



GOVERNMENT EMPLOYEES PENSION FUND
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Responsible Investment Policy Statement



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OVERVIEW



The Government Employees Pension Fund (GEPF), through its Responsible Investment Policy, commits to the following actions. This Policy Statement contains the GEPF’s policy to integrate environmental, social and governance (ESG) issues in investment decisions and ownership practices. It includes the GEPF’s commitment to address socioeconomic imbalances through support for the Financial Sector Charter and other industry-specific Black Economic Empowerment Charters and the financing of B-BBEE initiatives. It defines the institutional framework and basic strategies for implementation-related activities. The Policy Statement defines how the GEPF will act as a responsible investor in a manner consistent with its views on ESG issues.





PREAMBLE

As trustees of the Government Employees Pension Fund (GEPF) we believe that a strategy to assimilate ESG issues and thereby promote the long-term value of the GEPF's investments is in the interests of its members. This is because investment performance influences the GEPF's ability to grant pension increases, improve benefits and maintain a stable contribution rate. We believe that the GEPF's investments are vulnerable, to varying degrees, to ESG risks across specific investments, sectors and asset classes, and that the GEPF's long-term, broadly diversified and predominately passive investment strategy enhances this vulnerability. Moreover we believe that ESG issues are often inadequately managed and accounted for by entities and investment service providers. In an effort to protect the GEPF members' interests we commit to integrate ESG issues in investment decisions and encourage, through the exercise of ownership rights and privileges, entities the GEPF invests in to manage and account for ESG issues appropriately. We commit to taking action on ESG issues in a manner that will deliver long-term investment performance across our entire portfolio. We believe that, as a very large investor and custodian of the interests of thousands of members, the GEPF has a responsibility to embrace its ability to signal concerns and encourage appropriate beneficial change in entities it invests in. We also wish to ensure that the GEPF investments promote socioeconomic objectives where these are consistent with our fiduciary responsibilities and the interests of the GEPF members through active support for the Financial Sector Charter and other industry-specific Black Economic Empowerment Charters and the financing of B-BBEE initiatives. We believe a policy on ESG issues is a significant tool through which the GEPF can achieve this. Our duties to members as specified in Schedule 1, Section 4.1.21 of the Government Employees Pension Law, 1996 are integral to the actions required and the types of action we will take.

POLICY STATEMENT

The Government Employees Pension Fund (GEPF), through its Responsible Investment Policy, commits to the following actions:

Investments

- 3.1 Integrate environmental, social and governance (ESG) issues in investment decisions and, as appropriate, across asset classes held in the GEPF's investment portfolio.
- 3.2 Require equity, property, private equity, infrastructure and, as appropriate, other investment managers to develop knowledge of ESG risks and opportunities and to integrate a consideration of these alongside traditional financial information when making investment decisions on the GEPF's behalf.
- 3.3 Monitor and review the extent and effectiveness with which the GEPF's investment managers carry out requests to integrate ESG issues in the GEPF's investments and seek appropriate improvement when necessary.

Active ownership

- 3.4 Execute the GEPF's voting, engagement and other informal and formal active ownership practices on the basis of knowledge of ESG risks and opportunities across investments held in the GEPF's portfolio.
- 3.5 Execute the GEPF's voting, engagement and other informal and formal active ownership practices in ways that can protect or enhance the GEPF's portfolio value over the long term.
- 3.6 Execute the GEPF's voting, engagement and other informal and formal active ownership practices in ways that are constructive, consistent, and do not cause unnecessary market reaction or undermine the GEPF's portfolio value over the long term.
- 3.7 Execute the GEPF's voting, engagement and other informal and formal active ownership practices in collaboration with like-minded investors if we deem it appropriate.
- 3.8 Monitor and review the extent and effectiveness with which GEPF voting, engagement and other informal and formal active ownership activities are taken forward, and seek appropriate improvement where necessary.

POLICY STATEMENT

Targeted

- 3.9 Devote a portion of the GEPF's assets to investments that will address socio-economic imbalances. These investments will include the financing of B-BBEE initiatives, targeted investments as defined in the Financial Sector Charter, and infrastructure investment both within South Africa and the rest of the continent.

Research

- 3.10 Develop economy-wide knowledge of investment-related ESG risks and opportunities in South Africa and other countries if necessary and appropriate.
- 3.11 Develop specific knowledge on the manner in which entities the GEPF invests in manage ESG risks and opportunities and whether such management protects and enhances or undermines the GEPF's portfolio value over the long term.
- 3.12 Develop and manage a system for maintaining the GEPF's institutional memory on ESG issues.

Accountability and transparency

- 3.13 Appropriate resource implementation of the GEPF's Responsible Investment Policy by recruiting the appropriate human resources and expertise and by contracting specialised service providers as required.
- 3.14 Ensure the GEPF takes internal steps to align itself with appropriate ESG management and reporting as an organisation.
- 3.15 Report on the GEPF's Responsible Investment Policy implementation, including on ESG integration in investment decisions, voting, engagement and other informal and formal active ownership practices.
- 3.16 Diffuse lessons learnt in implementing the GEPF's Responsible Investment Policy in the South African and African investment community and work with colleagues in the South African and international investment community to develop and promote best practice.
- 3.17 Review and update, if necessary, the implementation of this policy on a yearly basis.
- 3.18 Establish pragmatic timelines for the implementation of points 3.1 to 3.17 of this policy.



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