

The TCFD, PRI, JSE Sustainability and Climate Disclosure Guidance and the IFRS International Sustainability Standards Board (ISSB) disclosure standards IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related disclosures documents were all taken into account, with certain components being aligned to in this report and others being evaluated for possible use in future reports. See our disclosure indexes in the appendix section on page 93, which navigates readers to specific disclosures and provides an update on our alignment and progress. Improved disclosure, conformity with applicable reporting frameworks, and benchmarking against best practise are examples of the ways we're working to make our reporting transparent and reliable.

The board of trustees has reviewed and approved the IAR and is confident that, at this time, external assurance on the accuracy of non-financial information is not required. Our Financial Sector Transformation Council (FSTC) rating is being independently verified by Diversifi. Deloitte & Touche South Africa (Deloitte) audited our annual financial statements and has expressed an unmodified/unqualified opinion on them.

Materiality

The identification of material matters is informed by the guiding principles of the Integrated Reporting Framework. This allows us to provide an account of how the fund preserves and creates value in the short, medium and long term. Materiality considers the legitimate priorities and concerns of our stakeholders as they relate to our long-term sustainability. Material matters are informed by trends and key developments in our external operating environment, the fund's strategic objectives, and our risk landscape. These topics are assessed and ranked in terms of their likelihood of occurrence and potential impact on the fund's ability to preserve and create value.

Forward-looking statements

This report contains certain unaudited forward-looking statements and targets. These, by their nature, involve risk and uncertainty as they relate to future events and may be influenced by factors outside the fund's control. There are various factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. The fund cannot guarantee that any forward-looking statements will materialise and, accordingly, readers are cautioned not to place undue reliance on any forward-looking statements. AFRF disclaims any intention and assumes no responsibility or obligation to update or revise any forward-looking statements, even if new information becomes available as a result of future events or for any other reason.

Trustee assurance and approval

The trustees confirm that the fund continues to comply with the primary legislations governing its establishment and operation. Our attestation is informed by the annual compliance review; the external audit of the annual financial statements by Deloitte; and ongoing second- and third-line assurance on the fund's service providers.

In the board's opinion, this report provides a fair and balanced account of the fund's performance on those material matters that we have assessed as having a bearing on our capacity to create and sustain value. Although we believe this report has been prepared in accordance with the Integrated Reporting Framework, as updated in January 2021, we undertake to continually mature our level of integrated reporting over time.

The report is signed on behalf of the Fund by:

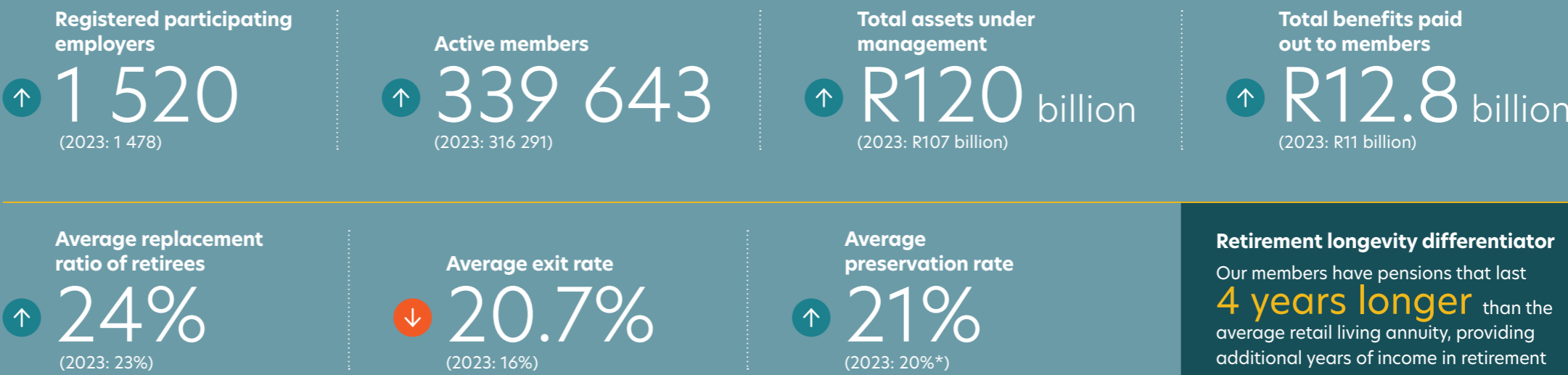


John Liackman
Chairman



Our highlights

for the 12 months ended 31 March 2024



Financial inclusion

Because of the AFRF umbrella or group scheme, members have an estimated **R112 billion** (2023: R99.4 billion) **more savings** than if they did so on their own.

Estimated **tax savings** using AFRF umbrella or group retirement scheme:

R2.4 billion per year (2023: R2.13 billion). Estimated **fee savings** for a member using AFRF umbrella or group retirement scheme:

R1.8 billion per year (2023: 1.6 billion). **317 336** individuals with easier access to financial advice through various channels under group arrangements (2023: 302 797).

Member engagement

Counselled 6 810 members (2023: 5 688*) through our enhanced retirement benefit counselling (eRBC).

Of these, **94%** reported understanding their benefits (2023: 95%) while **94%** felt more confident about making decisions (2023: 96%).

Provided financial education services to 5 962 (2023: 3 382) individuals, including pre-retirement sessions and financial wellbeing days.

Our **Digital Exits** tool has led to a significant increase in active preservation decisions and a better understanding of the financial impact of withdrawal on retirement outcomes.

AF Rewards
Over **R16.7 million** in savings to members (2023: R3.72 million).

Two-pot claims

Whilst the implementation of the two-pot system falls outside of the reporting period, it is worth noting the following AFRF member insights from the first two months of its implementation (1 September 2024 – 31 October 2024):

Approximately 213 000 AFRF members were **eligible** to make a claim.

Amount eligible for withdrawal by members totalled **R3.65 billion**

Over 94 000 claims were received from AFRF members, totalling **R1.59 billion** in withdrawals, a majority of which were paid-out within 20 days.

Over 40% of eligible members submitted claims within this period.

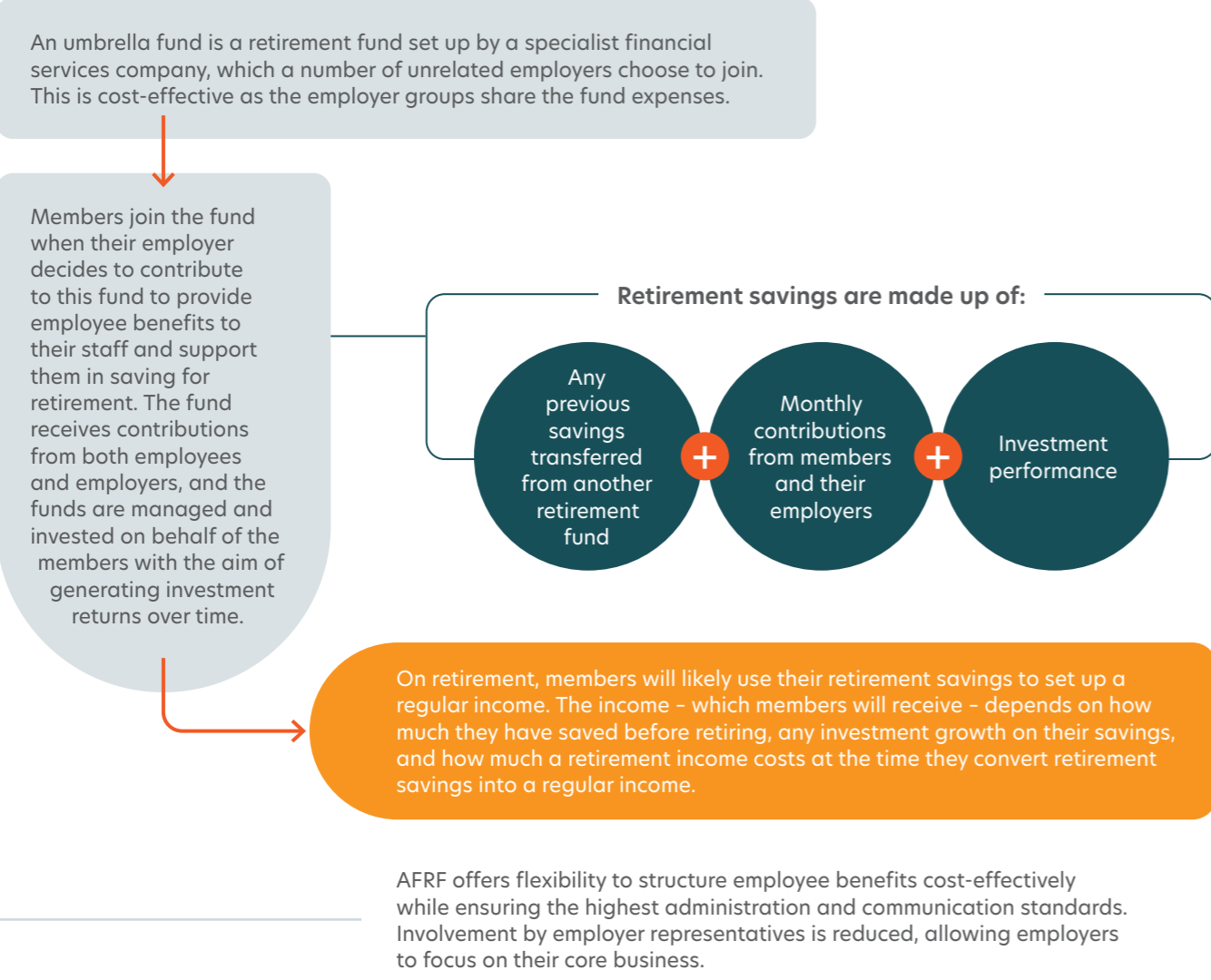
Most of the claims came from members earning a pensionable salary between **R100 000** and **R500 000** per annum.

* restated due to change in calculation methodology

AFRF overview

AFRF is a South African pension fund established in 1997. Since its inception, AFRF has grown into one of the largest umbrella funds in South Africa, actively managing retirement savings amounting to approximately R120 billion as of March 31 2024 (2023: R107 billion).

How the fund works

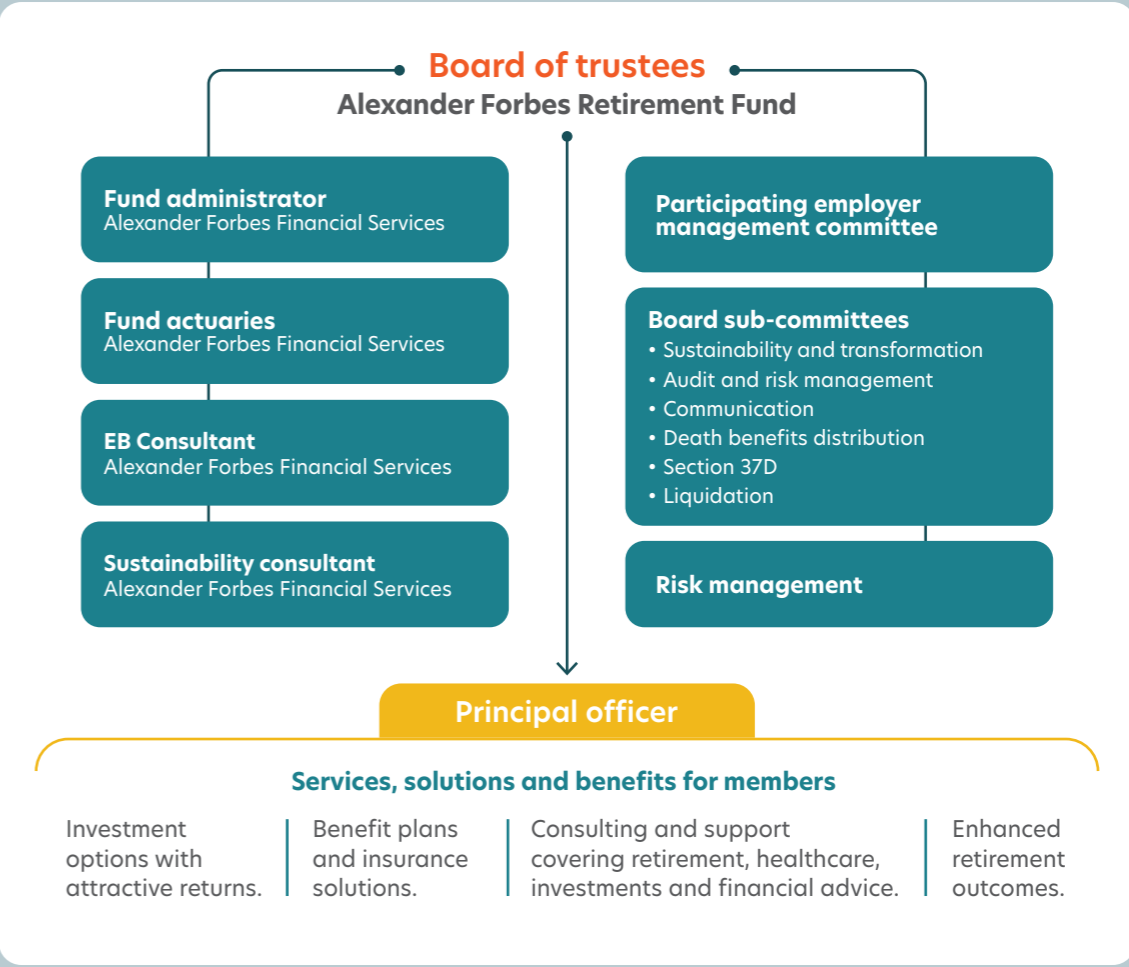


How the fund is managed

A professional board of trustees assumes responsibility for dealing with the running of the fund. Each employer has the option to retain a hands-on approach by appointing a management committee (MANCO). Both the board of trustees and the MANCO have a duty to protect members' interests.

The trustees manage the fund according to the law and the general rules of the fund. The trustees decide on the range of investment options to meet the different needs of the fund's members. From this wide range, the MANCO then chooses the most appropriate options for their members.

In terms of the Pension Funds Act, pension funds can appoint an administrator to handle all day-to-day administrative duties. AFRF is serviced by Alexforbes, which provides support as the sponsor, investment manager and administrator of the fund along with consulting and actuarial support.





What sets us apart?

Our fund is one of the largest umbrella funds in South Africa, with **1 520 participating employers** (2023: 1 478) and **339 643 active members** (2023: 316 291).

We offer a comprehensive range of services designed to help our members maximise the value and benefits of their retirement savings.

Umbrella fund advantages

An umbrella fund arrangement offers benefits such as reduced administrative work, lowered fiduciary and litigation risks, cost savings, and improved tools and technology. These benefit both employers and members participating in umbrella funds.

Benefits to members:

- Reduced administration fees
- Improved preservation
- Improved investment outcomes
- Improved engagement
- Enhanced retirement benefit counselling
- Reduced risk benefits through healthcare integration

Benefits to participating employers:

- Freeing employees to focus on core business
- Maximising fiduciary time and effort
- Reducing costs and enhancing fund offerings
- Meeting objectives through one point of contact
- Making it about the members

Responsible investing practices

AFRF does not only help members save for retirement. We are committed to leading a change in investment practices. Our responsible investing approach considers things like environmental, social and governance (ESG) factors, as well as big themes like climate change and sustainable development. These factors help us make better investment choices, manage risks and achieve lasting investment success.

Integrated consulting approach

AFRF's unique approach provides participating employers with multi-level consulting across retirement, healthcare, investments and financial advice. This holistic approach simplifies decision-making, empowers informed choices and promotes enhanced retirement outcomes for employees.

Quality services and expertise

The Alexforbes group is a reputable financial services provider with extensive experience in retirement, investment and insurance solutions. The group empowers AFRF with in-depth knowledge of pension fund management, enhancing its ability to offer top-tier services.

Unbiased independence

AFRF's independence from insurers, investment managers and other providers enables unbiased decision-making. Consultants are free to source, replace or reshape services to align with high standards, driving impactful collaborations to create quality solutions for clients across various industries.

Digital optimisation

Through digital tools, online portals and enhanced digital engagement strategies, the fund offers a diverse range of access points for clients and members at any time. A prime example is the My Money Matters portal, providing tailored support, retirement benefit counselling and a simple access channel to financial advice. Digital Exits has also boosted active preservation decisions and deepened understanding of the impact of withdrawals on retirement outcomes.

**One entry point**

**Integrated and multi-skilled teams**

**Real lifestage solutions**

**Impactful outcomes**

As the fund's sponsor, administrator, advisor and investment manager, Alexforbes supports AFRF to deliver value to our members through its vision, purpose and values as set out below:

Our vision

To be the **most impactful provider** of financial advice serving **both** institutional clients and individual customers.

Our purpose

We pioneer **insight** to deliver **advice** and solutions that **impact** your life.

Our values

Our values are the **beliefs we live by**. They guide our **relationships, actions and behaviours**.



Integrity

We act with integrity. We are truthful, ethical and transparent.



Customer first

Our clients and members are at the centre of our business as we pioneer insight to deliver advice and solutions that impact their lives.



Care

We care for one another, our clients, our communities and the environment.



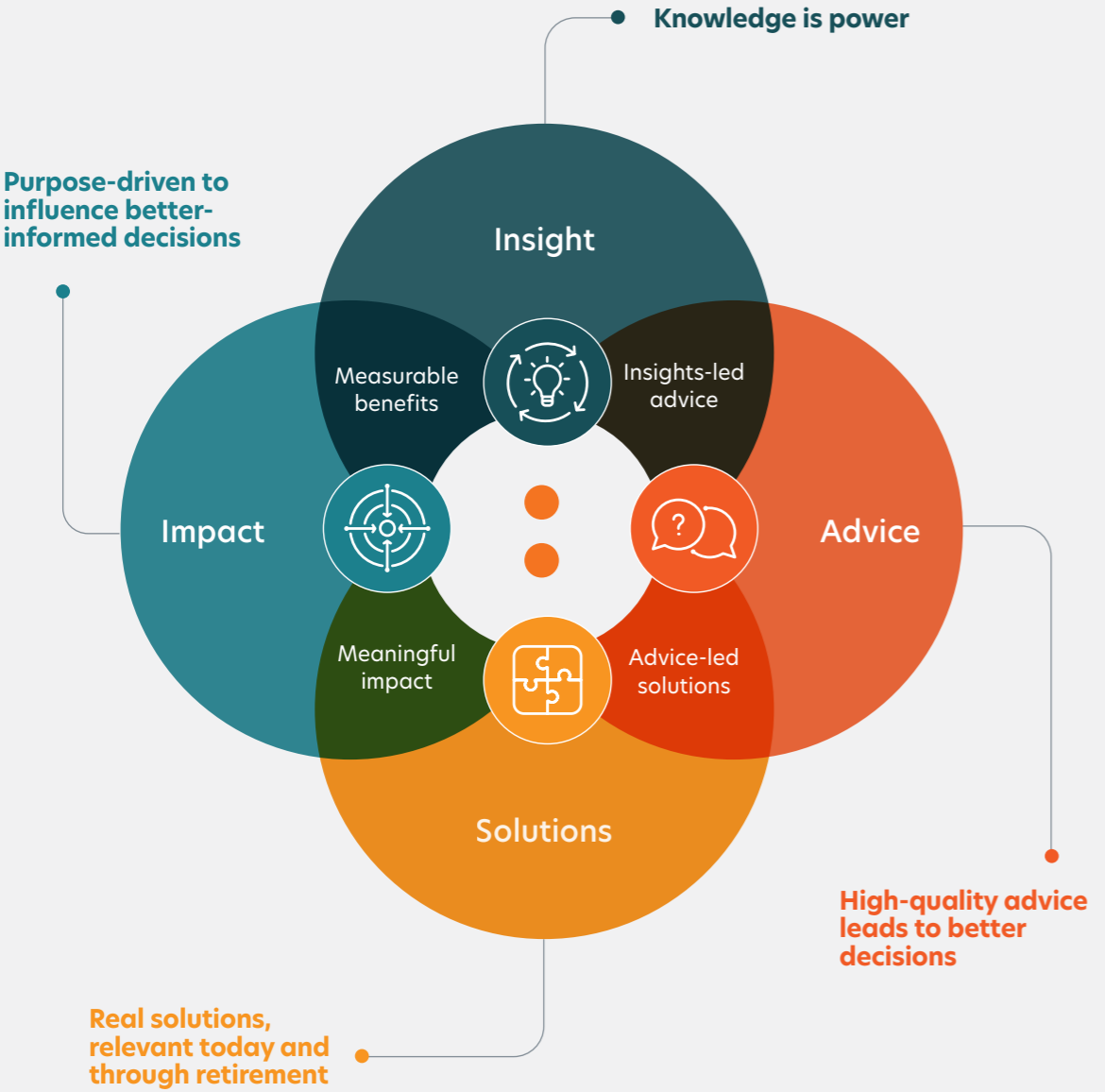
Leadership

We all have leadership qualities and aim to drive growth in ourselves, in others and in our business. We lead by example.

Our customer value proposition

AFRF is an advice-led umbrella fund

By leveraging the research-based insights and analytics available to the fund, we can offer an holistic consulting approach to employers and individual members. High-quality advice ultimately leads to the ideal solutions at the correct time of life and can have a positive impact on retirement outcomes. We set out below our appointed service provider's approach, which underpins the advice and solutions which we are able to offer to employers and members.



How we create value

The International Integrated Reporting Council has developed a framework called Six Capitals, which combines both qualitative and quantitative data to demonstrate, tangibly, how an organisation creates value, through its interaction with various forms of capital, over time.

The Six Capitals are:

- HC** Human capital
- SC** Social and relationship capital
- IC** Intellectual capital
- FC** Financial capital
- MC** Manufactured capital
- NC** Natural capital

Organisations, to varying degrees, impact and depend on these capitals: increasing, decreasing or transforming them over time. Each capital can afford benefits, risks and opportunities to an organisation and are often interdependent and connected to each other.

At the core of the fund is its business model. This business model draws on some or all of the Six Capitals as inputs, and through its activities, converts them to outcomes for a range of stakeholders, including members, beneficiaries, participating employers, service providers, government, regulators, wider society and the natural world. The fund's activities can result in positive, neutral and negative outcomes in terms of effects on these various forms of capital. The capacity of any organisation's business model to adapt to changes in each of these forms of capital over time, can affect the organisation's longer-term viability.

The fund relies on, and impacts on, four core forms of capital - financial, human, intellectual and social.

Inputs	Outcomes	Stakeholders impacted	Aligned UN SDGs
FC Financial capital <ul style="list-style-type: none">AuM: R120 billion (2023: R107 billion)Contributions R11.7 billion (2023: R10.3 billion)Fees R874 million (2023: R798 million)	<ul style="list-style-type: none">Benefits paid R12.8 billion (2023: R11 billion)R1.8 billion in fee savings owing to default annuity (2023: R1.6 billion)R2.4 billion in tax savings (2023: R2.13 billion)		
HC Human capital <ul style="list-style-type: none">Board of trusteesPrincipal OfficerService providers	<ul style="list-style-type: none">Remuneration: R4.9m (2023: R2.1m)Diversity of trusteesTraining		
IC Intellectual capital <ul style="list-style-type: none">InsightsMember data	<ul style="list-style-type: none">AdviceRetirement Benefits CounselingMember impact reportsImpact monitoring reports		
SC Social capital <ul style="list-style-type: none">Member engagementResponsible investing	<ul style="list-style-type: none">Member impactFinancial inclusionFinancial education/ literacy		

Whilst the remaining two types of capital (manufactured and natural capital) indirectly impact on, and are impacted by, the fund, where these are relevant they are embedded into the fund's relationship with social capital.

Our stakeholders

- Members
- Beneficiaries
- Participating employers
- Service providers
- Society
- Government/ regulators
- Natural world

Board of Trustees

The AFRF board is composed of 3 external (independent) trustees appointed by the board and 3 internal trustees appointed by the sponsor. There is also provision for alternate trustees to be appointed to foster development and transformation of the board over time and provide continuity and support in the operational management of the fund through sub-committee participation.

During the year under review one of the external trustees resigned, and in line with the development and succession plan, one of the alternate external trustees was appointed as a replacement. At the end of the year there was one alternate external trustee and one alternate internal trustee.

Collectively, the trustees have over 100 years of industry experience. They apply their experience to the governance and management of the fund to make sure it meets all its financial and legal commitments whilst positioning itself for resilience and sustainability into the future. Each trustee has an area of expertise to add value to the management of the fund.

During the year under review the trustees were:

External trustees



John Liackman (69)
Chairman

- BEconSci
- Over 45 years of experience in investment finance
- Over 15 years of experience as an independent trustee

Appointed: 13 March 2007



Sandile Khumalo (46)

- LLB
- LLM (International Business Law)
- Over 20 years of experience as an advocate
- Over 10 years of experience as an independent trustee

Appointed: 1 May 2013



Kevin Prinsloo (59)
(Resigned)

- BSc
- MBA
- Over 21 years in consulting and management roles
- Over 16 years of experience as a trustee and seven years of experience as a principal officer

Appointed: 1 November 2010
Resigned: 31 December 2023



Nazley Sallie (54)
(Newly appointed)

- Post Grad -Financial Planning
- LLM
- MBA
- Chartered Principal Executive Officer
- Over 25 years of industry experience, over 8 years as trustee

Appointed: 1 January 2024
(alternate external trustee: 1 May 2023 – 31 December 2023)



Luyanda Mbatha (30)
Alternate

- LLB
- Postgraduate Certificate – Risk, Compliance and Governance
- Postgraduate Diploma – Drafting and Interpretation of Contracts
- Over 5 years of experience as a Section 26 trustee to various funds, chairperson and principal officer

Appointed: 1 May 2023

Internal trustees



Karusha Moodley (45)

- BCom (Hons)
- CA(SA)
- Over 20 years of experience in finance

Appointed: 1 October 2022



Fiona Rollason (51)
Vice Chair

- BA
- LLB
- LLM
- Over 17 years of experience as a trustee

Appointed: 1 March 2006



John Anderson (46)

- BCom (Hons) (AcSci)
- FASSA and Fellow of the Institute and Faculty of Actuaries
- Over seven years of experience as a trustee

Appointed: 1 June 2016



Ziningi Kutama (40)
Alternate

- Over 16 years of experience in investments and banking.
- LLB
- Admitted Attorney of the High Court of SA
- Post Graduate Diploma in Business Administration
- Post Graduate Diploma in drafting and interpretation of contracts

Appointed: 01 April 2023



Nomonde Zwane (41)

- BCom(Econ)
- MPhil (Development Finance)
- MBA
- Over five years as a principal officer

Appointed: 1 March 2021

Principal officer

Subcommittee membership:

- Audit and risk management
- Sustainability and transformation
- Communication
- S37C & D
- Death
- S37D
- ▲ Liquidation

Message from the chairman

John Liackman



On behalf of the board of trustees, I am pleased to present the integrated annual report for the Alexander Forbes Retirement Fund (AFRF) for the 2024 financial year. This report aims to provide a concise and clear overview of the funds activities, performance, operating environment and journey towards continued resilience and sustainability, to be positioned as a Retirement Fund of the Future™.

External environment and market dynamics

The 2024 financial year presented a complex landscape, marked by global economic volatility that affected both our members and participating employers. Inflationary pressures, market fluctuations, and geopolitical tensions impacted supply chains and household budgets. Locally, South Africa faced unique challenges, with rising interest rates and intensified load shedding that affected our members' financial well-being. Fortunately, the electricity supply appears to have also stabilised since the elections providing businesses with more certainty of operation on this front.

Economic uncertainty and heightened volatility characterised the past 12 months. South Africa's election year brought political uncertainties, yet the peaceful outcome and new government fostered hope for stability. Geopolitical risks, including conflicts in Ukraine and the Middle East, remain a concern. In the US, market resilience and a positive rally in stocks reflect renewed investor optimism following their November elections. The anticipated boost to South African exports from China's economic stimulus, may be impacted by trade tariffs proposed by the Trump administration. Meanwhile, inflation is trending downward, showing greater stability, leading to easing of interest rates with more rate cuts expected, albeit at a cautious pace. We are monitoring these developments closely to safeguard our members' financial interests.

Adapting to legislative change

During the financial year, and subsequent months, significant regulatory changes, particularly the two-pot system, introduced short-term financial flexibility for members. Together with Regulation 28 updates, these changes required substantial administrative adjustments. Our team's proactive approach enabled processing of claims and clear communication, on the whole, helping members understand the new implications.

In response to these pressures, our investment strategy focused on long-term value, balancing stability with adaptability. Our ESG commitment also deepened as our investment strategy continues to balance risk, returns and impact.

Building on growth and trust

During the reporting period, AFRF's assets grew to R120 billion, and active membership of almost 340,000, reflecting the trust that employers and our members place in us. This trust reinforces our commitment to maintaining a resilient, forward-thinking fund dedicated to safeguarding members' financial futures.

Member-centric approach and enhanced support

Our dedication to members goes beyond financial returns. Through expanded digital platforms and services, we've enhanced accessibility, ensuring that members can engage meaningfully in their retirement planning. Diversity within our governance structures strengthens our decision-making and aligns AFRF with members' evolving needs.

Commitment to a sustainable future

Aligned with global and local trends, AFRF reinforced its ESG principles, emphasising responsible investment practices that support our members' best interests. Our inclusive governance approach integrates diverse perspectives, driving forward-thinking decisions for a sustainable future.

Since the publication of our inaugural integrated annual report, we have matured on our journey towards becoming a Retirement Fund of the Future™, having undertaken a detailed gap assessment which will inform our maturity roadmap over the coming years.

In closing

In closing, AFRF remains committed to navigating complex environments while prioritising member well-being. With strong governance, a forward-looking investment approach, and dedicated member engagement, AFRF is well-positioned to meet members' evolving needs and long-term outcomes. Our Principal Officer in her statement outlines specific initiatives that are propelling us toward our goal of a resilient, future-fit retirement fund.

Thank you for your continued trust in the AFRF.

John Liackman

Chairman, Alexander Forbes Retirement Fund

Message from the principal officer and chair of the Sustainability and Transformation sub-committee

Nomonde Zwane



I am pleased to present this second integrated annual report, which shares the fund's response to a changing regulatory environment and investment market performance in the face of shifting operating conditions locally and globally, as we drive towards continued resilience and sustainability in the future.

The fund remains well positioned to support our members on their journey towards retirement, providing insights, information, retirement counselling and access to financial advice on an ongoing basis. This support for members remains critically important, particularly in the face of substantial regulatory changes relating to the new two-pot system which took effect on 1 September 2024.

During the 2024 financial year and the months since, we have strengthened our commitment to sustainable practices as we evolve on our journey towards becoming a Retirement Fund of the Future™, further enhancing our responsible investment practices through the adoption of a fund climate change policy, whilst strengthening our connection and communication with our members.

Evolving into a Retirement Fund of the Future™

Our vision remains clear and steadfast: to transform AFRF into a Retirement Fund of the Future™, a fund that evolves with the changing needs of our members, aligns with global best practices, and pioneers innovative retirement solutions. This commitment shapes every aspect of our operations—from identifying areas for improvement to advancing our maturity journey and embedding robust, forward-thinking practices across our value chain.

We have completed an assessment of the fund against the Alexforbes Retirement Fund of the Future™ future-fit gap assessment, which has informed the development of a maturity roadmap to guide our priorities and actions in the coming years. We aim to finalise this roadmap in the near future, and commence implementation in a systematic and coordinated manner, over time.

Continued transformation

Transformation at AFRF is more than a compliance exercise; it is a deeply held commitment to social justice, diversity, and equity. Guided by the Alexforbes Transformation Policy, we have established a clear transformation year plan to promote racial and gender diversity across our board and throughout our extended value chain.

A key element of this strategy is our transformation plan through the fund's Sustainability and Transformation Sub-Committee (STSC), which tracks progress on the fund's board composition and ensures a developmental approach to leadership. This year, we welcomed Nazley Sallie to the board following the retirement of Kevin Prinsloo, bringing fresh perspectives that strengthen our leadership. During her time as an alternate trustee, Nazley was fully integrated into select sub-committee roles whilst also being allowed to attend all trustee meetings, this was in preparation for her to take future trustee responsibilities as part of the succession plan of the fund. Our board transformation strategy supports our mission to build a board that reflects the diversity of our membership.

We also encourage our service providers to embrace transformation. For example, we requested that our appointed auditing firm partner with a black-owned audit firm, underscoring our commitment to creating broader social impact through our value chain. This approach positions AFRF as an organization that promotes change within the retirement industry, using every avenue available to make a positive change in the retirement fund industry.

Climate change

As climate change regulations and sentiment evolve, AFRF is proactively positioning itself to meet new standards and expectations. We have recently adopted a fund climate change policy and we continue to ensure that our appointed service providers are aligned with the policy, through their own policies, procedures and proxy voting guidelines.

We have initiated processes which aims to enhance the visibility of climate-related data within our portfolios, and we remain committed to refining our approach over time, with the goal of contributing meaningfully to the global effort to limit temperature increases to 1.5 degrees celsius.

Our commitment extends to our default portfolio (Performer), where we actively engage with underlying asset managers through our multi-manager structure. By embedding climate-conscious policies within our value chain, we ensure that our asset managers and top portfolio companies are aligned with our vision for a lower-carbon economy.

Responsible investing

Our investment decisions are anchored in responsible investing principles, which seek not only financial returns but also alignment with values that positively impact our members and society. In 2023, we marked a significant milestone by adopting our inaugural Responsible Investment (RI) Policy. This comprehensive framework consolidates our ESG approach, transformation goals, and key position statements into a unified policy that reflects our commitment to sustainable investment.

At the core of our responsible investment strategy is a set of beliefs that guide our approach to ESG. These beliefs emphasize our fiduciary duty as trustees, active ownership, stewardship, and a strong focus on climate impact. The RI Policy positions AFRF as a fund that not only pursues financial returns but also strives to create positive, long-lasting impact within the communities where our members live and work.

Two-pot

The two-pot system represents one of the most transformative changes in the retirement landscape, aimed at providing flexibility to members in times of financial need. As of 31 October 2024, AFRF processed over 93,000 two-pot claims, paying out R1.59 billion. In anticipation of two-pot, as of July 2024, we enhanced our member advice services by extending the enhanced Retirement Benefit Counselling (eRBC) to all our members at no additional cost. This service ensures that members have access to direct, personalized advice, supporting sound financial decision-making without compromising their long-term retirement outcomes.

We continue to monitor the system's impact closely, adjusting our guidance and support as needed to ensure that members understand the implications of the two-pot system on their retirement plans. Our goal is to provide our members with the resources and clarity they need to navigate this transition with confidence.

Member impact

Beyond regulatory changes, AFRF is dedicated to making a tangible impact in the lives of our members. By investing in unlisted assets and infrastructure, we contribute directly to the economic and social upliftment of the communities where our members live and work. These targeted investments not only aim to generate financial returns but also to create a positive and lasting impact on the ground.



For further details on our **member-impact initiatives**, please refer to page 71.

In closing

As we continue our journey towards becoming a Retirement Fund of the Future™, AFRF's foundation of resilience, transformation, and responsible investing is stronger than ever. We are prepared to meet the evolving needs of our members and to navigate the complexities of the future of retirement fund planning. Together with the unwavering support of our members, employer groups, and stakeholders, we will uphold our mission to provide a future-fit, resilient retirement fund that prioritises member well-being and sustainable growth.

Looking forward the fund will prioritise the following key areas:

- Ensuring that the fund's governance structure is coordinated as per global best practice standards;
- Enhancement of communication and member advice channels to members;
- Sustainability journey - enhancing engagement, measurement and reporting by having a robust engagement plan and ensuring measurement and reporting on Climate Change and ensuring proper governance structures are in place in the fund's underlying investments;
- Continued monitoring of investment markets and regulatory development (locally and globally) to ensure the fund's investment strategy is resilient to downside risk while providing positive investment returns; and
- Impact measurement and reporting on unlisted investments and alignment to SDGs.

In closing, I would like to express my gratitude to our dedicated trustees for their commitment and hard work in pursuing the fund's objectives. Together, we are shaping the future of retirement funds, one that is member centric, sustainable and responsive to the changing world around us.

Nomonde Zwane

Principal Officer, Alexander Forbes Retirement Fund

Retirement Fund of the Future™

Evolving our approach to sustainability

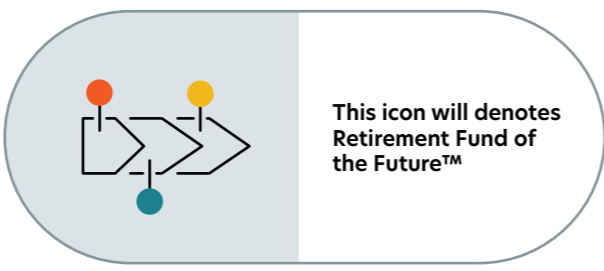
During 2023, AFRF endorsed the thinking which underpins the **Retirement Fund of the Future™**. In a world which is changing faster than at any time in history, it is critical for retirement funds to understand the possible risks, rewards and impacts which these changes might bring. As part of their fiduciary duty, trustees have the responsibility to ensure that the fund follow a sustainable trajectory- one that promotes long-term positive outcomes for both the fund and its members while upholding responsible investment and operational practices.

Given their long-term nature, retirement funds have a vested interest in creating a sustainable future. The decisions made today will shape the landscape for companies, industries, markets, and returns in the years to come. Any unpriced cost of unabated negative external impacts today will be borne by retirement funds and their members in the future.

Positioned strategically within the value chain, retirement funds like AFRF wield significant influence. This unique role enables us to play a part in creating a sustainable future; to enable optimal member outcomes, whilst also ensuring that there is a world worth retiring into. A world which is sustainable for members at every life-stage and across multiple generations.

It is with this in mind that our appointed service provider, Alexforbes, has developed the award-winning **Retirement Fund of the Future™**, a conceptual ideal version of a sustainable retirement fund. It is a benchmark, against which funds can assess their sustainability maturity as well as their readiness for a future which is evolving at pace.

The Alexforbes Impact Advisory team collaborates closely with funds and their advisors to assess and identify any strategic, operational, governance or policy gaps. This assessment serves as the foundation for a customised maturity roadmap for each fund. The roadmap includes a practical, step-by-step action plan designed to address these gaps over time, prioritising those that are most critical and urgent. The necessary interventions are then organised into a tailored, multi-year strategy to ensure sustainable progress and alignment with the fund's goals.



This icon will denotes Retirement Fund of the Future™



Characteristics of a Retirement Fund of the Future™

Based on the outcomes of in-depth research, Alexforbes has concluded that a future-fit fund should embody the following characteristics, each of which contributes to one or more strategic outcomes for the fund:

Key characteristics

Safeguards the financial future of members	Takes a lead in creating the future
Impeccable governance	Responsive to shifting generational values
Protects its social licence to operate	Based on the principles of shared value
Acts responsibly	Impact and outcome orientated
Transparent	Is agile and adaptable to megatrends that are driving change
Uses the allocation of its capital to reduce risk and lead positive change	Drives innovation
Accommodates members in the future world of work	Thinks outside of existing constructs



Our Future-fit Gap Assessment results

During 2024 the fund advanced its journey toward becoming a sustainable and future-fit retirement fund by undertaking an assessment conducted by Alexforbes. This assessment utilised the Future-Fit Gap Assessment tool, specifically designed to evaluate the sustainability maturity of retirement funds.

Whilst the fund performed well in many areas of the gap assessment, a number of areas for improvement were identified. We set out below a high-level view of the results of the gap assessment.

GAP

EMERGING

MATURING

OPTIMAL



* Whilst the fund has a number of policies and processes in place which speak to board diversity, this gap has been identified as a result of the fund not having a formal process in place to assess board diversity across multiple diversity factors at regular intervals.

These results, and the detailed feedback which support them, will form the basis for the development of a sustainability maturity roadmap for the fund. This roadmap is currently in development and will include a practical multi-year action plan which will be implemented by the fund.

AFRF remains committed to adopting sustainable practices to support optimal outcomes for the fund and its members, whilst monitoring and managing the impact of its activities on the wider world. We are committed to maturing the fund over time, to become a resilient retirement fund which remains sustainable indefinitely.

Our progress towards becoming a Retirement Fund of the Future™

Member-centricity

- During the year, the fund adopted a member-centric approach by:
- Enhancing our approach and oversight of our Treating Customers Fairly
 - Find out more - page 52
 - Providing insight and advice to employers and members ahead of the implementation of the two-pot system and ensuring that relevant systems and processes were adapted.
 - Find out more - page 79
 - Providing a variety of counselling and advice opportunities to enable our members to make optimal retirement decisions
 - Find out more - page 81

Strategic long-term thinking

- We enhanced our approach to improve strategic and long-term thinking by:
- Undergoing a formal assessment against the Alexforbes Future-fit Gap Assessment
 - Find out more - page 23
 - Enhancing our approach to understanding and managing the impact of the fund's investment portfolios against impact metrics such as the Sustainable Development Goals
 - Find out more - page 67
 - Adopting a responsible investing policy as well as a climate change policy for the fund
 - Find out more - page 59 and 65

Impeccable governance

- We demonstrated our strong focus on governance by:
- Enhancing and evolving the work of the fund's Sustainability and Transformation Sub-committee
 - Find out more - page 43
 - Ensuring that the diversity amongst our trustees and management teams is enhanced
 - Find out more - page 42
 - Enhancing and maturing our approach to identifying and manage material risks for the fund
 - Find out more - page 38
 - Enhancing our oversight on data protection, privacy and security, as well as responsible procurement
 - Find out more - page 50
 - Overseeing the preparation of systems, processes, policies and rule amendments ahead of the implementation of the two-pot system
 - Find out more - page 30
 - Ensuring that trustees receive suitable, high-quality training through the Alexforbes Impact Academy
 - Find out more - page 42

Transparent stakeholder communication

- We enhanced our stakeholder communications by:
- Publishing an updated integrated annual report
 - Find out more - page 5
 - Maintaining a multipronged communication strategy with a diverse set of digital channels to communicate with our members
 - Find out more - page 80
 - Giving members access to our investment strategy and financials on our website and at the AGM

Impact-consciousness

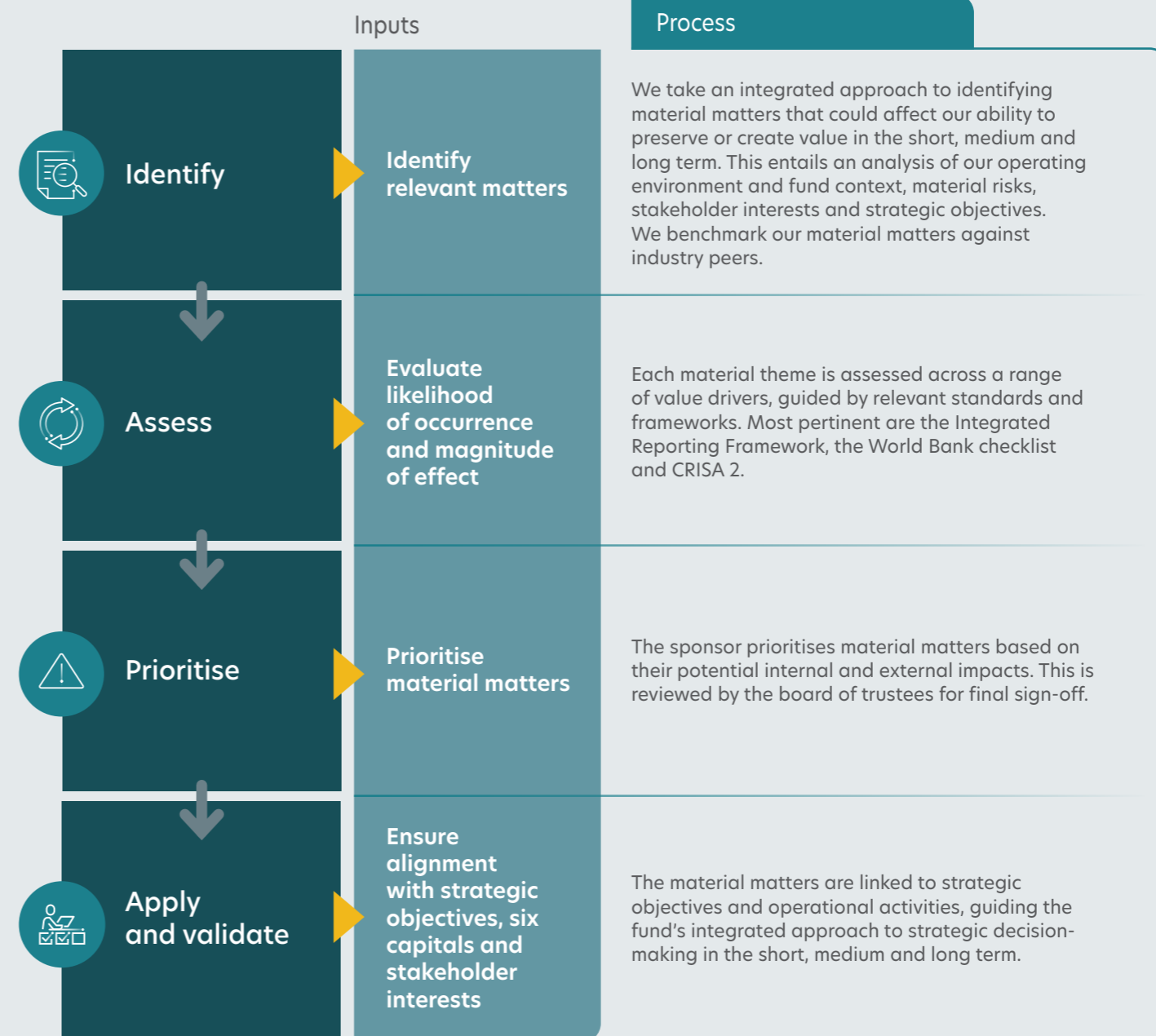
- We enhanced our understanding and management of the fund's impact by:
- Adopting a responsible investing policy
 - Find out more - page 59
 - Adopting a climate change policy
 - Find out more - page 66
 - Maturing the implementation of the fund's transformation policy
 - Find out more - page 62
 - Initiating the assessment of our portfolios against impact metrics such as the SDGs
 - Find out more - page 67
 - Overseeing the management of ESG integration into the fund's investment portfolios, through our appointed multi-manager
 - Find out more - page 61

Material matters

Materiality determination approach

Material matters are important topics or issues that can significantly impact the fund's financial performance, its impact on the environment and its relationship with society. These are the key factors that stakeholders consider when evaluating the fund's overall performance and sustainability.

In determining our most significant material matters, we assess the risks and opportunities in our environment, consider what our stakeholders care about, and keep the fund's primary goals in mind. We gather input from the sponsor, thoroughly review all feedback, and then the trustees approve the key matters we should focus on. This process helps us prioritise what's important to our fund and stakeholders, guiding our strategy to manage risks and seize opportunities.



Our material matters in 2024

The following material matters were identified and prioritised by the trustees and the Sponsor. They are ranked in order of importance as determined by the process outlined on page 22.

1 Effective and efficient management of the fund

We rely on our appointed service providers to deliver efficient and effective systems that support the operational activities and day-to-day functioning of our fund. This includes their approach to modernising and automating internal systems and customer engagement channels and the enhanced collection and centralisation of client data. Our commitment to operational excellence enables improved governance and ensures the highest level of transparency, data protection and security.

Stakeholders



2 Fiduciary oversight to ensure fund performance has a sustainable financial impact on members

Our fiduciary duty to ensure that performance of our fund delivers as reliable as possible financial returns and long-term wealth creation for our members. The trustees of the fund are committed to exercising the necessary skill, care, diligence and prudence and to act in the best interest of the fund and its members. This includes managing the fund effectively and efficiently and preserving the assets of the fund while ensuring benefits are paid to members.

Stakeholders



3 Member education including financial literacy and retirement benefit counselling and capacitating employer management committees for the effective monitoring of delivery to members

The benefits of our financial solutions are maximised when management committees understand the impact of these on members' retirement outcomes, and when our members are capacitated to make informed decisions on the solutions and options available. Management committee and member education and engagement, through the promotion of financial literacy and our retirement benefit counselling, support better outcomes for our members and our fund. This is why enhanced retirement benefit counselling was extended to all members as part of the fund offering from July this year.

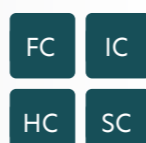
Stakeholders



4 Measurable benefits that create member impact

We are committed to delivering measurable benefits to our members. Our member impact report provides unique insights into the financial wellbeing of our members that ensures our approach delivers reasonable retirement outcomes based on the inputs to achieving them (contribution rate to retirement, investment return, length of service and preservation, alignment of investment strategy and annuity options on retirement). Our Impact Analytics reporting provides additional information on our investment portfolios.

Stakeholders



Capitals



Our stakeholders



5 Oversight of responsible investing outcomes with a focus on stewardship

Our focus on responsible investing to ensure that the impact of our investments contributes positively to sustainable outcomes over the long term via our investment manager. Through our responsible investing approach and stewardship framework, we are committed to supporting a just transition for climate change, mitigating negative environmental impacts and creating a positive impact in society.

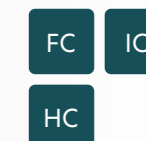
Stakeholders



6 Manage risks and compliance

Our commitment to ensure compliance with current and emerging regulations and best practice. This also involves our risk management and mitigation structures and processes that enable us to identify and monitor current and emerging risks.

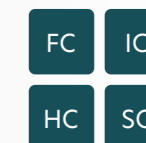
Stakeholders



7 Maintain good governance, accountability and ethical practices

We are committed to maintaining good governance and accountability by providing ethical leadership and full transparency. This includes the composition of the board of trustees, alternate trustees, and the selection and appointment of the principal officer, and transformation of the board by way of succession planning. Strong ethical practices are imperative in our dealings with all stakeholders.

Stakeholders



8 Manage and respond to stakeholder interests

Managing and responding to stakeholder interests, especially the interests of our members, is imperative to supporting the purpose of our fund. Stakeholder relationships with participating employers and members, government and regulatory bodies and the Alexforbes group must all be managed and responded to appropriately.

Stakeholders



Regulatory environment

AFRF is entrusted with safeguarding the financial goals and outcomes of our participating employers and members. To fulfil this responsibility, we uphold the highest standards of regulatory compliance. Adhering to retirement fund rules and laws enables us to maintain the highest legal and ethical standards in managing retirement savings, preventing misconduct, fraud, and mismanagement while protecting the retirement benefits of our members.

While regulatory compliance is the minimum standard expected of the fund, we strive to go beyond these requirements. Our goal is to deliver meaningful benefits not only to our members but also to society as a whole.

Our approach to rules and regulations



Adaptability: Retirement fund rules are complex and constantly changing. We use good governance practices to stay ready for these changes and ensure fair treatment of our members.

Legislative Monitoring: We continuously track new laws and regulations to determine their impact on the fund and its members.



Trustee Discussions: New laws affecting the fund are reviewed and discussed during trustee meetings to ensure a thorough understanding and appropriate action.

Training: We train our teams to understand and comply with new regulations to maintain high standards of compliance.



Ongoing Compliance Checks: Regular reviews ensure that we correctly interpret and apply the laws.

Collaboration with Industry: We stay connected with industry groups and regulators to remain updated and provide input on new regulations when needed.



Broader Legal Compliance: We monitor laws beyond retirement-specific legislation, such as anti-money laundering and data protection, to assess their relevance to AFRF.

International Standards: We adhere to global rules to protect the fund from risks like money laundering, ensuring robust governance and compliance.



Amendments to the AFRF rules

Whilst no rule amendments were made to the 2022 consolidated rules during the 12 month period up to 31 March 2024, rule amendments were submitted to the Financial Sector Conduct Authority (FSCA) for registration ahead of the implementation of the two-pot system on 1 September 2024. A summary of the rule amendment is set out below.

Amendment 3 to the 2022 consolidated rules

- Introduction of the vested, retirement and savings components in the AFRF rules.
- Allowing for seed capital to be allocated from the members' benefits as at 31 August 2024 into the newly established savings component.
- Inserting provision to allow for savings component withdrawal claims.
- Updating the withdrawal and retirement rules to specify how and when each component is payable.
- Allow for section 37D deductions to proportionately reduce each component.
- Allow for transfers in and out of AFRF into or out of similar components.



To view the **complete rules of the fund**, visit.

Regulatory changes

The most important development and focus area for the reporting period, in respect of regulations, were:

- The two-pot system was postponed to 1 September 2024, and involved amendments to both tax and pensions law.
- Joint Standard for Cybersecurity and Cyber Resilience Requirements was finalised and is effective mid-2025 and preparatory work is underway.
- The FSCA rolled out the Trustee Toolkit, which was compulsory training that all trustees had to complete. This consisted of two sets of 11 modules to be completed through the FSCA website. The trustees have all completed the toolkit.
- Updated conduct standard issued by the FSCA to deal with section 14 transfers with the implementation of the two-pot system.

Key regulatory changes in draft or being finalised which are being closely monitored, and where appropriate positioned for:

- Conduct of Financial Institutions (COFI) Bill, which has been pushed out to 2025.
- Updates to the conduct standard issued by the FSCA dealing with the reporting requirements for Regulation 28 and annual financial statements.

Two-pot legislation

Throughout the year we engaged with regulators and National Treasury in shaping the various legislative changes needed to give effect to the two-pot system. The majority of these interactions were done through our appointed advisors, Alexforbes. However AFRF met the FSCA to specifically discuss what was required from a fund rule amendment perspective. The FSCA confirmed that only the general rules of AFRF required two-pot amendments and the special rules did not need amending.

In our inaugural integrated annual report, we noted the implementation date for the two-pot changes was 1 March 2024. This was subsequently changed by regulators to 1 March 2025 and then to 1 September 2024. This created some uncertainty as to when changes needed to be in place for this significant reform, however, the fund made all necessary changes within the required timeframes in order to be compliant with two-pot legislation ahead of its implementation on 1 September 2024.

Revenue Laws Amendment Act 2024

The Revenue Laws Amendments Act 2024 was signed into law just after the general elections, with an effective date of 1 September 2024. This was a significant legislative change, which introduced the two-pot system. It sets out the definitions of the various components and what amounts were allocated or credited to each component and when and how they could be accessed by retirement fund members. This Act deals with transfers between funds and how the various components need to be treated.

Pension Funds Amendment Act

Changes were also needed to the Pension Funds Act, to include the relevant two-pot principles into the pensions law, as well as update certain provisions that were impacted by the introduction of the two-pot system.

For example, the definitions of the vested, retirement and savings components in the tax laws had to be carried over to the pensions law.

In addition, the pensions laws allow for deductions to be made from member's pension benefits for maintenance and divorce orders, housing loans and employer compensation for fraud, theft, misconduct and dishonesty. These provisions had to be updated to allow for the deductions to take place from the various components and in certain situations suspend payments from a member's savings component where there was a pending or actual deduction to be made.

The changes to the pensions law were also necessary to empower the FSCA to approve rule amendments needed to give effect to the two-pot system. The AFRF's rule amendments were registered after the reporting period in May 2024.

How we are responding

Noted the draft legislation that was issued and the timeframes for commentary.

Engaged with industry bodies and regulators to put together commentary and lobby for any changes required to the draft legislation.

Engaged with consultants, Manco's and members to inform them of the proposed legislative changes and their impacts.

Identified documentation that needed to be updated, such as benefit statements, forms, contracts, member communication and fund rules.

Reviewed the regulatory feedback on the submissions made on the legislation and the revised and updated drafts issued by National Treasury.

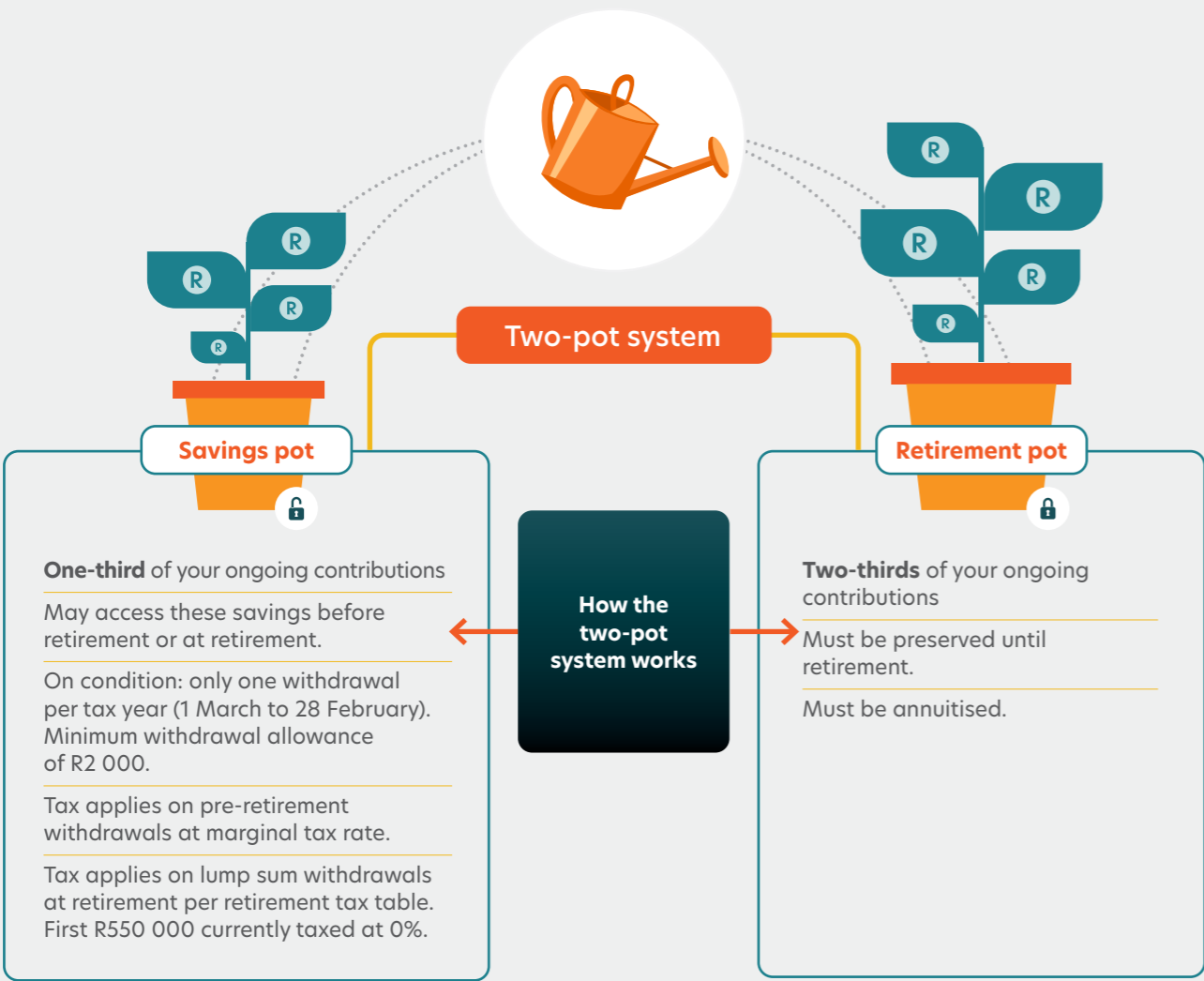
Engaged SARS regarding their requirements for the taxation of savings component benefits.

Engaged the FSCA on their requirements for fund rule amendments.

Amended the housing loan limits to be subject to the new lower guarantee amount allowed.

The purpose of the two-pot retirement system

The two-pot system aims to address two major retirement savings challenges: ensuring sufficient funds for retirement and providing access to emergency funds before retirement.

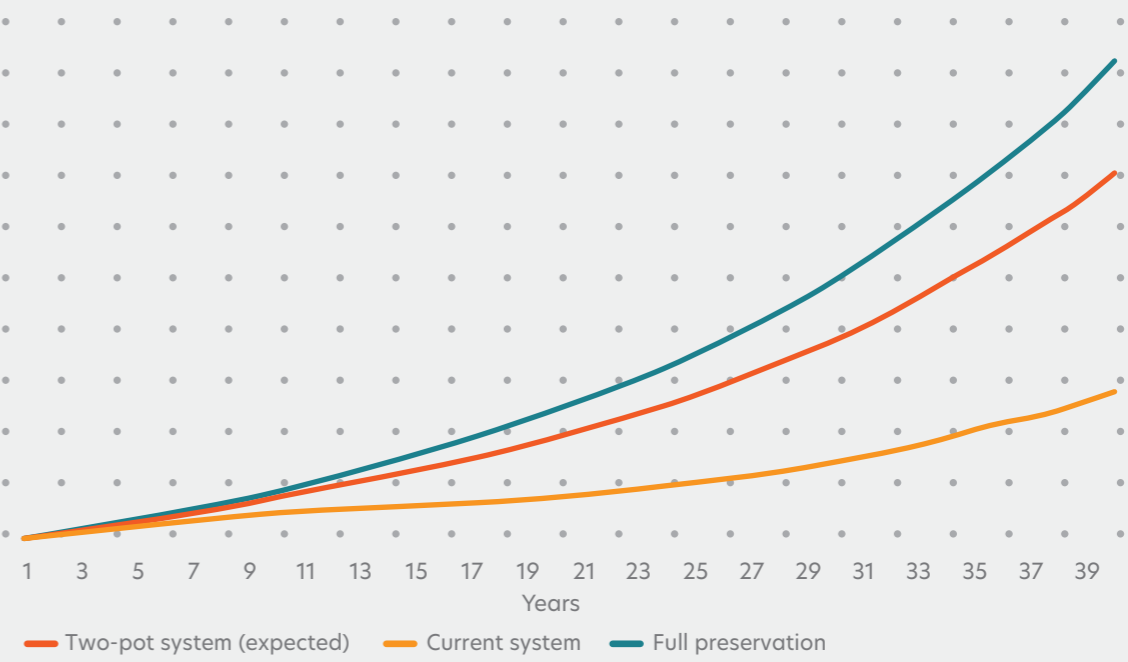


With this system, members may withdraw money from their savings pot after 1 September 2024. This is for short-term help. The other two-thirds of their money must be used to secure an income at retirement.

This way, people won't feel like they have to quit their jobs just to get money from their retirement funds when they really need it.

With the two-pot system, members can take some money when they really need it, but the rest remains invested for retirement. Even if the amount in the savings pot is taken out each year, our calculations show they'll end up with more money when they retire, due to having to preserve the balance until then.

Accumulated value of contributions of 15% of R100 P.A. salary in today's money terms



How we are responding

AFRF supports the two-pot system because it improves people's retirement savings in the long run. In the short term, however, there is pressure on our administrators to process significant amounts of claims as people can cash out some of their savings right away.

With the two-pot system in full swing, we are continuously assessing and managing its impact on various business areas. The sponsor is focused on improving their systems to ensure a better member experience. It is crucial for members to understand how the two-pot system works so they can make the best decisions about their retirement savings.

A further impact may be that free-standing funds consider moving to umbrella funds, which can cater for the changes more efficiently. This could result in the AFRF's membership growing bigger.

Our stakeholders

AFRF is committed to making a meaningful impact on the individuals and groups associated with us. We strive to collaborate closely and positively with all our stakeholders to build strong and enduring relationships.

Regular engagement with stakeholders is essential for effective fund management and risk mitigation. These interactions help us identify and address key issues that influence our value creation strategy. They also enhance our understanding of stakeholder expectations, promoting greater transparency and accountability. The feedback we receive from stakeholders is vital for informed decision-making by our Board, ensuring precise planning and forecasting.

Our approach is guided by the following principles:

- We want to include everyone and listen to what they have to say.
- We also want to be quick to respond to their needs and communicate openly with them.
- When we talk to stakeholders, we want our conversations to be honest and helpful.

This helps us improve our reputation and give more value to everyone involved.

Members and beneficiaries

AFRF serves approximately 339 643 members. The majority do not engage their retirement fund arrangements consistently and are exposed to the risk of poor decision-making as a consequence.

How we engage

- Our member engagement suite provides access to financial learning opportunities, online portals, enhanced retirement benefit counselling (eRBC) and financial advice.
- Where proactive engagement has failed, we have a robust complaints process to ensure customers are treated fairly and issues resolved expeditiously.

Their concerns

- Understanding their retirement funding plans.
- The short-term impact of investment volatility on their portfolios.
- Access to their retirement funds to alleviate immediate financial circumstances.
- Impact of regulatory change on their ability to access their funds.
- Servicing matters related to withdrawal claims and swift benefit processing.
- Access to AFRF to address general queries.

How we are responding

- Our refreshed strategy was crafted to enable AFRF to better connect with individual members.
- We are implementing our member engagement suite across our participating employer client base and supporting our employers to optimise adoption among their members.
- An interactive voice response (IVR) system was implemented to manage substantially increased call volumes.
- Our call centre, managed by Alexforbes, is being modernised to enhance the experience delivered to customers.
- Complaints are aggregated to identify trends and root causes, which are then escalated and addressed.
- Increased focus on treating customers fairly requirements and metrics.

Participating employers

AFRF has a wide range of participating employer groups across various industries and regions. The quality of our relationships with these employers dictates our ability to impact members' lives through the delivery of our integrated best-advice model.

How we engage

- The MANCO of the various participating employers work closely with the Board of Trustees to ensure the best outcomes for members.
- We ensure the MANCOs are trained on their role in the framework.
- We provide service delivery through the integrated best-advice model.
- Our administrators keeps mancos informed on issues on the fund and employee benefits industry in general through the monthly newsletter.
- The sponsor has a systematic voice of the customer process dubbed Boitumelo that provides direct engagement with a representative sample of institutional clients to explore their concerns and aspirations.
- Employers have direct access to senior executives of the sponsor and the Product Head to address escalations.
- The sponsor hosts a series of employer engagement events where topics of relevance are discussed to provide our clients with insight to engage further as they see fit.

Their concerns

- Navigating the complexities of managing retirement funds and healthcare benefit arrangements.
- Changes in legislation such as Regulation 28, the two-pot system and National Health Insurance.
- Administration of contributions, reporting and benefit payments.
- The impact of macroeconomic matters on the financial outcomes of their members.
- Investment performance in the context of volatile markets.

How we are responding

- Escalated concerns were raised and we closed the loop with actions delivered by the sponsor which mitigated potential relationship losses in certain circumstances.
- Provided insights to address needs raised.
- Regular feedback provided to the STSC to create visibility and the opportunity to provide input.



Our stakeholders *continued*

Service providers

The fund has a strong relationship with our appointed consultants and investment manager as they are integral service providers. Maintaining good relations is crucial for ensuring alignment of strategic objectives, financial performance and regulatory compliance, ultimately benefiting all stakeholders involved.

How we engage

- Formal and informal engagements to communicate requirements and provide feedback on the services delivered.
- Regular communication and collaboration between leadership teams ensure ongoing alignment and address areas of concern.
- Stringent adherence to regulatory requirements is a shared responsibility, with our appointed consultant providing compliance reports to the trustees.

Their concerns

- Investment risk and returns in a challenging macroeconomic environment.
- Alignment and synergy between the fund and the appointed service providers.
- Delivering on agreed service levels, which now include transformation and ESG targets.
- Compliance with regulatory frameworks that apply to AFRF and our service providers is a shared concern.

How we are responding

- Decision-making processes are cooperative, particularly when addressing significant issues.
- A concerted effort is made to harmonise the fund's strategic plans with the advice of our appointed consultants and investment manager to foster seamless integration.
- AFIL's financial performance is vigilantly monitored and maintained to ensure it complements the fund's financial objectives.
- Rigorous compliance with regulatory frameworks is upheld to ensure smooth operations between all parties.
- Open and transparent communication channels are maintained to address concerns and make collective decisions.
- The fund has reviewed and agreed the transformation policy and ESG directives with AFIL.



Government and regulators

Our regulators ensure that we treat our clients fairly and protect their information and assets, while acting in the best interests of all our stakeholders.

How we engage

- Regular and extensive interaction and engagement with the regulators.
- Accurate, timely and comprehensive statutory reporting.
- Formal interaction and participation in industry forums and policy discussions.

Their concerns

- Maintaining legal and regulatory compliance in an increasingly complex regulatory environment.
- Timely and transparent reporting and disclosures.
- Active participation in and contribution to policy development and best practice.
- Treating customers fairly.

How we are responding

- Regular, transparent and proactive engagement.
- Compliance with regulation is the minimum standard expected of the AFRF. We aim to exceed this threshold to deliver meaningful benefits to our members and society.
- We provided regular status updates to regulators, as required.
- Our philosophy is premised on proactive engagement: we give regulators advance notification of transactions or any other material items.



Society

AFRF, as a leading retirement fund, is a key player in the savings and investment industry in particular. Our impact on society helps to ensure that people retire through best advice with better financial outcomes. In various ways - from research and best practice to advice and product development - we can influence society for the better.

How we engage

- We have implemented a treating customers fairly framework.
- Ongoing engagement with asset managers on ESG matters to influence meaningful change.
- Our sponsor contributes to relevant policy matters, such as regulatory reform through various professional bodies, directly with government and in public discourse.

Their concerns

- Treating customers fairly.
- Acting as a responsible corporate citizen in all of our dealings.
- Improved social and environmental outcomes using responsible investing through the value chain.
- Ethical practice, fairness and transparency at all levels of the group's operations.
- Promoting the public interest when engaging on matters of national impact such as climate change, the basic income grant and national social security.

How we are responding

- Our primary mechanism to impact societal outcomes is in the delivery of our purpose by improving retirement outcomes and helping members to make better financial decisions.
- We provide insight to all stakeholders freely so that better decisions can be made.
- Our sponsor participates with industry bodies to improve the regulatory environment for society, with our contribution to the two-pot system of particular relevance.
- We continued on our journey of embedding ESG requirements as an opportunity to benefit our members as well as broader society. This includes our commitment to becoming a sustainable Retirement Fund of the Future™, and the adoption of responsible investment, transformation and climate change policies.

Our stakeholders *continued*

Material risks

The majority of risks that could significantly affect AFRF's capacity to generate value in the short, medium, and long term stem from the external environment. Although these external risk factors are largely beyond our control, we continuously monitor them and implement measures to manage their actual or potential impacts.

Here are our current top concerns being managed through the risk monitoring process:

Regulation 28 - ESG framework and disclosures

Mitigating measures

The ESG framework is encapsulated in the IPS and separate responsible investment policy. The ESG implementation plan is being monitored by the STSC and reported on at the trustee investment meetings.

Two pot retirement system

Administration system and resources: confirmation that required system development had taken place. Further additional and dedicated staff to handle two-pot savings claims and queries were put in place.

Investments: short-term volatility and liquidity. Analysis and ongoing monitoring to assess likely liquidity requirements for AFRF based on its demographics.

Compliance: rules amendments were prepared and submitted to the FSCA in 2024 (Pension approved 30 July 2024, Provident approved 13 August 2024). System development was completed to record seeding and savings pot claims.

Communication: regular fund communication was issued explaining the two-pot system, options available to members and the implications thereof (there have been articles in regular distributions, member webinars, and a series of 9 two-pot fast facts communiques).

Section 13A compliance

Process for collecting arrears contributions – improved processes and reporting, direct communication to members and reporting to FSCA.

Cyber crime

Joint Standard 2 of 2024 requires that trustees ensure a sound and robust cybersecurity strategy and framework that promotes the adoption of cybersecurity fundamentals and hygiene practices, provides for systematic testing and assurance regarding the effectiveness of security controls, and the notification of material cyber incidents to the Authorities. It is effective June 2025 and planning is in place to ensure compliance by the due date.

Section 14 transfers

Notification of transfers and timeframes remain a concern area to be monitored. Controls, processes, training and automation are steps put in place to mitigate delays.

Governance and fund management

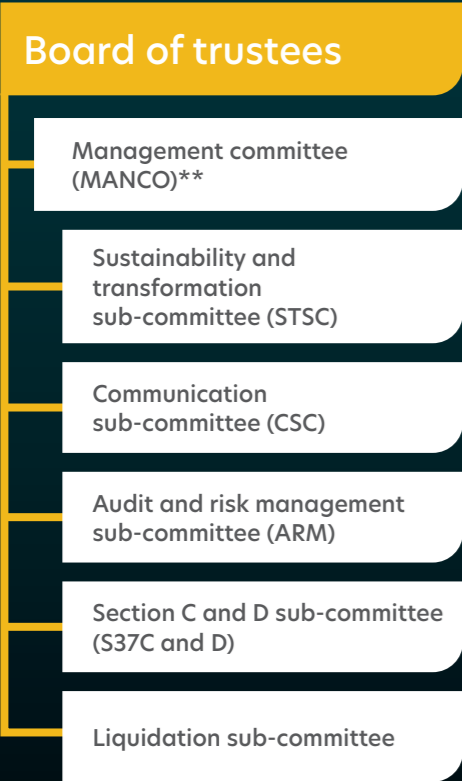
A primary reason employers participate in umbrella funds is the challenge of staying informed about evolving legislation governing retirement fund operations while fulfilling their employment obligations. The fund provides a structured governance framework and a management structure operating at three levels:

- A **professional board of trustees** establishes participation parameters and ensures compliance with retirement fund legislation.
- A **management committee** offers participating employers and members a mechanism to determine their benefit structure and monitor service delivery.
- An **annual general meeting** where the board reports on the fund's performance and changes to its structure to management committee representatives.

In line with our commitment to becoming a Retirement Fund of the Future™, we believe effective governance is essential for creating lasting value. As we strive to become the Retirement Fund of the Future™, we advocate for impeccable governance as a strategic objective.

We uphold rigorous standards for governance, internal controls, risk management, and compliance, reflecting strong stewardship practices. Governance facilitates robust decision-making aligned with accountability, promoting effective management in harmony with stakeholders' interests.

Our board of trustees, committed to impeccable corporate governance, oversees the fund's operations. Supported by the principal officer (PO), the board is accountable for the fund's performance, providing strategic direction, ensuring ethical standards, determining policy, and delegating planning to AFRF's service providers.



Certain responsibilities are delegated to sub-committees, which discuss issues within their mandate and develop recommendations for the board's approval.

The fund's appointed service provider is responsible for the day-to-day management and administration of the fund and report to the board.

**** The management committee is comprised of participating employer representatives who act as the monitors of service delivery between the fund, its administrator and its members.**

Trustees and principal officer

The trustees have a legal and ethical duty to invest the fund's assets responsibly for the benefit of members. Their objectives are to:

- Provide members with the **greatest likelihood of securing a reasonable pension at retirement**, by providing acceptable investment returns, at acceptable risk.
- Provide the members with **less volatile returns** particularly close to retirement with the objective to generate an income stream to maintain the standard of living after retirement.

Trustee duties and responsibilities

A fund and its board must at all times apply the following principles:

- Education of the board
- Compliance monitoring
- Promote broad-based black economic empowerment
- Assets appropriate for the liabilities
- Due diligence of risks
- Foreign asset risk assessment
- Credit ratings
- Changing risk profile
- Sustainable long-term performance
- Appointment of third parties

The trustees' duties include:

1

Manage the funds according to the rules of the fund, as well as pension fund and tax laws.

2

Take all reasonable steps to ensure the interests of members and participating employers are always protected.

3

Act with care, diligence and in good faith.

4

Avoid conflicts of interest.

5

Act with fairness towards you and your family members.

6

Make certain that proper management control systems are in place.

7

Make sure members and participating employers get appropriate and adequate communication.

8

Get expert advice where they lack expertise.

9

Ensure the operational and administration of the fund comply with all relevant laws.

The trustees believe that the Treating Customers Fairly principles are aligned with the fulfilment of their fiduciary duties.

Principal officer duties and responsibilities

All funds must appoint a principal officer (PO). AFRF's independent PO's role is to:

- Sign all documents on behalf of the fund.
- Notify the FSCA of new trustee appointments.
- Submit rule changes, if required, and inform members of any changes.
- Submit transfer documents to FSCA.
- Submit financial statements, annual reports and valuation documents to FSCA.
- Act as a liaison between the fund and FSCA.
- Monitor, manage and engage service providers of the fund.

Alexander Forbes Retirement Fund integrated annual report for the year ended 31 March 2024

Board principles and practices

Board membership

The board of trustees consists of six trustees, of which three are internal trustees and three are external independent trustees. Internal trustees are appointed by the sponsor (Alexander Forbes Financial Services) and external trustees are appointed by the board.

The rules of the fund require that external trustees are not employees of the sponsor or any of its subsidiary companies. The chairman is an external trustee and although this is not a legal requirement, it is good governance and the practice is expected to continue.

Skills and experience

A detailed skills and experience matrix encompassing governance, finance, legal, compliance, and sustainability is central to the trustee selection process. The skills and experience of current trustees are assessed against the fund's needs to identify gaps, informing professional development, succession planning, and nomination priorities. Not all requirements will or should be met at the trustee level; organisational and management capabilities and any need for external expertise are also considered.

In addition to technical skills, experience and diversity, understanding and alignment with the fund's purpose, vision, and strategy are critical in the nomination and selection process.

Nominations and appointments

Board members are appointed and elected through a formal and transparent process. Subject to fund rules:

- the board is responsible for appointing external trustees, which includes evaluating candidates' fitness and conducting reference checks. Trustees must demonstrate integrity, competence, responsibility, accountability, fairness, and transparency.
- the sponsor is responsible for appointing internal trustees.

Rotation

The term of office for board members is up to five years, as confirmed by the trustees and subject to the rules, after which they may be reappointed. Terms are typically three or five years. Nominations for re-election consider each trustee's performance, contribution, attendance, and the fund's requirements.

Vacancies must be filled within the prescribed period set by the authority or as required by the fund's rules, if shorter.

Succession planning and alternate trustees

Board succession is a continuous focus for both emergency preparedness and long-term sustainability. To build a reliable leadership pipeline, the fund's rules were amended to allow for alternate trustees, ensuring continuity in fund management and promoting board transformation.

During the reporting period, the following changes occurred:

Kevin Prinsloo

resigned, effective 31 December, 2024.

Nazley Sallie

was appointed as a trustee, effective 1 January, 2024, after serving as an alternate trustee from 1 May, 2023, to 31 December, 2023.

The following alternate trustees remain appointed to AFRF:

Ziningi Kutama (internal)

Over 16 years of experience in investment and banking.

Luyanda Mbatha (external)

An advocate with five years of experience at the High Court and over four years as a Section 26 trustee for various funds.

To continue the development objective, the fund is seeking an additional alternate trustee following Ms Nazley Sallie's appointment as a trustee.

Trustee remuneration

External trustees are appointed and paid by the fund. The pay is competitive with industry rates and benchmarked against that identified in the PricewaterhouseCoopers' remuneration survey and the rate paid by the FSCA for section 26 trustee appointments.

The agreed rate increases annually in line with inflation, and for trustees on retainer, compensation is based on the estimated time commitment for trustee duties, including meeting attendance and preparation.

Conflicts of interest

The fund aims to minimise conflicts of interest but acknowledges that some are unavoidable. To manage these conflicts, the fund requires service providers and trustees to disclose any potential conflicts, which is a standard item on the agenda at each trustee meeting. The fund recognises a potential conflict involving our appointed consultants and investment manager due to their affiliation with Alexforbes, which the board addresses through its risk management framework.

Training and ongoing learning

Board members are appointed as professional trustees and are expected to possess suitable education in their respective areas. They must have the requisite skills/experience to understand their responsibilities and participate in ongoing training programs and meetings to stay informed.

The board emphasises the importance of educating trustees on fund-related matters, including investments and governance. To this end, AFRF has subscribed to the **Alexforbes Impact Academy** to keep abreast with key developments in fiduciary and sustainability topics. Additionally, all trustees have completed the FSCA Trustee Toolkit training. Investment topics are regularly discussed in meetings and annual workshops, incorporating educational components to enhance trustees' understanding of the fund's investment framework.

Board and sub-committee evaluation and assessment

The board evaluates its performance annually, as well as the performance of its sub-committees and service providers, including a review of associated costs. This evaluation helps track progress and assess skill and development needs.

The principal officer's performance is also assessed annually.

Improvement measures are implemented based on the assessments to enhance the board's effectiveness. The board, having applied its mind, believes all sub-committees have the collective knowledge, skills and experience required to fulfil their mandated responsibilities. The board and sub-committees discussed how they can improve performance against their mandates.

Trustee diversity

The board of trustees comprises diverse skill sets that complement each other, ensuring a framework that reflects our membership. To uphold the highest corporate governance standards, the trustees actively promote broader diversity at the board level, considering attributes such as gender, race, culture, age, knowledge, skills, and experience.

The appointment of alternate trustees supports the fund's transformational and developmental objectives. These alternate trustees will serve on sub-committees and transition to trustee positions as current terms conclude or vacancies arise, thereby transforming the board to better align with the fund's demographics. This strategy aims to meet and exceed our Financial Sector Transformation Council (FSTC) scorecard targets. The assessment of the initial alternate trustee appointments are heavily weighted to black female candidates, which will improve this transformational aspect of the management of the fund.

The PO appointment also takes the diversity and transformation strategy into account. The current PO is a black female.

Trustee and PO diversity FSTC targets

	March 2022	April 2023	March 2024
Board members			
# of board members	6	6	6
# black board members	2	2	3
# black female board members	0	1	2
# of black female management (principal officer)	1	1	1

Trustees and principal officer *continued*

Board performance

During 2024 the trustees of the fund focused primarily on a selection of key areas.

Treating Customers Fairly

The board maintained its focus on implementing TCF principles, ensuring fairness and transparency remained central in all decisions. Meetings emphasized TCF outcomes, with a strong focus on member education and information-sharing to prepare members for the two-pot system. Customer satisfaction was evaluated biannually through Net Promoter Score (NPS), survey feedback from the sponsor, and member feedback through the servicing channels, including through complaints monitoring

Further embedding sustainable thinking

The fund has maintained its continued focus on becoming a sustainable, resilient and future-fit retirement fund. As part of the **Alexforbes Retirement Fund of the Future™** programme, the fund underwent an initial Future-fit Gap Assessment, the results of which will form the basis for the fund's maturity roadmap in the coming years.



Further information about the **Retirement Fund of the Future™** and the fund's gap assessment results can be found on page 21 and 23

Since our last report, the board has adopted both a responsible investing policy and a climate change policy. These policies reinforce our commitment to responsible business practices and responsible investing. Our appointed investment manager, has also evolved its capability to enable the measurement, monitoring and management of the impact of the fund's investment portfolios over time, including undertaking an independent sustainability grading of the Performer portfolio, in which the majority of the fund's assets are invested. The independent grading of the portfolio assesses the portfolio's performance against the SDGs and enables impact performance tracking over time. This approach will enable trustees to improve their oversight of the sustainability of the fund's investments.

Transformation and continuity

The board reinforced its commitment to transformation by appointing an alternate external trustee, ensuring representation and continuity following Kevin Prinsloo's resignation as trustee. Through preferential procurement, we supported emerging black-owned audit firms by encouraging our appointed auditors to partner with them.

Adapting to regulatory changes

This year's primary focus was preparing for the extensive and complex two-pot retirement reform system, one of the most significant changes to date. The board dedicated considerable effort to understanding its impact on operations, communication, rules, investments, and risk management, ensuring the fund's readiness for this transition.

Engaging with employers

The board collaborated with employers to keep member contact details updated in line with Section 13A requirements. Efforts also focused on preparing employers and members for the two-pot system by providing timely communication through webinars and newsletters.

Trustee meetings

The trustees meet formally four times a year to review the legal, benefit, financial and governance framework of the fund. They hold separate trustee investment meetings four times a year, typically the day preceding each formal board meeting.

An annual investment workshop is held to review the investment framework and consider new developments in the investment industry applicable to retirement funds.

Sub-committee meetings are in place to deal with the day-to-day running of the fund.

AFRF trustee and sub-committee meetings are well attended, with all meetings achieving over 90% attendance during the review period. Individual committee member attendance rates are similarly high, with the lowest at 80%. The overall attendance average for all trustees, committee, and sub-committee members stand at 95%, reflecting a highly engaged and committed group of individuals.



Attendance	Trustee meetings	Investment meetings **	Annual investment workshop	Annual general meeting	Sustainability and transformation sub-committee (STSC)	Communications sub-committee (CSC)	Audit and risk management sub-committee (ARM)	Death benefit and Section 37D sub-committee (Section 37C and D)	Total attendance average
John Liackman	4/4	4/4	1/1	1/1	3/3		3/3		100%
Sandile Khumalo	4/4	4/4	1/1	1/1		1/2			92%
Nazley Sallie*	2/4	4/4	1/1	1/1		2/2	2/3		80%
Karusha Moodley	3/4	3/4	1/1	1/1	4/4		3/3		88%
Fiona Rollason	4/4	4/4	1/1	1/1		2/2	3/3	4/4	100%
John Anderson	3/4	3/4	1/1	1/1	4/4		2/3		82%
Nomonde Zwane	4/4	4/4	1/1	1/1	4/4	2/2	3/3		100%
Ziningi Kutama ^A	4/4	4/4	1/1	1/1	3/3			3/3	100%
Luyanda Mbatha ^A	4/4	4/4	1/1	1/1		2/2	1/1	3/3	100%
Philip Whittaker					4/4				100%
Elio E'Silva					4/4				100%
Michelle Scholtz								4/4	100%
Kevin Prinsloo ^R	3/3	3/3	1/1	1/1			2/2	4/4	100%
Total attendance average	90%	95%	100%	100%	100%	90%	91%	100%	95%

** AFRF has consciously chosen not to establish an investment sub-committee. This decision is based on the belief that investments play a pivotal role in delivering the desired outcomes for all members and, therefore, all trustees must be aware and actively engaged in investment discussions.

* Nazley Sallie was an alternate trustee until 01/01/2024 when she became a trustee.

^A Alternative trustees.

^R Resigned.

Governance structures and processes

Board sub-committees

The board delegates some of its responsibilities to sub-committees. Each sub-committee has a clear mandate that outlines the sub-committee's duties, authority and how it reports to the board members.

Sustainability and transformation sub committee (STSC)

The STSC comprises of at least two fund trustees, including one external trustee and the principal officer. Meetings are held as needed, with a minimum of two each year.

The STSC has a dual role:

- **Sustainability:** It oversees, implements, and tracks the fund's environmental, social, and governance (ESG) plan, ensuring alignment with the broader sustainability initiatives of investment managers and reporting back to the trustees.
- **Transformation:** The STSC adheres to the retirement fund scorecard from the FSTC and relevant guidelines, aiming to meet and exceed minimum transformation standards for impactful outcomes.

The STSC's responsibilities include:

- Transforming the board's composition and developing alternate trustees in line with the FSTC scorecard objectives.
- Reviewing and monitoring the broad-based black economic empowerment (B-BBEE) credentials and transformation policies of service providers, considering their overall ESG practices.

Communication sub-committee (CSC)

This sub-committee focuses on communication strategies and initiatives related to fund members and stakeholders. It handles member communications, updates and engagement efforts.

The CSC is composed a minimum of two fund trustees, with at least one being an external trustee. Meetings are scheduled as needed, but a minimum of two meetings occur each year.

The CSC is responsible for:

- Developing and overseeing strategies for effective communication with AFRF members, keeping them well informed about their retirement benefits, which are articulated in the Communication Policy and Strategy Document and adopted by the board.
- Ensuring the plan to deliver communication to members meets the objectives set out in the Communication Policy and Strategy Document.
- Reviewing all communication material to be distributed in terms of the communication plan and making sure that all communication is in line with the objectives of the Communication Policy.
- Establishing channels for feedback from members and stakeholders to improve communication strategies.
- Liaising with the administrator with regard to a timetable for the implementation of the communication plan as well as the application of the communication budget in meeting this plan.
- Providing feedback to the trustees at board meetings on the communication plan its development.

These responsibilities aim to enhance transparency, engagement and trust between AFRF and its members and stakeholders.

Audit and risk management sub-committee (ARM)

This committee oversees the financial audits and risk management of the fund, reviewing financial statements, valuations, and all risk-related matters to ensure compliance and monitor financial integrity.

The ARM sub-committee consists of at least two fund trustees, including one external trustee and the principal officer, meeting a minimum of twice a year.

The ARM sub-committee's responsibilities include:

- Reviewing financial statements, audits, and valuations for accuracy and compliance.
- Identifying, assessing, and mitigating risks related to the fund's operations and regulatory compliance.
- Ensuring adherence to all relevant legal and regulatory requirements, including reporting and transparency.
- Monitoring the effectiveness of internal controls and governance processes.
- Providing regular reports and recommendations to the board on financial and risk matters.
- Overseeing the audit process, including auditor selection and review of findings.
- Ensuring the fund's financial integrity and stability.

These responsibilities collectively aim to safeguard the financial health and compliance of AFRF while protecting the interests of its members.

Death benefits distribution sub-committee (DCSC)

The DCSC oversees the distribution of benefits under the fund's rules in the event of a member's death, managing the process to ensure compliance with relevant regulations. The committee consists of at least two members, including one trustee, and typically meets quarterly.

The DCSC's responsibilities include:

- Assessing factors for distributing death benefits, such as beneficiaries' age, relationship to the deceased, dependency, financial circumstances, the deceased's wishes, and payment methods. These factors serve as guidelines and do not restrict the sub-committee's discretion.
- Establishing standard guidelines for death benefit distribution, including minimum trust amounts, maximum age of dependency for minors, and trust termination ages, while ensuring these guidelines do not limit discretion.
- Reporting any inconsistencies between the fund's practices and the rules, relevant legislation, or rulings from the Office of the Pension Funds Adjudicator (OPFA).
- Ensuring compliance with all applicable laws and reviewing complaints lodged with the OPFA or regulatory authorities.
- Confirming who is responsible for communicating death benefit decisions to beneficiaries.
- Reporting problematic decisions or trends to the trustees at each meeting.
- Assisting trustees in managing the investigation of death claims and assigning specific tasks.
- Deciding how and to whom death benefits should be allocated upon a member's death.

Section 37D sub-committee

The Section 37D sub-committee oversees the withholding of a member's benefit at the employer's request and the circumstances under which deductions may be made, such as in cases of divorce or housing surety settlements, as outlined in the fund's rules and section 37D of the Act. The sub-committee consists of two members, including at least one trustee, and typically meets quarterly.

The responsibilities of the Section 37D sub-committee include:

- Regularly liaising with the administrator regarding the status of section 37D claims and assessing the controls in place to monitor them.
- Evaluating requests from participating employers to withhold benefit payments, considering any correspondence from the affected member.
- Instructing the administrator when section 37D provisions are met, allowing for deductions, or when benefits should be released to the member.
- Reviewing complaints lodged with the OPFA or regulatory authorities concerning section 37D withholdings and deductions.
- Reporting to the trustees at board meetings on the status of section 37D claims.

These responsibilities aim to manage and facilitate member access to retirement benefits while ensuring legal and regulatory compliance.

Liquidation sub-committee*

This sub-committee consists of at least two fund trustees, including one external trustee. It operates primarily through correspondence, with ad hoc meetings as needed.

The liquidation sub-committee is responsible for:

- Assessing requests from participating employers to terminate their participation in the sub-fund, leading to de-registration or liquidation.
- Evaluating quotes for the liquidation of a sub-fund and approving the liquidator.
- Determining the additional documentation required for placing a sub-fund into liquidation or appointing a liquidator.
- Monitoring applications for legislative exemptions and the status of sub-funds with such exemptions.

* This committee held no meetings during the period under review.

Governance structures and processes *continued*

Management committee

AFRF's MANCO comprises representatives from participating employers who play a vital role in monitoring service delivery between the fund, its administrator, and its members. Members have the right to elect at least 50% of MANCO members.

The MANCO must meet with their fund consultant at least once a year (excluding Base offering clients*) to review:

- The benefit structure within the fund framework.
- Costs and risk rates applicable to their participation and benefits.
- Their investment strategy.
- Reports, including the administration report, cash flow report, and financial assessment for comprehensive offerings.

MANCO serves as the communication channel for members and addresses their concerns.

* In respect of the Base offering clients, renewal is conducted through correspondence.

What is the mandate of the MANCO?

Risk benefits

Request and obtain risk benefit quotes.

Select and structure most appropriate risk benefits.

Service delivery

Review efficiency, professionalism and competitiveness of offering.

Maintain integrity of achieving long-term retirement goals.

Investment choice

Choose an appropriate default solution.

Monitor strategies against objectives.

Claims assistance

Assist with processing of death benefits.

Remind members to update nominated beneficiary details.

Member education

Educate members on benefits.

Inform members of services available.

Contributions

Monitor that the employer pays the required contributions.

Advise members where this is not the case.

Risk management

The fund's risk management policy outlines how the board governs the risks impacting the fund. It establishes a structured framework for identifying and mitigating key risks, supporting the core objective of ensuring members receive adequate retirement benefits and extending benefits to dependants upon a member's death.

The board of trustees holds overall responsibility for the risk identification and assessment process. When specific tasks are delegated to sub-committees or external entities, their findings and actions are reported back to the board for final assessment.

The fund has a comprehensive risk management approach in place. This includes:

Risk identification

Risks are identified through a comprehensive approach that includes:

- Legislative parameters such as the Pension Funds Act and Income Tax Act.
- Guidance and best practices from industry regulators.
- Relevant legal cases and rulings.
- Reports from third-party entities, including auditors, actuaries, administrators, asset consultants, and investment managers.

The audit and risk management sub-committee (ARM) is responsible for risk identification and assessment, with its findings communicated to the board of trustees.

Risk assessment register

All identified risks are documented in a dedicated register, which includes:

- Detailed descriptions of each risk.
- The ARM sub-committee's assessment of the risk's status.
- A summary of implemented or planned risk mitigation measures.
- An evaluation of the potential impact on the fund and its members.
- Clear allocation of responsibility for managing each risk.
- Prescribed intervals for re-evaluating these risks.

Risk assessment and categorisation

Risks are thoughtfully assessed, taking into consideration several key factors:

- The **potential impact** of the risk on the fund and its members.
- The **likelihood of the risk materialising**
- **Existing control mechanisms** aimed at risk mitigation.
- The **presence of insurance coverage**, indemnities or other protective measures.

Risk monitoring and action

Immediate action plans are initiated for red risks, while both amber and red risks are continuously monitored, with regular status updates provided at trustee meetings. The risk identification and assessment process occurs at least every three years, with amber and red risks reviewed annually to ensure timely responses to emerging challenges.



Read more about our **material risks** on page 38 of this report.

Oversight of fund management

The board's primary responsibility is to manage the fund effectively to ensure its sustainability and success. This involves implementing control systems and procedures to protect the fund's assets and reputation. Key management aspects include assigning operational responsibilities to licensed administrators, maintaining financial integrity, selecting transparent service providers, and governing various risks. When functions are delegated, clear contracts and oversight mechanisms are established.

The board is also responsible for ensuring that members are treated fairly and in accordance with relevant consumer protection laws.

Operational excellence

The board understands that the outsourcing of the fund's functions, such as administration and investment activities, does not absolve the trustees of responsibility and accountability. The board ensures adequate oversight of all outsourced functions.

AFRF has appointed service providers. Their ability to adapt and innovate in response to changing market conditions and member preferences is a key factor in service provider selection. The agility demonstrated by our appointed service providers ensures our investment and engagement strategies remain relevant and effective. By enhancing the customer experience and integrating leading solutions, the fund strengthens its connections with employers and members to create shared value.

During the reporting period our service provider delivered the following operational enhancements:

Digital capabilities and solutions

- Completion of the acquisition of 100% of OUTvest in February 2024, integrating the digital wealth management platform into Alexforbes' operations.
- Adoption of AI within its Investment Admin and Operations space to improve efficiencies, with initiatives such as machine learning and robotics for automating tasks and operational risk monitoring.
- Implementation of ongoing enhancements and upgrades to core investment administration system, SAMMI, moving to an 'always on' system and automating payments.

Engagement and communication

- Publication of the 2023 Manager Watch™ Survey results, providing key insights into South Africa's asset management landscape.
- Alexforbes Investment Fund of Funds won the 14th annual HedgeNews Africa Awards.
- Launch of AF Explorer and AF Passive Explorer portfolios, specifically designed to invest close to the offshore limits provided by Regulation 28.
- Introduction of the award-winning AF Retirement Navigator, providing members access to a diversified multi-asset class portfolio that is expected to generate real growth over the long term.
- Securing a sixth consecutive Best Investment Survey Provider award at the 2024 Africa Global Funds Service Providers Awards.

ESG and responsible investing

- Launch of the inaugural Alexforbes Stewardship Report, showcasing its investment approach and considerations in relation to responsible investing, while also shedding light on responsible investing in the broader South African landscape.
- Maintained support for CRISA 2 and the PRI. The approach has helped processes remain robust and responsive to a changing environment.
- Maintained strong ratings from the PRI, scoring above global peers across the majority of the reporting modules.
- Release of the Private Markets ESG Report, demonstrating positive social and environmental outcomes.
- Over the 2023/2024 reporting period, undertaking 327 formal engagements with asset managers. Such engagements ensure that portfolio management practices not only optimise for risk and return but also ensure that these align with responsible investing principles.
- Final implementation of amended Proxy Voting Guidelines for appointed asset managers, including embedded climate change and governance considerations.
- Publication of the Alexforbes Group Climate Change Policy and aligned Alexforbes Investments Climate Change Policy as a tangible expression of commitment to responsible business and asset ownership.
- Enhanced measurement of Alexforbes' group carbon footprint, including improved measurement of scope 3 emissions.
- Disclosure through the CDP on Alexforbes' position on climate change.

Performance monitoring

Regular and thorough reviews ensure our service providers align with the fund's objectives and market conditions. This includes evaluating the performance of our multi-manager and conducting audits to verify compliance with regulations and policies. We regularly assess the performance of both multi-manager and single investment manager portfolios to achieve optimal outcomes.

The board also reviews the integration of ESG factors into our appointed investment manager's operations and decision-making processes, in so far as the fund's assets are concerned.

The fund receives few complaints, indicating that employers and members are generally satisfied with the multi-manager's performance. We have a robust complaints process to ensure members are treated fairly and that issues are resolved promptly.



Read more about the **fund's performance** on page 53 of this report.

Data protection, privacy and security

The fund acknowledges its duty to protect members' data and confidentiality. We implement measures to ensure data privacy and enhance our information security.

While information technology (IT) is essential, the fund does not own technology and information systems. We rely on our appointed service providers for effective data protection, privacy, and security, guided by an IT governance framework that is monitored for compliance and performance.

The fund has put in place a restricted site for the trustees and the principal officer, where trustee documents, such as agendas, minutes and meeting packs are uploaded directly onto the site. This is a secure way of distributing confidential documents.

The fund is also assessing the requirements of the new Joint Standard on Cybersecurity – this will set the benchmark for ensuring the adequacy and effectiveness of the safeguards in place to protect the fund, member and employer data.

Service level agreements outline the fund's data protection requirements and include clauses for legal protection in the event of a breach. This year, we received 0 complaints (2023: 0) from regulatory bodies regarding consumer data, privacy, and ethics. During the reporting period there were 8 substantiated incidents (2023: 2) of personal information breaches, which were investigated, and appropriate notifications and assistance were provided to the affected individuals.

Modernisation and automation

To enhance efficiency, reduce errors, and lower costs, the board encourages service providers to modernise and automate their processes for better member service.

During the reporting period and in the months since, our administrator has further enhanced the automation of its administration platform to minimise manual intervention. Many of these enhancements were made in preparation for the implementation of the two-pot system. Our administrator continues to make enhancements to its administrative platform as well as other operational processes and programmes in order to continuously improve, based on real-world data and insights, particularly those garnered within the first few months of two-pot implementation.

These efforts to enhance and automate operations have improved efficiencies through enhanced digital platforms for bulk and individual claims processing and contribution reconciliations. This has reduced errors, improved service standards, and increased transparency in both internal and external reporting. Enhanced controls and execution of automation projects have led to fewer errors and omissions claims, resulting in significant cost savings for the fund.

Responsible procurement

In line with the fund's transformation policy, the board continues to recognise the importance of procuring external services that benefit the local community whenever feasible. This aligns with the government's B-BBEE policy, which aims to enhance economic participation among black individuals.

When evaluating service providers, we consider their B-BBEE status. If multiple providers demonstrate equal skills and delivery without a strategic partnership, we prefer the one with stronger credentials. We also expect strategic partnerships to include a transformation strategy that aligns with our fund's objectives.

As the fund appoints a limited number of service providers directly, we encourage them to seek opportunities to partner with transformation partners in service delivery. For example:

- **Investments:** We collaborate with our multi-manager to increase the representation of black investment managers in portfolios. Aluwani, a black investment manager, originally focused on fixed income mandates, now offers global multi-assets. This growth on Aluwani's part enables us to do more with them.
- **Auditors:** Given the fund's size and complexity, we consider large audit firms with high B-BBEE ratings, encouraging them to engage with black audit firms for specific audit tasks.

The fund adopts this approach to drive transformation. Although this impact may not be directly reflected in the numbers, we are confident that this the right course of action and aligns seamlessly with the fund's transformation policy objectives.

Preferential procurement FSTC targets	Alexander Forbes Provident Fund		Alexander Forbes Pension Fund	
B-BBEE procurement spend from all suppliers based on B-BBEE Recognition level as % of Total Measured Procurement Spend	Target	80%	Target	80%
	Actual	146.5%	Actual	117.2%
B-BBEE procurement from all suppliers that are QSEs/ EMEs based on B-BBEE recognition levels as a % of total measured procurement spend	Target	25%	Target	25%
	Actual	0.02%	Actual	0%
B-BBEE procurement spend from all suppliers that are at least 51% black-owned based on B-BBEE recognition levels as % of total measured procurement spend	Target	25%	Target	25%
	Actual	37.8%	Actual	37.5%
B-BBEE procurement spend from all suppliers that are at least 30% black woman owned based on B-BBEE procurement recognition levels as % of total measured procurement spend	Target	12.5%	Target	12.5%
	Actual	0.02%	Actual	0%

Treating customers fairly

The board places a strong emphasis on acting in the best interests of the fund and its members. It has embraced the principles of Treating Customers Fairly (TCF) and integrated them into the fund's culture, operations and decision-making processes to make sure members benefit from six key fairness outcomes:

- 1 Members are confident that the fund prioritises **fair treatment** in its culture and management.
- 2 **Member needs** inform the fund's benefit design, including investment, annuity, group insurance and preservation strategies.
- 3 Members receive **clear information** throughout their membership, from joining to exiting the fund.
- 4 Any **advice** given to members considers their evolving circumstances over their membership period.
- 5 Fund performance and service **meet member expectations**, maintaining high standards.
- 6 Members encounter **no unreasonable obstacles** during their membership, even during complaints, benefit claims or changes in products, benefits or providers, if applicable.

The board assesses whether service providers incorporate these TCF outcomes into their culture, operations and decision-making when deciding to retain or approve appointments. Additionally, the board ensures members receive clear and timely information, and complies with all legal communication requirements.



Fund performance and responsible investing

Investment strategy

Our investment objectives

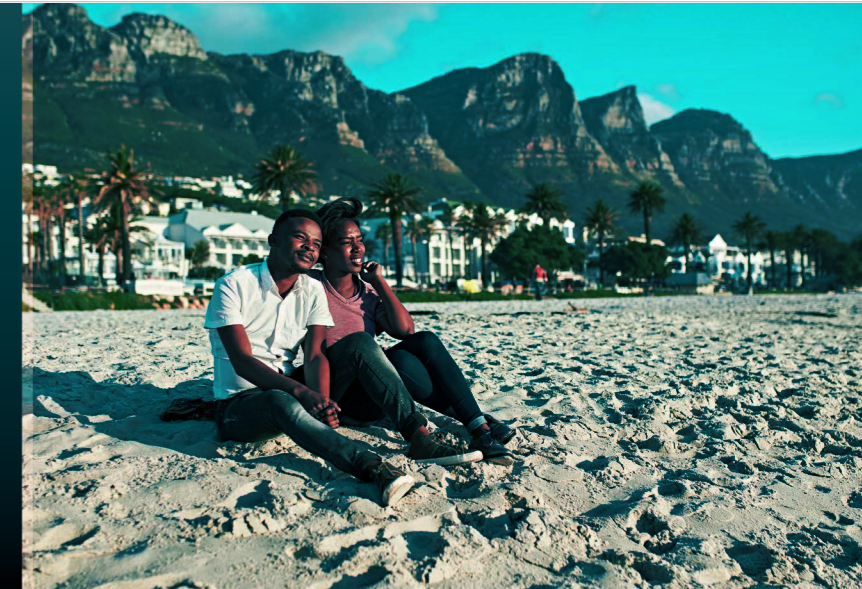
The trustees have a statutory and fiduciary duty to invest the fund's assets for the benefit of members in a responsible and prudent manner.

The trustees aim to:

Provide members with the greatest likelihood of securing a reasonable pension in retirement, by providing acceptable investment returns, at acceptable risk.

Provide the members with less volatile returns particularly close to retirement with the objective to generate an income stream to maintain their standard of living after retirement.

These objectives are of primary importance to the fund's investment strategy.



Our investment principles

Retirement income focus

The fund's main goal is to invest members' retirement savings to ensure they secure a reasonable retirement outcome.

Long-term approach

Because retirement savings are for the long haul, the investment strategy mostly looks at the long term.

Managing risk

Trustees see risk as not meeting investment goals. The strategy aims to maximise the likelihood of meeting goals while avoiding unnecessary risks.

Mix of strategies

Both passive (following market trends) and active (choosing investments) methods are used for different kinds of assets (like shares and bonds).

Choosing managers

Skilled managers are more likely to do well. We use a method to identify managers who are likely to outperform the market and their peers while meeting the fund's objectives. We select market-leading managers per asset class.

Asset allocation matters

Where we invest has the biggest impact on returns.

Considering the environment

Environmental and social matters are important for the social return on investment and broader sustainability but may have an effect on portfolio performance.

Economic role

As assets owners, we are responsible for helping to shape and improve the South African economy.

AFRF's investment strategy at a glance

AFRF's investment strategy is designed to help members save for retirement responsibly. The trustees aim to provide members with the best chance of securing a reasonable pension when they retire, while managing risks.

Joining the fund

Investment options

AFRF offers four broad investment frameworks linked to the service offering chosen by the employer/manco. These are carefully chosen to suit different needs:

- **Base option:** this is for smaller employer schemes and offers a stable investment with growth over time with no member choice.
- **Core and comprehensive option:** ideal for medium to large employer schemes, it balances growth and safety as retirement gets closer, with investment choice for members within a defined range risk-profiled portfolios.
- **Customised option:** larger schemes can personalise their investment approach, but with specific rules.

Default investment portfolios

For employers or members who don't choose specific investments offered in their selected plan, a default investment strategy is in place that is designed to achieve the objectives of the fund and is deemed suitable for most members' needs, taking charges, risk and returns into account.

Our default investment strategy, the Alexander Forbes Goals-based Balanced LifeStage model is utilised by over 90% of our members. The default portfolio for Base service offering is AF Navigator which comes with a default investment choice.

Investment choices

Members can opt for investments that fit their goals. There are options for growth, safety and balance. The fund has expert advisers who help pick the best investments.

Leaving the fund

Preservation

When members change their jobs – or if they are retrenched – we help them to keep their retirement money safely invested. We offer our members the option to preserve their savings within AFRF, or in an external fund. They may also choose to claim some of their savings as a cash payout, some of which may be taxed.

Annuity

At retirement, our members use their savings to buy an annuity that will provide an income stream for the years ahead. The fund offers out-of-fund annuity options.

We engage with our members to help them make choices that are right for them at each stage of life. All fees, charges and options are well communicated.



Read more about our **preservation and annuity** options on pages 75 and 76 of this report.

Ongoing fund management

Managing investments

The fund works with Alexander Forbes Investments Limited as a multi-manager for expert investment management. Alexander Forbes Financial Services handles administration provides investment advice, employee benefits advice, actuarial services and sustainability advice.

Managing risks

The fund cares about protecting members' money. As retirement nears, the investments become safer. Risky moves are discouraged, and there is a focus on having a mix of different kinds of investments.

Monitoring performance

The fund has a portfolio and manager monitoring framework in place to make sure that investments perform as they should and in line with our strategic objectives. If there's a concern, the trustees are informed and guided on what to do by their asset consultants.

AFRF aims to help members build a comfortable retirement. We provide default options as well as a range of investment choices that match different needs and stages of life, all while making sure members' savings are managed carefully and responsibly.

Investment strategy *continued*

Default and other investment strategies

According to retirement fund regulations, trustees are required to offer a default investment option for members who do not actively select their own investment strategy. This default plan must be straightforward, cost-effective and easy for members to understand.

These options are carefully selected to align with the fund's objectives, considering factors such as fees, risks and potential returns, ensuring they meet the needs of most members who have not personally selected an investment option.

Base offering

For our Base offering, the trustees have chosen the AF Retirement Navigator portfolio as the default option for most members in this category. This portfolio is designed to focus on long-term growth while smoothing returns, offering a low-volatility investment experience that aims to provide stable returns, making it a suitable choice for the average member profile.

Core and comprehensive offering

The default investment strategy selected by the trustees for the **Core and Comprehensive plans is the Alexander Forbes Balanced Goals-based LifeStage model**. This model aims for higher investment growth (CPI + 5%) when members are more than five years away from retirement. As members approach retirement, the strategy gradually reduces risk and adjusts for lower expected investment growth.

The strategy diversifies investment risk across:

- **Asset classes** (various types of investments).
- **Investment styles** (different methods or approaches to investing).
- **Asset managers** (professionals managing the investments).

This diversified approach is designed to mitigate exposure to any single risk, providing members with an optimal chance of securing a reasonable pension at retirement, based on their contributions and length of service.

Employers have the option to choose an alternative investment strategy instead of the default. They can select from:

- **AF Goals-based LifeStage models** (Balanced, Specialist, or Passive).
- **Shari'ah High Growth or Shari'ah Medium Growth** portfolios.
- **AF Retirement Navigator** portfolio.
- **Clarity™** (comprehensive or customized clients only).
- **An investment strategy chosen by the management committee** from the trustee-approved portfolio range.

Additionally, individual members may opt out of the default investment strategy to choose a portfolio that better suits their specific investment needs.

Customised offering

This option allows varying degrees of customised investment flexibility according to the size of the assets under management, starting from R300 million. Qualifying participating employers/mancos have the flexibility to create their own tailored investment strategy from their select portfolios, provided they are approved by the trustees and available on our appointed investment manager's platform.

To implement this customised investment option, employers are required to work with an investment consultant for expert guidance. The MANCO is responsible for selecting the default investment strategy for the scheme under this offering.

Factors considered when setting the investment strategy

Meeting investment objectives

The primary aim of our investment strategy is to help members achieve a secure and sustainable retirement income. This is accomplished by focusing on:

- **Safeguarding savings** against potential losses and inflation.
- **Growing retirement savings** steadily over time.
- **Providing retirement income** that supports members' lifestyles.

AFRF's approach involves thoughtful decision-making to cater to the diverse needs of members, which includes:

- **Selecting default investment strategies** with input from management committees and investment consultants.
- **Offering members the option** to choose portfolios that align with their individual preferences.
- **Aligning investments** with member age and their preferences for growth or stability.

Asset allocation

Effective asset allocation is key to achieving investment objectives. The fund carefully decides how much to allocate to different asset types such as equities, bonds, cash, property, and real assets (like infrastructure projects). This allocation strategy considers:

- **Choosing a suitable investment mix** based on priorities, whether it's capital growth or capital preservation.
- **Setting asset allocation targets** in line with either the portfolio mandate or the preferences of the investment manager.

Managing investment risks

Acknowledging and mitigating risks is an essential part of our investment approach to protect members' savings. Risk management strategies include:

- **Reducing exposure to high-risk investments** as members near retirement, minimizing the potential for losses.
- **Offering diverse portfolio options**, such as the Alexander Forbes Goals-based LifeStage models, to align with members' individual risk preferences.

This comprehensive strategy ensures a well-diversified, professionally managed investment portfolio that aims to deliver sustainable returns while meeting the retirement needs of our members.

Selecting investment managers

The trustees have opted for a multi-manager approach using pooled portfolios, which helps to reduce risks and effectively blend the strengths of different investment managers. Given that AFRF serves a diverse group of members with varying needs, a range of portfolios with different risk-return profiles aligned to those needs is made available.

Multi-manager approach

The fund has established a long-term partnership with our appointed investment manager which is responsible for selecting investment managers based on several criteria, including:

- Investment philosophy and expertise.
- Track record of past performance.
- Reputation in the industry.
- Ability to meet benchmarks and provide suitable portfolios.

The performance of these investment managers is regularly reviewed to ensure they meet the set standards.

Single investment manager portfolios

During the last annual investment workshop, the trustees evaluated the single-manager portfolio offerings. As part of an ongoing effort to enhance portfolio selection, the fund is in the process of adding a transformed manager, Aluwani, and an additional single-manager balanced portfolio to the Member Investment/Individual Choice (MIC) offering.

The fund, in collaboration with the multi-manager, uses a rating system to assess single-manager portfolios, categorizing them as A or B+ managers. If a manager's rating declines to B, the trustees notify the management committee, and members are encouraged to consider switching to alternative portfolios. If a manager's rating falls further to C, the assets are promptly reallocated to the AF Balanced High Growth (Performer) portfolio to safeguard members' investments.

Proactive monitoring and review

We take a proactive approach to monitoring portfolio performance against established targets. The overall investment strategy and the performance of multi-managers are regularly reviewed to ensure the fund's investments continue to deliver strong returns for our members.

One of the notable managers included in this strategy is Aluwani, which initially focused on fixed-income mandates. Aluwani has expanded its capabilities to offer a global multi-asset mandate. This evolution has enabled AFRF to consider and include Aluwani's portfolio in the single-manager investment offering, further diversifying the options available.

Investment strategy continued

Asset allocation

Asset allocation: 31 March 2024

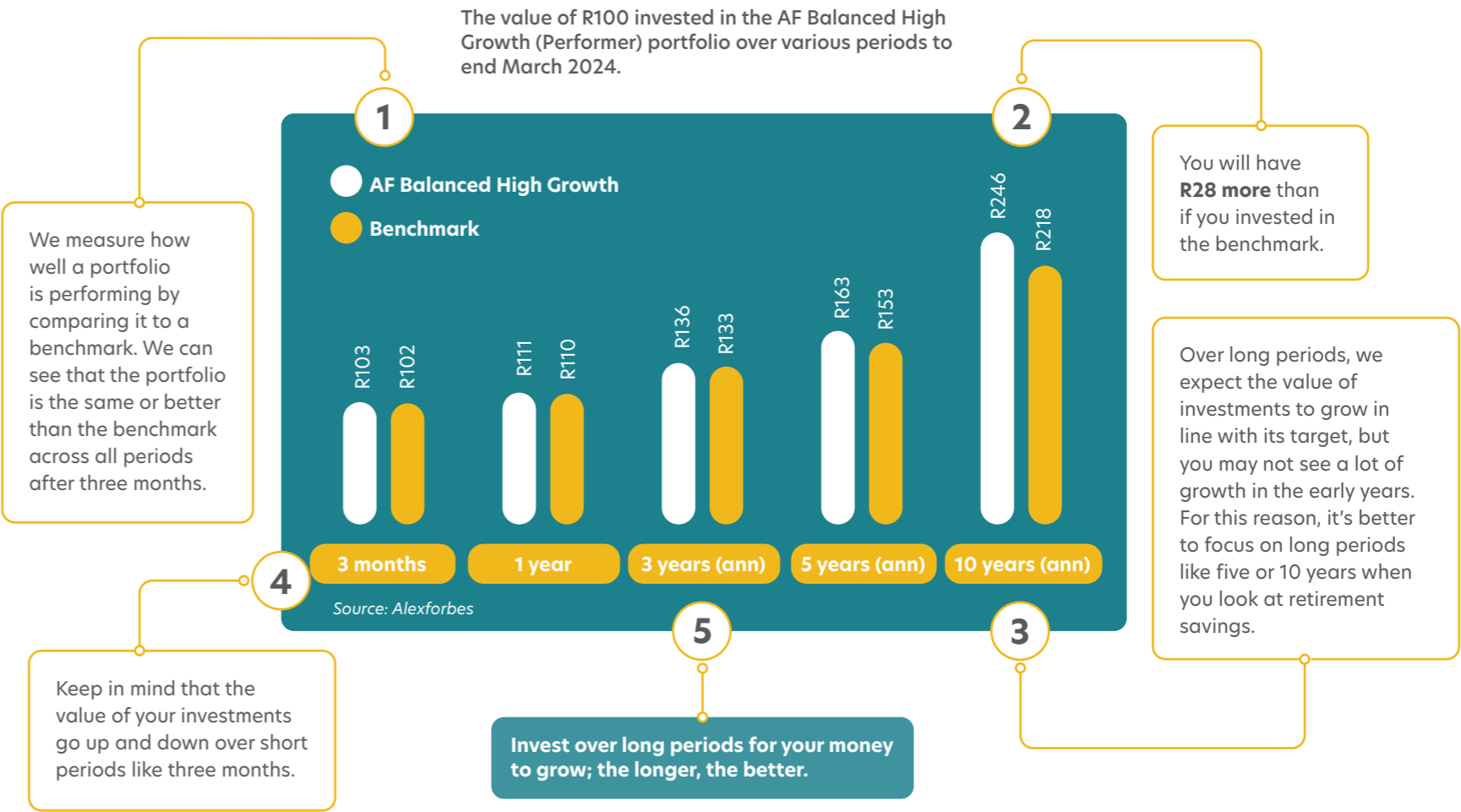
	Local	Africa	Global	Combined
Equity excluding property	35.0%	0.8%	32.9%	68.7%
Property	1.4%	0.0%	1.0%	2.5%
Bonds	14.3%	0.0%	2.5%	16.8%
Inflation linked bonds	0.3%	0.0%	0.0%	0.3%
Cash	2.2%	0.0%	1.4%	3.5%
Commodities	0.3%	0.0%	0.1%	0.4%
Alternatives	6.0%	0.4%	1.2%	7.7%
Total	59.6%	1.2%	39.2%	100%

Top 10 equity holdings as a percentage of the AF Balanced High Growth (Performer) portfolio.

Naspers	3.1%
Prosus	2.1%
British American Tobacco Plc	1.6%
Standard Bank Group	1.6%
FirstRand Limited	1.5%
Msci Portable Alpha Focus F-Perf	1.5%
Gold Fields	1.4%
Anheuser-Busch Inbev	1.2%
Absa Group Limited	1.2%
Glencore	1.1%
Total	16.3%

Fund performance

Growth portfolios	Past returns			% of AFRF total assets as at 31 March 2024
	1 year	3 years	5 years	
AF Balanced High Growth (Performer) portfolio	11.40%	10.77%	10.84%	68%
Benchmark	10.03%	9.93%	9.46%	
AF High Growth portfolio	11.45%	10.93%	10.84%	5%
Benchmark	10.95%	10.10%	9.72%	
AF Passive Bold portfolio	10.88%	9.92%	9.55%	2%
Benchmark	10.73%	9.95%	9.44%	



Responsible investing

Our approach to responsible investing

Our approach to responsible investing evolved significantly in 2024 with the adoption of the inaugural Responsible Investment Policy. This policy represents the integration of our previous ESG policy, transformation statement, and other critical position statements and responsible investment considerations.

The Responsible Investment Policy provides a comprehensive outline of our ESG management strategies, core beliefs, and overarching responsible investment framework. It also incorporates key elements, including our impact investing statement, climate statement, engagement statement, and transformation policy, ensuring a cohesive and robust approach to sustainable investing.



Read our full **RI policy** here.

Beliefs

The fund has adopted a set of beliefs and principles which broadly cover overarching ESG principles, fiduciary duty as trustees, active ownership and stewardship and impact and climate change.

Our partnerships and signatories

At AFRF, we are committed to responsible investment practices and endorse several recognized codes and standards that align with our approach to sustainable and ethical investing. Our key endorsements include:

Code for Responsible Investing in South Africa (CRISA)

Launched in 2011, CRISA encourages institutional investors and service providers in South Africa to integrate ESG factors into their investment processes. We endorse both CRISA and its updated version, CRISA 2, which reaffirms a framework of principles for stewardship and responsible investment as integral components of South Africa's governance landscape.

United Nations Sustainable Development Goals (SDGs)

Our business activities primarily focus on contributing to SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced Inequalities), with additional impacts on SDGs 3 (Good Health and Well-being), 4 (Quality Education), 5 (Gender Equality), 7 (Affordable and Clean Energy), and 13 (Climate Action). Through our responsible investment (RI) approach, we aim to influence positive SDG outcomes by expanding our analysis of financially material ESG issues to also consider the most significant societal and environmental impacts at a systemic level.



Read more about **AFRF's SDG impact** on page 67.

Principles for Responsible Investment (PRI)

Although AFRF is not formally a signatory to the PRI, we align with its principles, which advocate for the inclusion of ESG factors in investment decision-making as a fiduciary duty. Our investment beliefs and practices mirror the PRI's emphasis on responsible investing that prioritizes not just financial returns but also broader ethical considerations.

World Bank Sustainable Investment Best Practice Disclosure Checklist for Pension Funds

By adopting this checklist, AFRF commits to enhancing transparency and disclosure of its sustainable investment practices. This aligns our operations with global best practices in ESG considerations, reinforcing our commitment to providing clear and comprehensive insights into our responsible investment strategies and their outcomes for our members.



Responsible investing *continued*

Integrating ESG practices

Our responsible investing framework

Through the fund’s responsible investing framework, we are progressively incorporating an ESG overlay into our investment process. AFRF’s responsible investing framework is built on five pillars that are aligned with the CRISA 2 responsible investing codes.

Integration of ESG factors

Asset managers are expected to integrate ESG factors into their investment processes.

This integration is aimed at achieving better risk-adjusted returns and improved member outcomes.

AFRF has established reporting and monitoring mechanisms to ensure asset managers adhere to its ESG policy.

We use an ESG rating framework to assess the performance of asset managers, with the highest-rated managers preferred.

Ratings are regularly reviewed.

Active ownership and stewardship

The fund seeks to influence positive market behaviour through its activism.

We have adopted proxy voting guidelines that show our asset managers how to vote on shareholder resolutions related to specific ESG issues.

In addition, the multi-manager monitors and reports on their asset managers proxy voting records related to ESG issues.

An engagement policy empowers the fund to influence corporate decisions through asset managers.

Collaboration and capacity building

AFRF collaborates with industry bodies to promote ESG principles and expects its multi-manager to align with PRI and CRISA 2 principles.

We actively engage with the multi-manager, discussing ESG issues, receiving feedback from investment managers regarding the due diligence process and addressing concerns through ongoing engagement.

Governance

Responsible investment governance is overseen by various stakeholders, including the board of trustees, STSC, investment consultants, principal officer, multi-manager and investment managers.

Each stakeholder has defined roles and responsibilities to ensure ESG integration takes place.

Transparency and communication

AFRF supports disclosure and transparency, making its responsible investment policy available to members and reporting on our performance through annual reports.

Regular reporting on ESG activities is expected from the multi-manager, and proxy voting results are available upon request. Engagement activities by asset managers are reported annually.

In addition to implementing our five-pillar responsible investing framework, AFRF is integrating ESG practices through our impact and transformation approach.

Investing in private markets that deliver measurable impact

Alongside traditional asset classes, the fund invests in private market investments where members’ investments contribute directly to meaningful outcomes for the communities and the people to whom the programme is able to contribute. The private markets portfolio aligns with relevant SDGs, with a particular emphasis on the South African National Development Plan (NDP) 2030. These focus areas present a clear direction on where to steer the fund’s efforts to create maximum, intentional impact.

Transformation policy

Our Responsible Investment policy which encompasses our transformation policy aims to create positive change within South Africa’s asset management sector and society as a whole. We have taken a deliberate approach to promote diversity and inclusivity by offering greater opportunities to black individuals, including women, within the financial industry. We actively support businesses predominantly owned by black entrepreneurs.

Our transformation policy serves as a strategic road map. It has three main objectives:

- Expanding the pool of black investment professionals.
- Facilitating the growth of majority black-owned investment firms.
- Empowering start-up and emerging asset managers, especially those led by black entrepreneurs, by providing them with opportunities to establish strong track records.

Our multi-manager is implementing the policy by selecting investment experts who are aligned with these transformation goals. We work with the multi-manager to ensure:

- Ongoing monitoring of the performance and adherence to these objectives is conducted.
- Encouragement is provided to investment experts to engage with black-owned stockbroker firms.
- Comprehensive reporting mechanisms are established to track progress and compliance.

Adoption of the policy is on track as part of the three-year phase-in process.

Our responsible investing road map

An ESG gap analysis was completed for the fund during the year. The results were reviewed by the trustees as well as the STSC, with the assistance of the fund’s investment consultants. As a result, we formulated a comprehensive ESG implementation and transformation plan that outlines the strategic integration of ESG factors into our investment strategies and sets the course for its execution and ongoing monitoring.

Our responsible investing road map encompasses several key components:

- **Transformation:** fostering diversity and inclusivity.
- **Impact:** aligning investments with societal and environmental impact.
- **Climate:** addressing climate-related risks and opportunities.
- **Metrics and deliverables:** measuring and reviewing our progress under these components.

At AFRF, responsible investing is not just a concept, it’s a tangible commitment with a clear path forward. In the upcoming year, we plan to focus on the following actions:

- Review our impact policy, assess the multi-manager’s impact evidence (including ESG fact sheets), and review our SDG reporting.
- Scrutinise the multi-manager’s climate policy, evaluate carbon reporting for default portfolios, and review the climate policies of underlying managers in the default portfolio.



Responsible investing *continued*

Selecting and monitoring asset managers

Through our appointed investment manager, we employ a rigorous process for evaluating and selecting investment managers, prioritising their capabilities, track record, and commitment to responsible investment principles. The selection process includes a thorough assessment of each manager's alignment with the CRISA principles, their status as a UNPRI signatory, and their integration of ESG factors into their investment practices.

Continuous monitoring

Once managers are appointed, they are subject to ongoing monitoring to ensure adherence to responsible investment practices. Our investment manager, acting on our behalf, conducts regular due diligence, engages with managers, and assesses their efforts in ESG integration and active ownership.

Emphasis on transparency and accountability

AFRF places a strong emphasis on transparency and accountability in its monitoring efforts. The fund requires its investment manager to provide regular ESG-related reports, including details on proxy voting activities and engagement initiatives. Open communication with underlying asset managers is a priority, allowing AFRF to address concerns promptly and encourage improvements in line with our responsible investment objectives.

Stewardship through proxy voting and engagement

Stewardship embodies the responsible management of assets to deliver long-term value, with proxy voting serving as a critical mechanism in this process.

AFRF, through its multi-manager approach, adheres to comprehensive proxy voting guidelines designed to align with global best practices, including the principles of CRISA and UNPRI. These guidelines are integrated into the stewardship frameworks of our investment managers to ensure consistency and accountability. Regular engagements, due diligence reviews, and detailed reporting on voting activities form the backbone of this oversight, reinforcing transparency and alignment with our investment objectives.

Our multi-manager works closely with asset managers to ensure they not only meet these heightened expectations but also maintain a thorough understanding of the companies in their portfolios. This diligence extends to identifying potential ESG risks that could materially impact a company's long-term value.

Proxy voting and engagement activities remain central to AFRF's investment strategy, enabling the Fund to advocate for sustainable practices while supporting value creation across our investments.

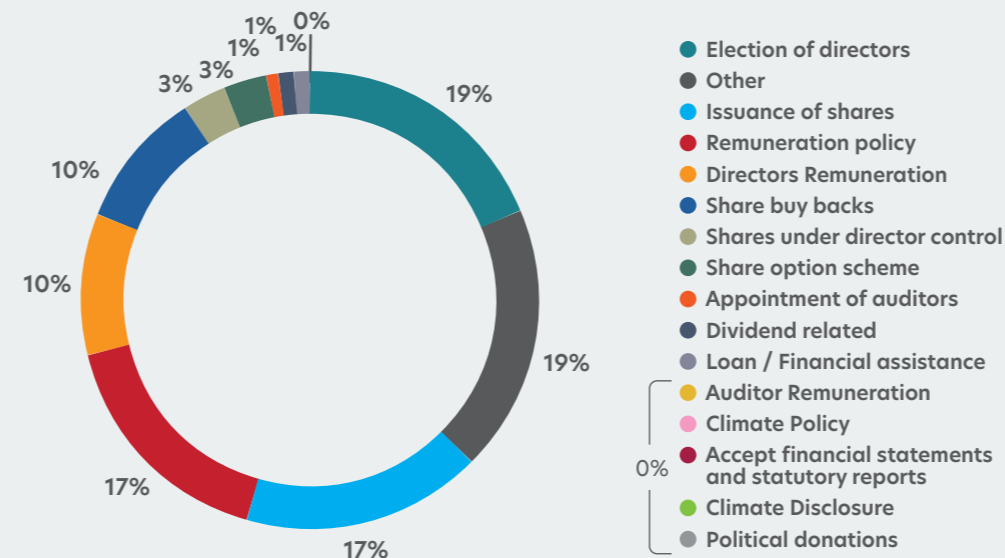
AF Balanced High Growth (Performer) portfolio proxy voting

In 2024 we voted on over 6 552 resolutions (2023: 6 500) through our appointed investment managers, covering equities in our local market.

	M&G	Ninety One	Allan Gray	Truffle	Aluwani	TOTAL Performer
No of resolutions	2 155	705	1 344	1 618	730	6 552
No of resolutions voted for	1 944	670	1 241	1 403	567	5 825
No of resolutions voted against	208	35	93	215	163	714
No of abstentions	3	0	10	0	0	13

The fund, via the multi-manager, reports on proxy voting quarterly and conducts detailed analysis on an annual basis. The most recent review is included in the multi-managers stewardship report.

The graph highlights the main categories of resolutions where AF Active Balanced High Growth (Performer) portfolio fund managers have voted against or abstained from voting between 1 April 2023 and 31 March 2024.



In line with a rigorous governance approach, our multi-manager ensures that each appointed asset manager adheres to sound proxy-voting practices. Proxy-voting guidelines are stipulated within our investment management agreements, and managers report regularly on engagement outcomes through report back meetings, due diligence and ESG engagement meetings.

Key issues and voting trends

1 Remuneration

Non-executive director remuneration policies were scrutinized, with votes against high fixed remuneration that was not linked to performance. Shareholders advocate for merit-based pay that reflects contributions and aligns with company goals, leading managers to vote against management's recommendations in cases lacking this alignment.

2 Director capacity

Directors with multiple commitments faced opposition due to concerns about their ability to fulfil their roles effectively, which could impact governance quality.

3 Tenure issues

Long tenure of directors and auditors raised concerns about independence, prompting shareholders to favour fresh perspectives to prevent complacency and undue influence.

4 Climate Policy Alignment

Votes were cast against resolutions where policies misaligned with long-term value creation, favoured short-term gains, lacked clarity, or posed unnecessary risks.

Abstentions

Abstentions remained marginal. They typically arose when disclosure was incomplete on a specific issue or when a conflict of interest suggested that abstaining would be the most prudent course of stewardship.

Responsible investing *continued*

Our commitment to climate change

AFRF is committed to integrating climate change considerations throughout our investment strategy. Our investment policy, reviewed annually, incorporates responsible investing and climate-focused components, providing a framework for monitoring progress, addressing decarbonization, and adapting our portfolio to evolving climate imperatives. We have adopted an engagement-based approach that aligns with national priorities under the Climate Change Act 22 of 2024, ensuring our strategy resonates with the South African context while supporting a just transition.

Our climate change policy establishes objectives, such as measuring the carbon footprint of our portfolios—especially within our default portfolios—and prioritising active engagement with high emitting companies. Though our appointed investment manager AFRF drives meaningful engagement with underlying entities to improve transparency, reporting and performance on climate-related issues. For offshore investments, we adhere to international legislative standards and best practices, aligning with the medium-term (2030) and long-term (2050) decarbonization targets. Additionally, AFRF uses scenario analysis to continuously refine our approach, supporting both the qualitative and quantitative aspects of our investment strategy to strengthen portfolio resilience and promote long-term sustainability.

As part of our ongoing commitment, in September 2024, AFRF formally adopted a climate change policy to guide our actions and align our investments with a low-carbon future. AFRF endorses the objectives of the Paris Agreement, aiming to limit global temperature rise to well below 2°C, with an aspirational target of 1.5°C.

Climate change and investment implications

The reality of climate change, driven by human activity over the past century, presents clear ESG risks with the potential to influence the stability and sustainability of long-term investment returns. Climate change risks can be broadly categorised into physical risks—such as floods, wildfires, and infrastructure damage—and transition risks, arising from the global shift to a low-carbon economy and associated policy changes. These risks underscore AFRF's commitment to responsible investment, as we work to balance the fund's investment risks, returns and impacts, and to ensure that the fund is positioned to remain resilient into the future.

Aligned with our Responsible Investment Policy and our Climate Change Policy, we recognize the importance of a just transition, particularly in the South African context, and we are committed to responsible stewardship that acknowledges local economic and social realities.

As a fund, we expect our appointed multi-manager to incorporate climate considerations into its investment strategies, engage directly with asset managers on climate-related issues, and ensure that proxy voting on these matters aligns with our investment objectives. Our multi-manager's approach to climate change has been assessed and is suitably aligned with the fund's climate change policy.

Investment portfolio ESG performance and impact

In line with the Global Impact Investing Network's definition of impact investing – “investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return”- AFRF is committed to integrating both impact and financial performance within its investment strategy.

The fund actively monitors the social, economic and environmental impacts of its investments, expecting detailed impact performance reports from its multi-managers. These insights guide engagement with asset managers to optimize the risk/return profile and amplify impact outcomes. In addition to traditional asset classes, the fund has embraced private market investments that contribute directly to selected NDP and SDGs indicators, driving tangible benefits for communities and individuals.

The ESG performance of an investment portfolio offers a comprehensive view for trustees of the fund to assess investment impact by taking into account broader ESG considerations beyond just looking at the financial return. This information is key to helping trustees exercise their fiduciary responsibility.

The AF Balanced High Growth (Performer) portfolio stands as the primary focus of our ESG impact analysis since it is the largest portfolio of the default investment strategy as well as the largest individual member selected portfolio, representing 90% of total fund assets.

Measuring ESG impact at the portfolio level, however, presents unique challenges, as there are limited off-the-shelf tools readily available for this purpose due to data unavailability.

Recognising this, AFRF has initiated a dedicated effort to measure and understand the ESG impact within our portfolios, beginning with AF Balanced High Growth (Performer). Our current approach to impact measurement enables us to look at Performer through three different impact lenses:

1 | Listed assets ESG performance

Here are key performance metrics for the AF Balanced High Growth (Performer) portfolio, the flagship of our default investment strategy and the largest individually selected portfolio, accounting for 90% of total fund assets:

Gender diversity

We are encouraged by the strong female representation on South African boards, with women comprising 30-35% of board members in our Balanced High Growth and Performer portfolios. This aligns with global trends, where 50-55% of companies meet or exceed the 30% diversity target, reflecting our commitment to gender diversity in responsible investing.

As social inequality gains attention, stakeholders increasingly demand greater diversity in corporate leadership. Transparency and consistent reporting of ESG metrics are crucial for progress. South African companies have embraced female board representation, as seen in our portfolios' alignment with the FTSE/JSE All Share Index. While board-level diversity is strong, top management representation remains slightly below this range, highlighting opportunities for improvement.

AF Balanced High Growth
(Performer) portfolio female
representation

27%

ESG integration

Our investment process includes evaluating asset managers on their ESG integration across all asset classes. Each portfolio's ESG rating reflects a weighted average based on manager assessments, ranging from ESG 1 (leaders in ESG integration) to ESG 4 (minimal integration).

We are pleased to report that most of our portfolios hold higher ESG ratings compared to their respective benchmarks, reinforcing our commitment to responsible investing.

Overall, most of our portfolios have higher-rated portfolio ratings relative to their respective benchmarks. The goal is to continuously improve the ratings of all managers across asset classes rather than chase absolute scores or attaining a score of ESG 1 at the expense of meaningful change. Progress being made by a manager is measured on a relative basis to the peer universe and how they keep up with the rapidly developing ESG landscape.

AF Balanced High Growth
(Performer) portfolio average
ESG integration rating

2.51

Climate change

We use the Weighted Average Carbon Intensity (WACI) metric to monitor the carbon exposure of our portfolios. Domestic equity portfolios generally show a WACI range of 220-450, while global portfolios reflect 90-160 for developed markets and 260-340 for emerging markets.

AF Balanced High Growth (Performer) Portfolio WACI score of 166 is a respectable score and benefits from lower WACI from its global allocations. We remain focused on balancing returns with effective carbon risk management for sustainable, long-term value.

Our approach to calculating WACI in our domestic AF Balanced High Growth (Performer) portfolio has improved from prior year, and now includes fixed income assets (where it is possible to measure within this asset class).

AF Balanced High Growth
(Performer) portfolio
WACI score

166

Responsible investing *continued*

2 | SDG impact of AF Balanced High Growth (Performer) local listed equities

Through our appointed service provider, the fund has started to better understand the impact of its investments. Our service provider appointed Paragon Impact to independently assess and grade the fund's SDG impact. The initial grading focused on the local listed equities components of the Alexforbes Performer portfolio, and will expand over time to cover all asset classes.

The Paragon Impact SDG Grading evaluates the net impact score of investments within a global context, using the Morningstar Global Markets Index as a sector-wide baseline. These assessments will guide the fund's SDG impact journey by providing trustees with a credible and objective SDG impact benchmark.

By leveraging Paragon Impact's independent SDG impact reports, the fund aims to enhance its understanding of the positive and negative impacts of its investments. This empowers the fund to be more intentional in driving positive SDG outcomes while mitigating negative effects through stewardship activities, including proxy voting.

Core SDG grading as at 31 March 2024



Performer's local listed equities has achieved a grading of A for the fund's core SDGs, 8 (Decent Work & Economic Growth) and 10 (Reduced Inequalities), outperforming over half of entities rated against the Morningstar Global Markets Index.

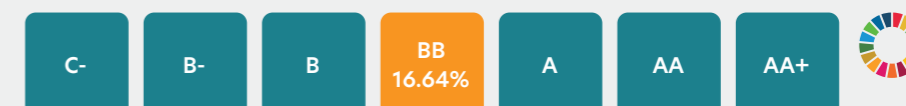


SDG 10: A 'BB' grade (44.0%) reflects moderate progress in reducing inequalities, with strong local economic impact in high-inequality areas.

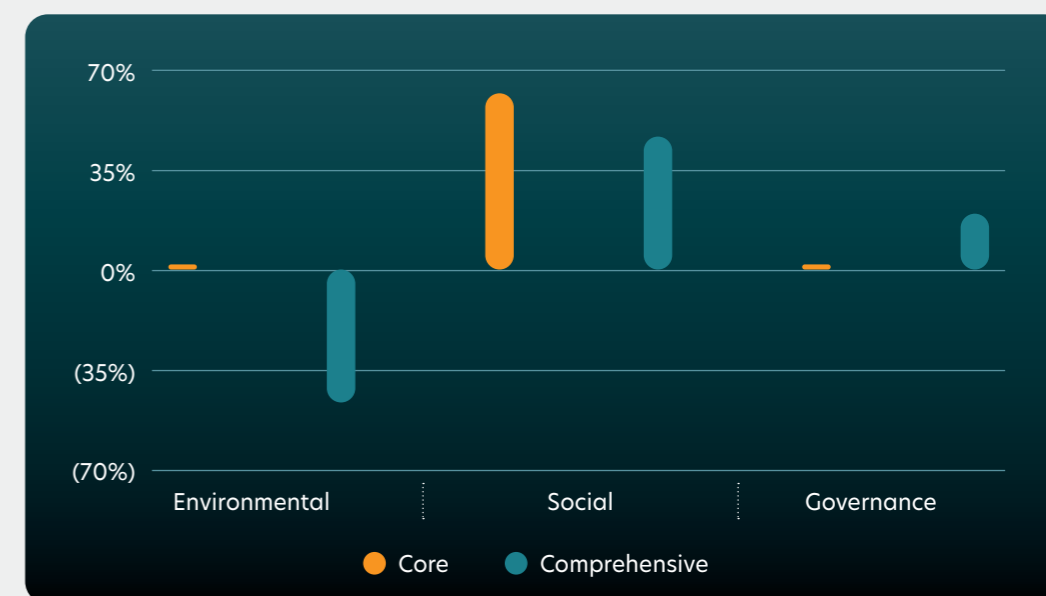


SDG 8: An 'AA' grade (74.7%) highlights robust contributions to inclusive economic growth and decent work, amplifying economic activity in unequal regions.

Comprehensive SDG view



When assessed against all 17 SDGs, Performer's local listed equities achieved a 'BB' (16.64%) grading. This score shows that the portfolio contributes towards most of the SDG, however there is still room for improvement.



When the core and comprehensive SDG grading are assessed through an ESG lens, the local listed equities portion of the Performer portfolio demonstrates strong positive social and governance impacts. However, overall, the portfolio has a net negative impact on the environment, reflecting the nature of the South African economy and the investable universe.

This assessment sets a high-level baseline against which trustees can monitor and manage the impact of its investment portfolios over time, with a view to reducing negative impacts and enhancing positive impacts in pursuit of financial returns on behalf of members of the fund.

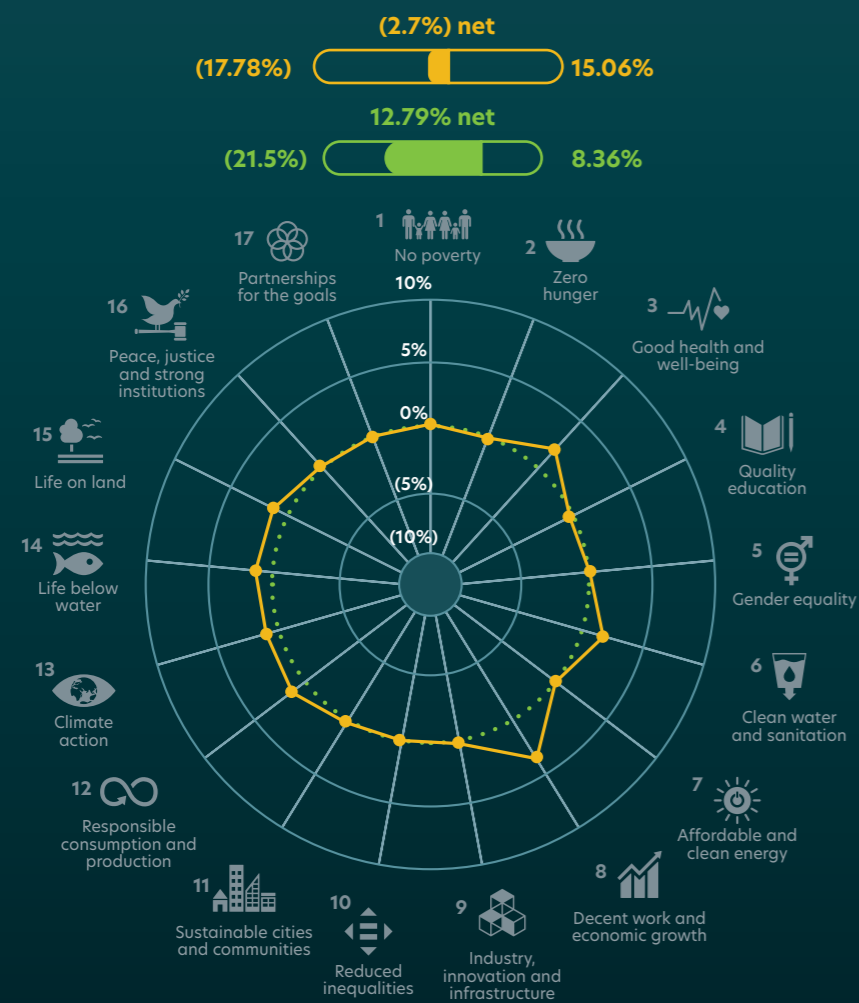
Responsible investing | SDG impact of AF Balanced High Growth (Performer) local listed equities *continued*

SDG assessment against the Capped SWIX

The financial performance of the Performer portfolio is benchmarked against the JSE Capped SWIX – a benchmark which emphasises local shareholder weighting and caps individual stocks at 10% to provide a balanced view of the South African market, reflecting the domestic economic environment.

With this in mind, the impact performance of the local listed equities portion of the Performer portfolio has been compared with that of the Capped SWIX, to establish an initial comparative view against the SDGs. The revenue alignment and operational alignment of each against the SDGs is set out below.

SDG revenue alignment as at 31 March 2024



Whilst the Performer portfolio and the Capped SWIX perform similarly across most SDGs, the Performer portfolio delivers enhanced positive impact in the following key areas:

- **Climate Action (SDG 13):** The local listed equities component of the Performer portfolio demonstrates stronger integration of climate change, reflecting reduced carbon intensity and better climate alignment than the Capped SWIX.

- **Responsible Consumption and Production (SDG 12):** The local listed equities component of the Performer portfolio, outperforms the Capped SWIX, aligning more closely with sustainable production practices, benefiting from companies prioritising circular economy and other responsible business practice models.
- **Good Health and Well-Being (SDG 3) and Decent Work and Economic Growth (SDG 8):** The local listed equities component of the Performer portfolio outperforms the Capped SWIX on SDG3, signifying the inclusion of a higher weighting towards businesses that contribute to societal well-being and inclusive economic growth.

SDG operational alignment as at 31 March 2024



The local listed equities portion of the Performer portfolio significantly outperforms the Capped SWIX in key operationally-aligned SDGs, such as Life on Land (SDG15), Clean Water and Sanitation (SDG 6) and Responsible Consumption and Production (SDG 12). This reflects a robust focus on operational practices that prioritise sustainability and resource efficiency.

3 | Private markets ESG impact

The fund is invested in private markets through two portfolios:

- AF Balanced High Growth (Performer).
- High Growth.

The Alexander Forbes Investments South Africa Private Markets (AFISAPM) programme aims to create economic, social and environmental impact while achieving financial returns for investors through partnerships with alternative investment providers.

This programme measures impact against the NDP (a local impact framework) and the UN SDGs (a global framework) to demonstrate contribution to local and international development initiatives.

The table below indicates where these target areas are spread across the different sleeves in the private markets programme:

Economic environment and social area of focus	Infra-structure	Private equity	Unlisted credit	Direct property
Green transition	*	*		
Job support	*		*	*
Diversity and financial inclusion	*	*	*	*
Education	*			
Health and safety	*	*		*



AFIL publishes a private markets **ESG report** which can be accessed [here](#).

The report highlights the impact that the AFISAPM programme generates. This impact aligns with specific target areas supported by both local and global development goals.

Impact on our members and participating employers

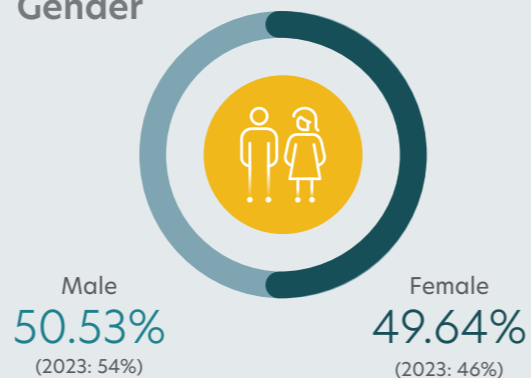
Member impact

Insights driving member impact

This year's insights offer a deeper understanding of member impact based on our latest data analysis of AFRF member profile. The analysis is based on new metrics that we introduced last year.

Detailed member demographics

Gender



Percentage of members aged 36 and younger:

45.49%

(2023: 44%)

Percentage of members aged between 37 and 59:

46.87%

(2023: 45%)

Percentage of members aged 60 and over:

2.53%

(2023: 2.5%)

Retirement age:

Average expected retirement age:

63

(2023: 64)

Average actual retirement age:

62

(2023: 62)

Postponing retirement allows for additional years of saving and investing, enhancing the prospects of achieving a secure and comfortable retirement lifestyle.

Contribution rate

Average contribution rate:

14%

(2023: 14.1%)

This is the percentage of pensionable salary contributed monthly.

Average expenses:

1.4%

(2023: 3.5%)

This is the portion of the contribution that goes towards life and disability insurance and administration costs.

Total average contribution to retirement fund:

12.6%

(2023: 10.6%)

This is the total percentage of pensionable salary that goes into the retirement fund.

Average pensionable fund salary per year:

R269 400

(2023: R240 000)

Minimum rate members need to contribute over a 40-year period to achieve 75% replacement ratio:

17%

(2023: 17%)

Average fund credit (retirement savings):

R150 000

(2023: R150 000)

Average lump sum death benefit insured by the fund (varies by industry):

3x salary

(2023: 3x salary)

Member impact *continued*

Preservation and replacement ratios

Our research shows that

about **one in 5 people**

(21%; 2023: 20%*)

keep their retirement savings invested and growing when switching jobs.

Most people retire with just over

24%
of their final salary

This is less than ideal, but can be improved if members keep (preserve) their withdrawal benefits for retirement when changing employers.



Retirees who achieve a replacement ratio of 80% or higher:

2% to 3%
(2023: 2% to 3%)

Average projected replacement ratio for the fund over 5 years:

41% to 44%
(2023: 42% to 44%)

Average actual replacement ratio of retirees:

24%
(2023: 23%)

Members with the worst projected replacement ratio outcomes:

60+
(2023: 60+)

Average exit rate:

20.7%
(2023: 16%)

Average preservation rate:

21%
(2023: 20%*)

Maintaining retirement savings in investments is crucial for ensuring financial security in the future. However, the decision to keep these funds invested can be challenging, particularly when it involves forgoing the immediate relief of accessing additional cash in times of financial strain.

Measurable benefits

Our strategic ambition is to provide optimal service to institutional clients and individual members by delivering measurable benefits through a comprehensive, advice-driven experience. We are committed to enhancing our core strengths in consulting, administration, and investments, enabling us to achieve greater scale, efficiency, and operational advantages.

Claims and Benefit Payments

Insured death and disability benefits are provided to all our members through a group of four carefully selected insurers, with terms and conditions specifically negotiated for the fund. Our recommendations are based on competitive and suitable offerings from all insurers to best serve our members' needs.

During the financial year ending 31 March 2024, a total of

R12.8 billion

(2023: R11 billion)

in benefits was paid out to

45 483 members

(2023: 41 938)

or their family members, a

16.4% increase

in benefit payments and an

8.5% rise

in the number of beneficiaries compared to the previous year.

This represents
an average of**197**
(2023: 167)benefit payments made every
working day, broken down as follows:**4**death claims paid
per working day
(2023:5).**28**retirement claims
paid per working day
(2023: 7).**165**withdrawal claims
paid per working day
(2023:155).

* restatement due to calculation methodology change.

Member impact continued

Creating better retirement outcomes

Preservation options

Inflation often rises faster than the salary increases that most workers receive, making it challenging for most workers to save for retirement while managing daily expenses. The two-pot system that came into effect in September 2024 is expected to address this in the long run; by allowing individuals to access one-third of their retirement savings while preserving the remaining two-thirds. Over time this approach is expected to boost preservation rates which currently average 17%, aligning with the industry standard.

**AFRF has two options
available for members
who are changing jobs:**

In-fund preservation

 Alexander Forbes
Retirement Income
Solution (AFRIS)
preservation fund

Members are not left to navigate these important financial decisions without guidance, AFRF offers counselling to all members at various stages of their retirement journey. AFRF also encourages members to preserve their retirement savings, allowing them to stay on track to retire comfortably by:

- Offering advice to members before they withdraw their savings.
- Offering them the same investment plan even after exit their current employer.
- Keeping their fees the same with those of existing members.
- Providing retirement advice to preserved members before they withdraw their savings.

Members counselled:

 New joiners:
3 102
(2023: 2 992)

 Leavers
counselled:
2 129
(2023: 2 018)

 Retirees
counselled:
1 579
(2023: 676)

 At 31 March 2024
the fund recorded:

7 719 (2023: 3 685)
members that kept their savings invested after
leaving their employer.

 *Average preservation rate
(100% complete preservation):

17% (2023:16%)

 Average preservation rate:
(including partial preservers):

21% (2023:20%)

* 2023 figure restated in line with new calculation methodology.

Annuity options

Upon retirement, members use their retirement savings to purchase an annuity, an insurance product designed to provide regular payments throughout retirement, either for a set period or for life. AFRF offers members out-of-fund annuity options, including:

- **Out-of-Fund annuities via Alexforbes:** For members with at least R600 000 in savings, this option offers flexibility and competitive pricing.
- **Another out-of-fund option with Profit Annuity through Just SA.**

**Alexander Forbes Retirement Income Solution
(AFRIS) Living Annuity**

The AFRIS living annuity allows members to choose their annual income level, offering flexibility but with the risk of potentially exhausting savings if withdrawals are too high. As a hybrid solution, AFRIS combines the flexibility of a living annuity with the security of a life annuity, providing members with pension income flexibility, a legacy for beneficiaries, and a portion of guaranteed income.

Alexander Forbes (JuLI SecureGro) With-Profit Annuity

The JuLI SecureGro with-profit annuity provides a lifelong income guarantee, unaffected by market fluctuations, offering members peace of mind with a stable monthly income that won't decrease over time.

We guide our members in understanding the benefits and drawbacks of each annuity type, empowering them to make informed choices for a secure and sustainable retirement income.

We continue to advise members on the benefits of postponing retirement. Retiring at age 65 instead of 55 can nearly double retirement income, significantly improving long-term financial security.

 At 31 March 2024
the fund recorded:

167 members
postponed their
retirement
(2023:155).



Member engagement

Our strategy is centred on meeting the unique needs of both employer groups and individual members by empowering them to make informed financial decisions. Through an evolving, advice-led approach, we are committed to guiding each member toward the best possible outcomes. This member-centric focus is supported by our multi-manager's transformative efforts in investment innovation, automation, digitisation, and organisational restructuring.

Insights from our Member Impact Report, along with regulatory changes like the introduction of the two-pot system, underscore the importance of our individualisation strategy. This strategy aims to enhance member outcomes, increase new membership, and improve member retention. Central to this goal is the expansion of our adviser network, the broadening of our advisory capabilities, and the enhancement of our digital platforms to create stronger connections with members.



Individualisation strategy

We view the individualisation of each member's retirement funding experience as our greatest opportunity to positively impact lives. By engaging members in meaningful ways, we empower them to make well-informed financial decisions for a more secure future.

The traditional focus on engaging members approaching retirement on that event, has shifted to a more holistic approach, accelerated with the developments of the two-pot system and earlier access to savings for other needs. Now, we are broadening our scope to enable access to advice throughout each member's lifetime, addressing financial needs that extend beyond retirement savings.

This shift has brought about greater flexibility in benefit options, aligning with the growing trend toward a more personalised experience for members, the need to provide ease of access to information and advice, enhance advisory capabilities, and invest in digital tools to strengthen member-adviser connections.

Why are we doing this?

- Limited engagement at retirement: Traditionally, our interactions with members primarily occur at retirement, which limits our ability to influence long-term financial outcomes.
- Insufficient guidance throughout Life: Members often lack consistent support to make informed financial decisions at various life stages, impacting their financial well-being in retirement.
- Early engagement for lasting impact: To truly shift member behaviour and improve outcomes, we need to engage with members earlier, providing guidance that supports sound financial decisions throughout their lives.

During the year

- Enhanced Access to Information and Services: We improved accessibility to support financial inclusion, making it easier for members to engage with their retirement plans.
- Refined Consulting Strategy to Strengthen Individualisation: Our approach now extends the reach and impact of individualised member services through:
 - Tailored member impact reports that provide personalized insights.
 - Updated workplace financial wellness initiatives to address member needs more effectively.
 - Improved retirement benefit counselling to offer comprehensive guidance, which was extended to all members from July 2024
 - An incentive model for retirement consultants, encouraging greater engagement and support for members.

What are we doing?

- We are focusing on targeted engagements at pivotal life moments to create awareness, provide information, and offer guidance and advice throughout each individual's working lifetime. Our goal is to help members make informed financial decisions that maximise their outcomes well into retirement.

In the 2024 financial year

- We have greatly improved our data quality, now successfully obtaining contact details for 89% of our members, up from 78% in 2023. This enhancement enables us to communicate directly with members, offering them valuable information and access to retirement benefit counselling and financial planning services.
- This shift to an individualisation strategy continues to progress and we will continue to engage with Alexforbes to improve the ease of access through digital engagement and modernising communication channels, aiming to enhance member engagement and thereby improve their outcomes.

Member engagement *continued*

Two-Pot communications

The introduction of the two-pot retirement system marks a significant shift in the retirement landscape, offering members greater flexibility in managing their savings. To ensure that our members are empowered to make informed decisions about their pensions, AFRF has implemented a robust, multi-channel communication strategy. This includes distributing targeted two-pot communications, sharing our service provider's webinars, and creating dedicated online resources to equip members with the necessary insights and tools.

Over a period of four months, **the fund distributed ten "Fast Facts"** to its members. These concise, one-page communications were designed to gradually explain the two-pot system in bite-sized, easily digestible formats. The Fast Facts were delivered directly to members via SMS and email, ensuring timely and accessible information.

To further enhance understanding, our appointed service provider hosted a **series of webinars**, presented in multiple languages to cater to the diverse linguistic needs of our members. These webinars provided in-depth guidance on the two-pot system, offering practical advice and real-world scenarios to clarify its workings and benefits.

Additionally, a dedicated **two-pot web page** was created as a central hub for information. This resource features explainer videos, FAQs, and all ten Fast Facts, ensuring that members have easy online access to key materials.

Direct communication with members

AFRF has a multipronged communication strategy, but the challenge remains ensuring that all members, with their varied circumstances, receive the right information at the right time—particularly in today's largely hybrid work environment. We believe that part of our responsibility to our members is to equip them with the skills and knowledge needed to make informed financial decisions. AFRF is therefore placing a greater emphasis on strengthening both direct and digital communication channels.

Section 13A of the 2022 Pension Funds Amendment requires employers to provide comprehensive member information to the retirement funds. This requirement supports our focus on enriching communication and information-sharing processes, ensuring members receive timely and relevant updates.

Digital communication channels

Digital platforms offer an effective solution for immediate, targeted, and remote communication. This is therefore an area of focus of the CSC engagement with our service provider. Our service provider is committed to improving members' digital experience, especially for those joining employers with digital onboarding processes, helping them make informed decisions about their fund benefits. To expand digital access, members have access to various tools and platforms which benefit fund members' access:

AF WhatsApp Channel
Self Service options

Use WhatsApp self-service, which gives you access to:

WhatsApp



- Connect with an Alexforbes financial adviser
- Benefits statements
- Latest tax certificate
- Claims summary and status
- Register on AF Connect or reset password
- Learn more on specific topics
- WhatsApp uses end-to-end encryption to keep your messages secure



WhatsApp Self-Service: For members with employers on the digital administration platform, a convenient WhatsApp self-service menu is available. This feature allows members to check fund values, retrieve benefit statements, and track claim status upon exit, ensuring real-time, accessible information.

Make more informed decisions
with our My Money Matters Toolkit

Get **access** to My Money Matters Toolkit - to help you manage your finances and guide you through starting a new job, resigning and retiring.

My Money Matters Toolkit: is a digital toolkit designed to guide members through retirement-fund related decision-making moments during their working lives and beyond, making it possible for members to make informed decisions and have access to the right advice at the right time.

We monitor the effectiveness of our communication and constantly seek ways to improve our engagement with the members we serve.

On average

29%

(2023:30%)

of members who received the newsletter by email opened it/read it. This is higher than the 10% industry average, but we would like to see this improve further.

On average

79%

of the SMS we sent were successfully delivered.



Two-pot system

Fast fact

Money in your savings pot | 1 September 2024

As you know by now, the two-pot system will become effective on 1 September 2024. To start this new system, 10% of your existing retirement savings, to the maximum of R30 000 will be transferred into your savings pot. This is known as vest capital.

The amount of money you'll have in your savings pot on 1 September depends on how much you already have saved.

The table below illustrates how much you could expect to have in your savings pot and if you meet the minimum withdrawal allowance of R2 000.

Existing savings	Amount in savings pot
Less than R20 000	Less than R2 000 - You will not be able to make a withdrawal until you have at least R2 000
R20 000 to R50 000	R2 000 to R5 000
R50 000 to R250 000	R5 000 to R25 000
R250 000 and above	R25 000 to R30 000

Remember that you will pay tax on the amounts you withdraw at your marginal tax rate and transaction fees will be deducted, so you won't receive the exact amount once the claim is finalised.

The transfer of money from your existing retirement savings is a once-off automatic event; it won't happen again.

If you belong to a pension, provident, or retirement annuity fund, the value of your savings pot will increase with the allocation of one-third of your ongoing contributions and investment returns.

Things work slightly differently for **Provident, Pension and Retirement Annuity Funds**. You will have the once-off transfer from your provident amount into a savings pot, but your savings pot won't get topped up if you make a withdrawal as you are not making ongoing contributions.

Save your savings pot for your future self!

If you have a query or need assistance with any of the information here, contact our Call Centre at 0860 896 748 or email help@alexforbes.co.za. Please speak to a financial adviser before you make any financial decisions.

Scan the QR code to read more about the two-pot system.

Two-pot system

Fast fact

Provident fund members 55 years or older

Know your options

If you were 55 years or older and in a provident fund on 1 March 2021 and are still in the same provident fund, you can opt into the two-pot system.

My Money Matters
When making important decisions, consult your licensed financial adviser or call the My Money Matters Contact Centre on 0860 000 388 or email my.moneymatters@alexforbes.co.za.

You have from 1 September 2024 until 31 August 2025 to opt in.

Let's see what the differences are between opting in and not making any changes:

Opting in	No change
1. You can't opt out again.	1. You will only have a vested pot and all your ongoing contributions will be added to your vested pot.
2. Your retirement savings at 1 September 2024 (less any amount transferred to your savings pot) remains in your vested pot. No additional contributions will go into your vested pot; it will stay invested and continue to grow.	2. You can't get any cash from your vested pot unless you resign or retire.
3. You are unable to withdraw your retirement pot in cash, unless the amount is below the de minimis amount, currently R150 000.	3. You could qualify for a tax-free portion on cash taken at retirement.
4. Your ongoing contributions will be split between your retirement pot and savings pot, as illustrated below.	4. You can still take your full benefit in cash at retirement, resignation or dismissal, subject to tax.
5. You can make one withdrawal per tax year from your savings pot. Any amount you withdraw will be taxed.	
6. Withdrawing from your savings pot decreases the amount of money you can take in cash and potentially get tax-free at retirement.	

two-thirds (about 67%) of new retirement savings automatically go into your retirement pot

one-third (about 33%) of new retirement savings automatically goes into your savings pot

Advisers from Alexforbes can help you understand how this change may impact your retirement decisions and assist you in planning for a secure future. This is an excellent opportunity to review your retirement strategy and make informed decisions.

Click here Request a call back from a financial adviser

Learn more about your money
with AF Connect: your online financial resource

Stay on track to reach your retirement goals with AF Connect.

- View your profile and disability insurance values.
- Complete an online nomination of beneficiary form.
- Enjoy real-time access to investment and discretionary savings values.
- Access your benefit statement.

AF Connect (formerly AF Online): This online portal provides members with secure access to fund values, account statements, and a suite of financial planning tools, all under a single login both via online and mobile.

Member engagement *continued*

Retirement benefits counselling

A **multi-channel delivery model** that offers both digital and interactive counselling services.

This has been enabled by the **My Money Matters Toolkit** which offers a guided digital experience that provides just-in-time information that's understandable, relevant, relatable, persuasive, and actionable – based on Alexforbes research insights.

3 ways we offer counselling: a summary

Guided digital counselling information

- A guided digital journey through an explanation of options.
- Option to request interactive counselling.

Guided digital counselling decisions

- A guided digital journey through an explanation of options, offering the ability to make a choice.
- Option to request interactive counselling.

Interactive counselling

- Telephone consultations or group webinars or presentations that provide an opportunity to interact and ask questions, provided by suitably qualified individuals.

At AFRF, we go beyond compliance in providing retirement benefits counselling, striving to genuinely support our members and empower them to make informed financial decisions. Our eRBC programme includes comprehensive member communication, proactive outreach and a tailored digital exit platform to guide members securely through their retirement journey. Because of the difference we have seen in member outcomes engaged through this enhanced process, eRBC has been incorporated as a standard offering and made available to all members from July 2024.

The service is delivered through a multi-channel model that offers members digital self-service options, as well the opportunity to engage with our individual consulting team who provide interactive counselling through telephonic, virtual, or in-person sessions. The eRBC service is available, to all AFRF client at no additional cost, although additional information is required to fully implement the service. As the one-on-one interactive counselling service is provided by appointed independent financial advisers, members have the option to request advice after counselling thus reducing the barriers that most members have faced in easily gaining access the advice services needed to make a financial decisions that are right for them based on their personal circumstances.

In 2024, AFRF provided counselling to a total **6 810** members (2023: 5 688*)

3 102
Starting a job
(2023: 2 992)

2 129
Leaving a job
(2023: 2 018)

1 579
Retiring
(2023: 676)

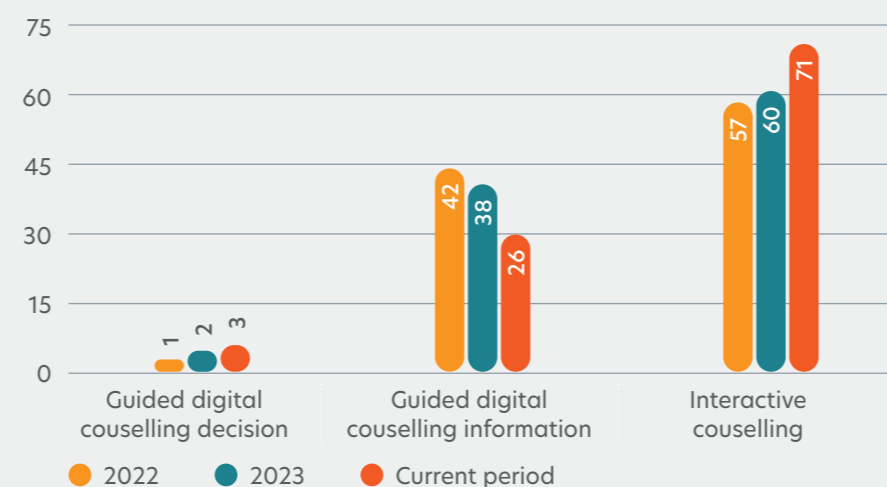
Counselling experience and perceived impact

94% felt more confident about making retirement fund decisions after receiving counselling.

94% of members who received counselling reported having a good understanding of AFRF benefits and options.

* figure restated due to methodology update

Enhanced counselling trend by type over time (%)



Interactive counselling remained the most popular form of counselling, with the number of members opting for interactive counselling increasing by 9% compared to 2023.

Advice request trend



There was also a significant increase in both the number and overall percentage of members requesting advice after receiving counselling, compared to prior years.

Ensuring that retirement fund members receive comprehensive counselling at both induction, exit and pre-retirement stages is crucial to equipping them to make informed decisions. While it is encouraging that the number of both induction and pre-retirement counselling sessions have increased from 2023 to 2024, the lower participation in induction sessions remains a concern.

Pre-retirement counselling

Number of sessions
404
(2023: 6)
(2022: 5)

Number of members
1 017
(2023: 129)
(2022: 315)

Induction sessions for new joiners

Number of sessions
54
(2023: 63)

Number of members
904
(2023: 1 164)

The provision of counseling to members contributes to the positive trends on average fund preservation which has increased 1% year-on-year from 20% in 2023 and annuitisation which is at 54.6% (2023:52.7%).

Members retiring from their job

Actual replacement ratio based on fund credit for retirees.

Average replacement ratio for retirees (AFRF)
24%
(2023: 23%)

For a member to be able to maintain their current standard of living after retiring, their retirement savings should be able to replace at least 75% of their monthly income at the time of retirement, this is known as their replacement ratio. Average replacement ratios increased by 1.4% year-on-year showing the effectiveness of enhanced retirement counselling.

AF Rewards

At AFRF, we understand the financial pressures faced by our members and continually seek ways to provide meaningful support. AF Rewards, launched in 2022 is an exclusive, loyalty programme for all South African members. This programme offers a range of benefits designed to make life more affordable and enjoyable, helping members stretch their finances further.

**“Making
money go
further.”**

Benefits include:



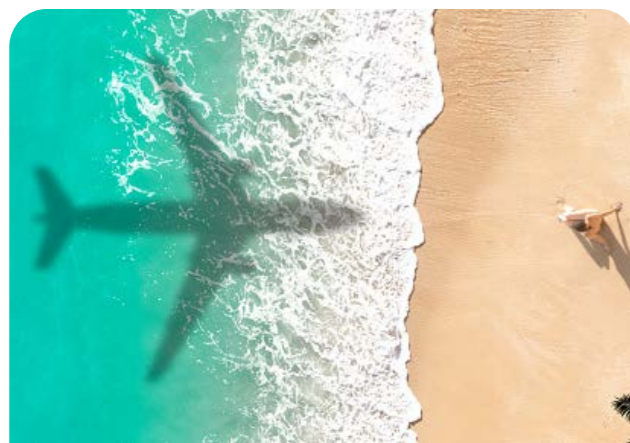
Supermarket Coupons

Exclusive discounts on everyday essentials at major retailers, including Shoprite, Checkers, Checkers Hyper, and Pick n Pay.



Wellness Coupons

Savings on health and wellness products at Dischem, promoting a healthier lifestyle at reduced costs.



Travel Deals

Access to budget-friendly holiday and travel solutions through our partnership with Randgo.



Airtime Deals

Discounts on airtime and data from top providers like Vodacom, Virgin Mobile, Telkom Mobile, Cell C, and MTN.



AF Rewards benefits

1 April 2023 - 31 March 2024

Member savings

R16.7m

(2023: R3.72m)

Coupons issued

39 528

(2023: 8 876)

Mall vouchers issued

17 909

(2023: 14 727)

Simplifying member support

We enhance this initiative with:



Telephonic Consultants

Providing clear, relevant, and relatable guidance to help members understand their retirement fund benefits and options.



Digital Exits

Simplified processes for members leaving their jobs.



Personalised Advice

Tailored recommendations based on individual circumstances.

Summarised annual financial statements

Highlights

For the year ended 31 March 2024

	2024	2023	Change (%)
Pension section			
Active members	106 380	102 408	
Preserved members	3 098	1 543	
Deferred retirees	93	85	
Pensioners (living annuitants)	0	100	
Unclaimed benefits	3 201	3 996	(20)
Total membership	112 772	108 132	4
Total assets	44.1 billion	39.9 billion	10
Provident section			
Active members	233 263	213 883	
Preserved members	7 803	6 274	
Deferred retirees	74	63	
Pensioners	0	69	
Unclaimed benefits	8 444	7 819	8
Total membership	249 584	228 108	9
Total assets	75.9 billion	66.6 billion	14

Pension section balance sheet

For the year ended 31 March 2024

Rands	2024	2023
Assets	44 156 374 454	39 979 480 449
Investments	42 709 011 464	38 787 396 672
Current assets	1 447 362 990	1 192 083 777
Liabilities	44 156 374 454	39 979 480 449
Member balances	43 259 472 198	38 833 918 818
Unclaimed benefits	110 324 471	76 474 912
Reserve accounts	56 669 363	53 027 371
Employer surplus accounts	85 776 091	56 891 358
Current liabilities	644 132 331	959 167 990

Provident section balance sheet

For the year ended 31 March 2024

Rands	2024	2023
Assets	75 941 133 218	66 599 577 561
Investments	73 534 276 145	64 103 697 370
Current assets	2 406 857 073	2 495 880 191
Liabilities	2 406 857 073	2 495 880 191
Member balances	74 132 707 263	64 587 699 990
Unclaimed benefits	147 386 581	135 936 140
Reserve accounts	95 994 752	83 476 094
Employer surplus accounts	152 827 943	114 413 548
Current liabilities	1 412 216 679	1 678 051 789

Contributions

For the year ended 31 March 2024

Rands	Pension	Provident
Contributions*	3 795 618 508	7 972 909 317
Member	1 789 067 671	1 745 387 162
Employer	2 006 550 837	6 227 522 155
Allocation to risk and expenses	392 414 990	818 453 751
Allocation to savings	3 403 203 518	7 154 455 566
* Contributions receivable	113 484 284	342 733 602

Annual voluntary contributions (R millions)



Additional voluntary contributions	Pension	Provident
2024	111 323 606	98 745 041
2023	72 768 348	101 848 556
2022	64 634 393	104 197 656
2021	115 016 447	210 734 103
2020	47 149 687	81 444 862
2019	42 196 507	83 680 996
2018	36 027 982	70 636 803

* 2021 COVID member contributions, whilst contribution suspension for financial distress.

Pension section benefits accrued

For the year ended 31 March 2024

Rands	2024	2023	Change (%)
	4 447 794 795	4 294 579 506	
Withdrawals	2 083 264 139	2 127 255 970	(2)
Divorce payments	76 220 287	43 474 738	75
Retrenchments	341 075 201	466 988 742	(27)
Retirements	1 597 267 930	1 295 234 296	23
Pensions *	4 091 555	15 750 077	(74)
Deaths	345 875 683	345 875 683	0

* Pensions paid until June 2023.

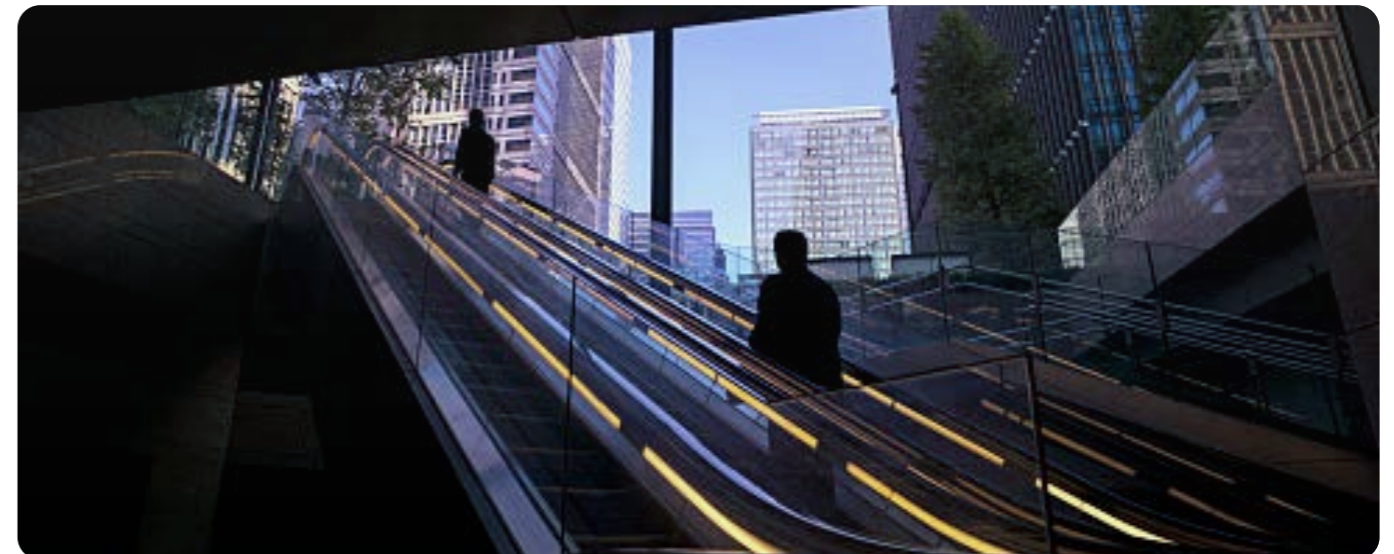
Provident section benefits accrued

For the year ended 31 March 2024

Rands	2024	2023	Change (%)
	8 315 014 437	6 722 014 785	
Withdrawals	4 163 949 766	3 434 409 005	21
Divorce payments	137 139 749	104 137 792	32
Retrenchments	1 092 983 248	879 134 922	24
Retirements	2 302 499 950	1 676 542 352	37
Pensions	2 751 256	9 903 765	(72)
Deaths	615 690 468	617 886 949	0

* Pensions paid until June 2023.

The above are extracts from the fund's annual financial statements to provide an overview for information purposes and comparison. The purpose and basis of preparation of the financial statements is for reporting to the Financial Sector Conduct Authority and may not be suitable for another purpose. The full financial statements and auditor's report should be reviewed before drawing any conclusions.



Appendix A

King IV™ application register

AFRF's board of trustees recognises the importance of being a responsible corporate citizen and is committed to ethical and effective leadership towards achieving the King IV™ outcomes. The board has primary accountability for the governance and performance of the fund. The application of the King IV™ principles is referenced below.

Principle	Application
Leadership, ethics and corporate citizenship	
Leadership	
1	<div><div>The board should lead ethically and effectively.</div><div><ul style="list-style-type: none">The board of trustees acts in good faith in line with its fiduciary responsibilities.The board has embraced the Treating Customers Fairly (TCF) principles and embedded TCF in its culture, operations and decision-making process.The board has developed and adopted a number of governance, management and investment policy documents taking the above, as well as the good governance guidelines of PF130 and the King reports, into account. These include:<ul style="list-style-type: none">Code of conduct and board charter.Terms of reference for board sub-committees.Risk management policy and assessment matrix.Investment policy statement.Communication policy.Privacy policy.This is supported by the fund's implementation of PF 130, which contains good governance guidelines for funds.The board has also adopted the CRISA principles and the applicable provisions of the FSCA's Treating Customers Fairly (TCF) road map.The board remains fully accountable and responsible to the fund and its members even where functions have been outsourced or delegated to third parties.The board leads the fund's ethical culture.</div></div>
Organisational ethics	
2	<div><div>The board should govern the ethics of the fund in a way that supports the establishment of an ethical culture.</div><div><ul style="list-style-type: none">The fund's ethical organisational culture is reflected in the governance documentation referred to above. The board members act with independence of mind and remain objective in their decision-making, regardless of the constituencies who elected or appointed them. Conflicts of interest are avoided, but where they can't be avoided, they are appropriately managed. This is detailed in the fund's code of conduct.In addition to the board managing the fund with an ethical conscience, the board expects the same from the service providers appointed to the fund, such as the consultant, administrator, investment consultant, asset manager/multi-manager and actuary.The board interrogates whether the service providers are embedding the six TCF outcomes into their culture, operations and decision-making processes and this forms part of the decision whether to retain or approve the appointment.The fund's code of conduct deals with whistle-blowing obligations.</div></div>
Responsible corporate citizenship	
3	<div><div>The board should ensure the fund is (and is seen to be) a responsible corporate citizen.</div><div><ul style="list-style-type: none">The fund complies with the requirements of Regulation 28, which states that prudent investing 'should consider any factor which may materially affect the sustainable long-term performance of the fund's assets, including ESG factors'.The board ensures its investment analyses and practices take account of sustainability, including ESG factors, as provided for in principle 1 of CRISA. This approach is documented in the fund's investment policy statement.The board appointed a sustainability and transformation sub-committee (STSC) to oversee and monitor the fund's activities in relation to economic transformation, specifically BBBEE, and its social and environmental impacts.</div></div>

Principle	Application
Strategy, performance and reporting	
Strategy and performance	
4	<div><div>The board should appreciate that the fund's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.</div><div><ul style="list-style-type: none">The fund's code of conduct, investment policy statement, risk management policy and risk assessments address the requirements of this principle.The board regularly reviews the fund's strategies, in particular its long-term sustainability and the achievement of members' reasonable benefit expectations. To this end, advice and guidance are obtained from external service providers.The board ensures the fund's strategies are implemented and that performance targets are being met through regular exception reporting, and where required, interaction with service providers. Opportunities to improve the fund's operations and governance framework are identified. Exception reporting is provided at quarterly trustee meetings. Where performance issues or risks are identified, mitigation is led through the risk process.The board promotes the use of a propriety LifeGauge tool by the servicing consultants at the participating employer level, to analyse the specific employer's membership behaviour, highlighting risks and impact of different factors on the likely outcomes of the benefit structure, so targeted interventions can be identified and implemented.The board regularly performs a strategic risk assessment and monitors risks that exceed risk tolerance levels. Highlighted risks are monitored at each trustee meeting and new risks are added, with annual review of these by the ARM and overall fund risk review every three years.The board is satisfied the trust's investment strategies have led to a financially sound and sustainable pension fund.</div></div>
Reporting	
5	<div><div>The board should ensure reports issued by the fund enable stakeholders to make informed assessments of the fund's performance, and its short, medium and long-term prospects.</div><div><ul style="list-style-type: none">The fund's communication policy outlines the board's views and approach to a communication strategy.The board confirms the fund has implemented PF 130 guidance.The board is satisfied that the reports produced and published by the fund, including the trustees report, integrated annual report, fund fact sheets and newsletters provide audiences with the necessary information required to make informed assessments of the fund's performance and prospects.The board of trustees oversees that statutory reports and returns are issued and comply with legislation.All reports published by the fund are extensively reviewed by the board, relevant board committees and external service providers (such as legal advisers, auditors and investment consultants), as deemed necessary.</div></div>
Governing structure and delegation	
Primary role and responsibilities of the board	
6	<div><div>The board should serve as the focal point and custodian of corporate governance in the fund.</div><div><ul style="list-style-type: none">The board is ultimately responsible for setting the fund's strategic direction, approving policy and other governance documents, overseeing and monitoring the implementation and execution thereof and ensuring accountability for performance on an ongoing basis.Although the board delegates certain management authority to it's appointed service providers, extensive feedback is provided to the board as and when required on the implementation of the fund's strategies, projects and operational and governance-related matters.A governance report is included this annual integrated report and includes detailed disclosure on board and committee activities.</div></div>

King IV™ application register *continued*

Principle	Application
Governing structure and delegation continued	
Composition of the board	
7 The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	<ul style="list-style-type: none"> The board consists of three internal trustees executives from the fund's sponsor and three external, independent trustees. Alternate trustees have been appointed to provide for succession planning and continuity of operations. Board members are appointed as professional trustees and are therefore expected to have sufficient education in the skill for which they are appointed. Cognisance is given to the knowledge, skills and experience of the board when new appointments to the board are made. The current trustees collectively have sufficient experience and understanding of the fields of administration, investment, actuarial, accounting, legal, project management and social matters to enable them to perform their duties objectively and effectively. The board makes use of external expertise on specific matters outside the collective knowledge, skills and experience of the board when required.
Committees of the board	
8 The board should ensure its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and the effective discharge of its duties.	<ul style="list-style-type: none"> The board has established several board committees, which assist the board in discharging its responsibilities. The committees are formally mandated by the board by means of written terms of reference as to their membership, authority and duties. A governance report forms part of the integrated report and includes detailed disclosure on the standing committees appointed by the board, the roles and responsibilities of each standing committee and membership.
Evaluations of the performance of the board	
9 The board should ensure the evaluation of its own performance and that of its committees, its chairperson and its individual members, support continued improvement in its performance and effectiveness.	<ul style="list-style-type: none"> Each trustee on an annual basis is required to complete a formal self-appraisal assessment, which broadly covers the performance of the board, the chairperson, the principal officer and the board committees. The results of the individual assessments are collated and tabled with the board for consideration.
Appointment and delegation to management	
10 The board should ensure the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	<ul style="list-style-type: none"> The principal officer is appointed by the board and his/her responsibilities and authorities derive from the Pension Funds Act and are clearly expressed in the principal officer service level agreement, and fund governance and policy documents where applicable. The principal officer is responsible for the day-to-day executive management of the fund in line with the policies and strategic objectives set by the board, and must make sure decisions taken by the board are properly recorded and implemented. The principal officer reports to the board on the fund's performance and other material matters at regularly scheduled meetings or as and when required. The performance of the principal officer is evaluated annually against key performance indicators (KPI) agreed with the board.

Principle	Application
Governance functional areas	
Risk governance	
11 The board should govern risk in a way that supports the fund in setting and achieving its strategic objectives.	<ul style="list-style-type: none"> The board is ultimately responsible for the management of various risks facing the fund. The fund's risk management policy sets out how the board governs risk. Fund management is entrusted with the responsibility of ensuring sound risk management is embedded at all levels and overseen at an appropriate level to meet the fund objectives. The fund's auditors review the adequacy and effectiveness of the fund's risk management framework and report to the board on the status thereof. The fund's risk register is annually reviewed and approved by the board.
Technology and information governance	
12 The board should govern technology and information in a way that supports the fund setting and achieving its strategic objectives.	<ul style="list-style-type: none"> The board of trustees assumes responsibility for the governance of technology and information and considers the impact and importance of information and technology on achieving strategic objectives and operational excellence. The fund itself does not own technology and information systems. Many of the fund's functions are outsourced to third-party service providers, which utilise technology and information systems. The board has a reasonable degree of comfort that the technology and information systems utilised by service providers supports the fund setting and achieving its strategic objectives. The board is looking for its providers to leverage technology to provide better access to and timeous provision of information to members as their needs evolve.
Compliance governance	
13 The board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the fund in being ethical and a good corporate citizen.	<ul style="list-style-type: none"> The board of trustees has an oversight responsibility to guarantee compliance with the applicable laws, regulations issued by the authority, the fund rules and the various governance and policy documents. The fund complies with all applicable laws and regulations, as well as taking cognisance of all non-binding industry guidance, such as PF Circular 130 and King IV™. External advisers regularly assist the board on matters relevant to compliance and provide feedback to the board on the effectiveness of the fund's systems and processes for monitoring compliance. Regular exception reporting assists in identifying any areas of concern that need to be evaluated or addressed to meet compliance. The STSC assists the board in monitoring the fund's activities in relation to best practice with regard to social and environmental considerations.
Remuneration governance	
14 The board should ensure the fund remunerates fairly, responsibly and transparently to promote the achievement of its strategic objectives and positive outcomes in the short, medium and long term.	<ul style="list-style-type: none"> The fund remunerates external trustees as well as internal trustees who are not employees of the administrator but appointed by the administrator. The board believes the remuneration to be fair for a professional occupation and is benchmarked against that identified in the PricewaterhouseCoopers' remuneration survey and the rate paid by the Financial Services Conduct Authority for section 26 trustee appointments. Annual remuneration increases are in line with inflation as measured by the Consumer Price Index.

Principle Application

Governance functional areas continued

Assurance

15	The board should ensure assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the fund's external reports.	<ul style="list-style-type: none">• The board make certain that an independent, external audit is conducted on the fund every year. All opinions from the auditor's report are reviewed by the board and corrective action is taken where relevant.• The fund's ARM sub-committee assumes responsibility and oversight of the audit. The ARM provides feedback to the board and any relevant matters are put before the board for consideration. The board also has an open invitation to attend any of the ARM meetings.• The King IV™ report allows for application of the principles on a proportional basis. Owing to the fund's governance budget, all other relevant assurance functions and reviews not specifically in the ARM's mandate are conducted by the board.
----	---	--

Stakeholder relationships

Stakeholders

16	In the execution of its governance role and responsibilities, the board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the fund over time.	<ul style="list-style-type: none">• The board, directly or through its board committees and fund management executives, takes responsibility for providing direction and overseeing all matters affecting the reasonable needs, interests and expectations of its stakeholders.• The board also receives feedback from the consultants to the management, committees, and reviews service complaints to gauge the needs, interest and expectations of the members, the fund's key stakeholder.• The communication committee oversees the fund's communication strategy, which takes stakeholder expectations and requirements into account. The fund maintains informative online portals and issues regular newsletters and communications to ensure members are treated fairly and kept appropriately informed.• The fund registers complaints, as well as matters referred to the PFA and views expressed by stakeholders are reported in full to the board at meetings or as and when required.
----	--	--

Evaluations of the performance of the board

17	The board should ensure responsible investment is practised by the fund to promote the good governance and the creation of value by the companies in which it invests.	<ul style="list-style-type: none">• The board acknowledges that a responsible investment approach whereby ESG factors are incorporated in long-term investment strategies, processes and activities in addition to financial considerations, is expected to contribute towards decreasing investment risk and improving risk-adjusted returns.• This approach includes the active ownership responsibilities of engagement, proxy voting and reporting. The board has delegated all active ownership responsibilities to the respective asset managers. All asset managers have investment management agreements and mandates in place, which incorporate the principles of responsible investing and are reviewed regularly.• The board:<ul style="list-style-type: none">– Monitors the manner in which the asset managers are voting on behalf of the fund.– Interrogates the asset managers on the discharge of their active ownership responsibilities and on how they have applied ESG factors in their investment decisions.
----	---	--

Appendix B

The World Bank Sustainable Investment Best Practice Disclosure Checklist

To demonstrate our commitment towards sustainable investing, AFRF has taken into consideration the guidance provided by the World Bank Sustainable Investment Best Practice Disclosure Checklist for Pension Funds. This checklist has been developed to provide a comprehensive list of the disclosures that the stakeholders of large asset owners, such as pension funds, are likely to be interested in. In November 2022 AFRF completed an assessment to demonstrate our alignment with the best practice disclosures provided by the checklist and to provide guidance on areas for improvement. The fund re-assessed its performance against the checklist which demonstrates an improvement over time.

The checklist is divided into five categories, each with questions relevant to different aspects of sustainable investing by pension funds.

- 1 About the organisation

Core information about the organisation, including its size, its investments, its objective and its mandate.
- 2 Governance and strategy

Information about the organisation's investment beliefs, strategy, policies and targets, and governance.
- 3 Sustainable investment by asset class

Information about the organisation's approach to investment decision-making and active ownership in its major asset classes.
- 4 Delegated investment

Information about how the organisation outsources investment management.
- 5 Climate change

Information about the organisation's approach to climate change in its investment process.

The scores for each category are aggregated into an overall score for the fund. The aggregated results of the AFRF assessment have been incorporated into a traffic-light system where green signals disclosures that are sufficiently met, orange signals partially met and red signals not sufficiently met. Any areas that scored red or orange are key focus areas for the fund going forward.

Category	Rating
About the organisation	●
Governance and strategy	●
Sustainable investment by asset class	●
Delegated investment	●
Climate change	●

The results indicate where AFRF is performing well into terms of disclosures, most notably information about the fund and our governance and strategy. Since the initial assessment, substantial progress has been made with regards to the disclosure of the fund's information relating to sustainable investment by asset class, delegated investment and climate change.

As detailed in this integrated report, AFRF is committed to promoting responsible investment and addressing ESG-related issues. Our journey towards the Retirement Fund of the Future™ will enable the fund to continue to proactively address the areas where improvements are needed. Our focus on being future-fit means that we are committed to continually enhancing our approach to sustainability thereby creating positive impact for the fund, its members, society and the environment.

You can find more information on the World Bank checklist here.

Glossary

Administrator

A company approved in terms of the Pension Funds Act and appointed by a retirement fund. A fund's administrators handle all day-to-day administrative duties of a fund.

Alternate trustee

Alternate trustees take the place of appointed or elected trustees when they are not available. The alternate member trustee will usually be the person who had the next highest number of votes in a trustee election.

Annuity

This is a pension – a type of financial product you can buy from a registered provider. For example, you can buy an annuity at retirement, using your retirement savings. From this, you should get a fixed monthly income for the rest of your life or until your savings run out, depending on the type of annuity you buy.

Asset

Any property or item that has a monetary value that increases over time.

Asset allocation

This is how the money in an investment portfolio is divided into different asset classes, usually shown as a percentage. Splitting up a portfolio this way is called diversification and helps lower the risk of an investment portfolio.

Asset classes

The investment building blocks in which your money can be invested. The main asset classes are cash, bonds, property and shares.

Beneficiaries

The people or organisations that benefit from the income or proceeds of an insurance policy, trust, retirement fund or will. You can nominate your beneficiaries in your will or life policy and on your retirement fund nomination of beneficiaries form. Beneficiaries can be your dependants or nominees.

Commodity

Any marketable item produced to satisfy wants and needs. Generally, these are basic resources and agricultural products such as crude oil, coal, salt, sugar, rice, gold and silver that are the same no matter who produces them but can vary in quality.

Defined contribution (DC) fund

The final benefit you get from a defined contribution fund depends on all your contributions, the employer's contributions to the fund and the investment returns.

House view

A framework that uses the best investment view of an investment manager. Depending on the type of portfolio, this may include their opinions on asset allocation and share selection.

Investment manager

A company hired to invest money; for example, retirement fund trustees might hire a manager to invest the fund's assets.

Investment strategy

For a retirement fund, the investment strategy will guide trustees when they choose where to invest a retirement fund's money, to meet the fund's objectives.

Multi-manager

This is a type of investment strategy where many investment managers look after different asset classes of a portfolio. This helps reduce risk because each manager follows a different investment style and philosophy. Each investment manager will have specific expertise in their field and will be chosen to optimise the outcome of the portfolio.

Portfolio

A group of different types of investments. The investment categories you can choose from are generally a mix of four main asset classes.

Retirement longevity differential

Excess/shortfall of years that AFRF member pensions last compared to the average retail living annuity.

Acronyms

Acronym	Expansion
AFRF	Alexander Forbes Retirement Fund
AFRIS	Alexander Forbes Retirement Income Solution living annuity
AFISAOM	Alexander Forbes Investments South Africa Private Markets programme
ARM	Audit and Risk Management sub-committee
B-BBEE	Broad-based Black Economic Empowerment
COFI	Conduct of Financial Institutions Bill
CRISA	Code for Responsible Investing in South Africa
CRISA 2	Code for Responsible Investing in South Africa 2
CSC	Communication sub-committee
DCSC	Death Benefits Distribution sub-committee
Deloitte	Deloitte & Touche
eRBC	Enhanced Retirement Benefits Counselling
ESG	Environment, Social and Governance
FSCA	Financial Sector Conduct Authority
FSTC	Financial Sector Transformation Council
IAR	Integrated Annual Report
IIRC	International Integrated Reporting Council
ISSB	International Sustainability Standards Board
IT	Information Technology
IVR	Interactive Voice Response
JSE	Johannesburg Stock Exchange
MANCO	Management Committee
NDP	National Development Plan
OPFA	Office of the Pension Fund Adjudicator
PRI	Principles for Responsible Investing
RI	Responsible Investing
SDG	Sustainable Development Goal
STSC	Sustainability and Transformation sub-committee
TCF	Treating Customers Fairly
TCFD	Task Force on Climate-related Financial Disclosures
WACI	Weighted Average Carbon Intensity
KPI	Key Performance Indicator
POPIA	Protection of Personal Information Act
King IV™	King IV Code™on Corporate Governance

Fund administration

Alexander Forbes Retirement Fund

Fund registration number:
12/8/34768 (pension section)
12/8/34766 (provident section)

EB Consultants

Alexander Forbes Financial Services (Pty) Ltd

Registered office of the fund

Alexander Forbes, 115 West Street, Sandown

Benefit administrator

Alexander Forbes Financial Services (Pty) Ltd

Consulting actuaries

Alexander Forbes Financial Services (Pty) Ltd

External auditor

Deloitte & Touche South Africa

Internal audit service provider

Alexander Forbes Financial Services (Pty) Ltd
Ernst and Young (outsourced partner)

Investment consultants

Alexander Forbes Investment Advisory

Sustainability consultants

Alexforbes Impact Advisory

Website

<https://afrf.alexforbes.com/site/>

Email

admin@alexforbes.com

Contact details

General fund contact details

As a member of the fund, you have the right to see the rules of the fund as well as any of its financial statements or reviews.

If you have any questions about anything in this report or your fund membership, please contact one of your management committee members or:



- Call the Alexforbes Client Contact Centre on **0800 100 333** from Monday to Friday between 8:30 and 17:30
- Email admin@alexforbes.com

Alexforbes client
contact centre

0800 100 333

Divorce orders

If you need to claim retirement benefits granted for a divorce order, please contact our divorce orders team:

Email: afdo@alexforbes.com

Phone: Alexforbes Help Desk on 011 324 3401

Complaints

If you are unhappy with any aspect of our service, please email contactus@alexforbes.com or call **011 669 7026** so that we can resolve your complaint without delay.

If there are any conflicts between the information in this trustees' report and the official rules of the fund, the rules of the fund will always apply.

Privacy statement

Your information may be used to find you if you leave your employer and don't complete a withdrawal claim form. If you want to know or read more about what we do with your information, you can view the fund privacy statement on the AFRF website <https://afrf.alexforbes.com/site/fund#governance>.

This privacy statement also informs you of your rights in terms of the Protection of Personal Information Act (POPIA).

