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**DEVELOPMENTAL INVESTMENT POLICY
STATEMENT**

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Glossary of Terminology

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

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

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

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1. Policy purpose

This document sets out the Government Employees Pension Fund's (GEPF, the Fund) Developmental Investment Policy.

Developmental investments ("DI") refers to investment made in the development of a country, region, or community, usually in the form of infrastructure, education and other projects that aim to improve the economic and social well-being of the area and its inhabitants.

Being the largest investor in the South African economy, with a strong focus on developmental investments, the GEPF can structure an investment portfolio which brings positive economic, social, and environmental outcomes to South Africa. Given the GEPF's investment beliefs¹, the GEPF can leverage its current and prospective investments to support the advancement of South Africa's national and the continental (African) development agenda.

The GEPF is committed to making investments with a positive developmental impact, where there is a need for funding, and where appropriate risk adjusted returns can be earned.

More specifically, the GEPF is committed to:

- a. Invest in the economic infrastructure framework of South Africa (e.g., energy, logistics, water, commuter transport, liquid fuels, and broadband infrastructure);
- b. Invest in the social infrastructure framework of South Africa (e.g., affordable housing, healthcare, and education);
- c. Invest in firms, funds, and projects that improve long-term environmental sustainability in South Africa (e.g., mitigate against climate change, renewable energy, energy efficiency, green buildings, recycling, and clean technology);
- d. Invest in job creation and new enterprises (small and medium sized enterprises, especially those with high positive social or environmental impact, smaller cap stock exchanges, and in support of broad-based black economic empowerment ("BBBEE")).

This Developmental Investment Policy ("DI Policy") aims to support and guide investment toward creating a sustainable, equitable and inclusive economy. This Policy outlines the GEPF's priorities and objectives for directing investments in its unlisted portfolio, which may include investments in infrastructure development, job creation, poverty reduction, and environmental protection while earning risk adjusted returns for its members, pensioners and beneficiaries.

¹ GEPF Investment Beliefs [Online] Available at: <https://www.gepf.co.za/investments/>

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This Developmental Investment Policy provides the basis for the management of developmental investments at the GEPF.

2. Policy Statement

2.1 Developmental investments

The GEPF commits to achieving sound risk adjusted investment returns for members, pensioners and beneficiaries of the Fund while also supporting positive, long-term, economic, social, and environmental outcomes for South Africa and the African continent.

To this end, the GEPF commits to invest a portion of the GEPF's portfolio in developmental investments and in assets with positive developmental impact, where there is a need for funding, and where appropriate risk-adjusted returns can be earned.

More specifically, the GEPF commits to invest in the following four pillars:

- a. Investment in economic infrastructure:** Actively invest in return-seeking, sound investments in the construction, improvement, and replacement of the economic infrastructure framework of South Africa, that provides the missing links in our economy enabling it to run, grow, and be more competitive. Investments that unlock volume, cost reduction opportunities, and the quality of our economic activity. Investments in infrastructure with measurable multiplier effects on key socio-economic indicators. Investments that support South Africa's transition to a low-carbon economy, improve South Africa's long-term environmental sustainability, and mitigate and enable adaptation to climate change.
- b. Investment in social infrastructure:** Actively invest in return-seeking, sound investments in the improvement and replacement of social infrastructure, which improves access to healthcare and the health outcomes of South Africa. Provides access to affordable housing near economic centres. Improves access to education and education infrastructure.
- c. Environmentally sustainable investments:** This is return-seeking investment in firms, funds, and projects that seek to improve environmental sustainability, to mitigate climate change, and to foster renewable energy, green buildings, energy efficiency, recycling, and clean technologies.
- d. Enterprise development and Broad-Based Black Economic Empowerment:** This is return-seeking investment in small and medium enterprises especially those that seek to

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have high positive social or environmental impact; in smaller cap stock exchanges; in sectors in which enterprise growth and the creation of new jobs is possible (including agriculture and agri-processing, construction and housing, tourism, business process outsourcing, and the green economy), and in broad-based black economic empowerment transactions. Actively invest in return-seeking, sound investments that unlock the growth catalysing and job-creating opportunities in South Africa's agricultural sector and in support of sustainable farming practices for food security in South Africa.

In investment decision-making, ESG risks and opportunities relevant to the investment decision should be considered, using available data and tools, in support of conducting thorough investment analysis to improve the long-term financial and sustainability performance of the GEPF's developmental investments.

2.2 Principles of Developmental Investments

In implementing the Developmental Investment Policy, the GEPF will honour the following principles:

a. Impartiality:

- Impartiality between public and private sector investment opportunities.
- Investment opportunities that offer:
 - market-related risk-adjusted returns and
 - high developmental impact.

b. Diversification:

- Developmental investments will be made optimally across opportunities, and the four pillars underlying the DI Policy.

c. Transparency:

- Reporting that is accurate, timely and transparent.
- Reporting that clearly communicates to members, pensioners, beneficiaries and GEPF stakeholders how developmental investments are made.
- Reporting that is apolitical and makes it clear that there is no inappropriate political, ideological, or conflicts of interest in the developmental investments.

d. ESG Discipline:

- All developmental investments, whether public or private, shall incorporate ESG in its investment processes, and be held to strict governance standards.

e. Acceptable Returns:

- The Fund will seek to earn a blended return of at least 5% real return per annum (as per the most recent Statutory Actuarial Valuation), in line with our belief that developmental investing does not lead to a compromise of returns.

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3. Scope and Objectives

This Policy seeks to create a framework for developmental investment that is aligned with South Africa’s National Developmental Plan and its international obligations and best practice policy framework. The ultimate objective of this Policy is to enhance economic growth, create opportunities for economic empowerment and thereby improve the lives of South African’s.

The DI Policy shall apply to all GEPF investments with a particular focus on the GEPF’s unlisted investments and investments under the Isibaya Funds portfolio.

The specific objectives and asset allocation ranges of the DI Policy, in terms of the GEPF’s investment pillars are as follows.

Investment Pillar*	Investment Areas	Developmental Investment Objectives
Economic infrastructure	<ul style="list-style-type: none"> - Electricity - Commuter transport - Broadband infrastructure - Water infrastructure - Rail & ports - Road - Airports 	<ul style="list-style-type: none"> (i) Missing links: infrastructure investments that interconnect two markets/areas e.g., fibre optic links connecting regions. (ii) Bottlenecks: investments that unlock the volume, cost, and quality of economic activity e.g., port infrastructure (iii) Ripple effects: investments with measurable multiplier effects on key socio-economic indicators e.g., a rural infrastructure package that boosts agricultural productivity with multiplier effects on rural income and development.
Environmental sustainability	<ul style="list-style-type: none"> - Renewable energy - Green economy 	<ul style="list-style-type: none"> (i) Decarbonisation of the GEPF investment portfolio. (ii) Diversification of the GEPF investment portfolio. (iii) Support of the transition to a low carbon economy. (iv) Support the long-term nature of green economy investments as demand for sustainable energy continues to rise, and the long-term growth of the economy.

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Investment Pillar*	Investment Areas	Developmental Investment Objectives
Social infrastructure and services	<ul style="list-style-type: none"> - Healthcare - Affordable housing - Education 	<ul style="list-style-type: none"> (i) Improve access to healthcare and improve health outcomes. (ii) Support the modernisation and expansion of the healthcare system. (iii) Support South Africa's emerging market for the medical technology industry. (iv) Provide access to affordable housing near economic centres. (v) Support access to education and the improvement of education infrastructure.
Job creation, new enterprises, and BBBEE	<ul style="list-style-type: none"> - SME Finance - Sustainable agriculture 	<ul style="list-style-type: none"> (i) Unlock the growth catalysing and job creating opportunities in South Africa's agricultural sector. (ii) Improve food security through sustainable farming practices. (iii) Transformation of the financial services industry <ul style="list-style-type: none"> - Support for black-owned PE and VC managers (Considering the limits imposed by Reg 28). - Incubation Manager Programme - Influence the development and recruitment of black investment professionals in Funds allocated to. - Transformation targets and policies for investee companies (iv) Improve access to finance for job creation SMEs with a social and environmental impact. <ul style="list-style-type: none"> (i) Agriculture and Agri-processing; (ii) Business Process Outsourcing; Tourism; Construction; (iii) Housing; (iv) Renewable energy, energy efficiency, recycling, and clean technology

* The GEPF's definitions for Economic, Social and Environmental infrastructure is based on the textbfGlobal Infrastructure Company Classification Standard (TICCS)².

² The textbfGlobal Infrastructure Company Classification Standard (TICCS) is the globally accepted standard for the definition and classification of infrastructure sub-asset classes: https://edhec.infrastructure.institute/wp-content/uploads/2018/10/TICCS_2018_light.pdf

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4. Policy Implementation

- a. The GEPF shall allocate the necessary resources to implement the Developmental Investment policy.
- b. The GEPF shall develop a Developmental Investment Strategy that shall outline the GEPF's specific asset allocation targets across the four investment pillars of this policy in line with the asset allocation ranges in this policy.
- c. The asset allocation targets shall consider the appropriate asset classes, the risks within these asset classes, acceptable ranges, the levels that will trigger rebalancing and rebalancing procedures.
- d. The GEPF will make the resources available to share information about developmental investing approaches and methodologies.
- e. Endeavour to consult key GEPF stakeholders prior to the adoption of specific allocation percentages.
- f. The GEPF shall endeavour to pursue partnerships and collaborations with private sector investors, intermediaries, and development organisations to enhance the impact of investments and access new investment opportunities.
- g. The GEPF will endeavour to communicate regularly with key GEPF stakeholders, including GEPF's members and pensioners, beneficiaries, and regulators to ensure that they are informed of the Fund's DI Policy and its progress in achieving its developmental goals.
- h. The GEPF shall consider managers within its Manager Development Program in the allocation of assets in pursuit of the DI Policy objectives.
- i. The GEPF will review and update, where necessary, the content and strategy of this policy.

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5. Transparency and Reporting

The GEPF is committed to public transparency of our developmental investing activities. We commit to reporting regularly, providing a review of our developmental activities and impact. The GEPF recognises the importance of disclosure on how these principles translate into investment and engagement outcomes, especially those tied to our developmental objectives. The GEPF also appreciates the growing expectation of our stakeholders for increased transparency and disclosure.

The GEPF will progressively expand the scope of reporting to climate-related financial disclosures, alignment with the Code for Responsible Investing in South Africa (CRISA 2), local and global developmental initiatives and impact investing frameworks, for our developmental investments.

6. Governance and Oversight

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

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

The governance and oversight of this policy shall be shared by the appropriate structures of the Fund in line with the above belief, for the effective implementation of this policy.

Structure	Responsibility
Board of Trustees	Setting the investment framework, including objectives, an acceptable risk appetite, and the developmental investment objectives within that framework. Ensuring that this policy is reviewed, where necessary, revised, at prescribed intervals. Providing oversight of the investment committee and GEPF Executive team. Consulting with key GEPF stakeholders when reviewing developmental investment issues.

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Investment Committee (IC)	<p>Shall monitor compliance with this policy and report to the Board of Trustees.</p> <p>Reviewing this policy at prescribed intervals and approving revisions to this policy or recommending changes, and where these are material, referring them to the Board of Trustees for approval.</p> <p>The Investment Committee shall have general oversight of the GEPF's developmental investment performance and impact management.</p>
Advisory Board (AB)	<p>Primary function is to review the fund manager's compliance with the Unlisted Investments Agreement and mandate as well as to monitor and review performance.</p>
Investment Teams	<p>The GEPF's Investment team shall provide written confirmation to the IC, and obtain same from fund managers, that they have complied with the developmental investment restrictions of their mandates based on this policy and the DI strategy and shall advise fund managers promptly and in writing of any material changes to this policy.</p> <p>Investment performance monitoring (financial and developmental metrics).</p>
Fund Managers	<p>Shall comply with this policy and the DI strategy in accordance with their mandates.</p> <p>Discretionary management of the portfolio, including implementation (within the guidelines given by the IC, based on this policy) of changes to this policy and/or the DI strategy.</p> <p>Providing quarterly reports on actions and future intentions, and any changes to the processes applied to their portfolio.</p> <p>The safekeeping of the assets within the pooled funds in which the Fund invests for development.</p>
GEPF-PIC ESG Working Committee	<p>Provide support to the GEPF on the implementation of the DI Policy and the DI Strategy, including the integration of ESG considerations in the investment decision-making process.</p> <p>Providing updates on the fund managers and their likelihood of achieving targeted performance and impact objectives.</p> <p>Advising the investment team and committee on this DI Policy and the DI Strategy.</p> <p>Provide or source relevant training on developmental and ESG investment matters to the GEPF Board of Trustees.</p>

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7. Policy Review and Evaluation

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