

Retirement

AF Access Retirement Funds

Integrated Annual Report for the
year ended 30 September 2023



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AF Access Retirement Funds

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Introduction

About this report

The AF Access Retirement Fund's ('the fund' or 'AF Access') board of trustees is delighted to publish our inaugural integrated annual report ('the report' or 'IAR'). This report shares the value that has been created by the fund for various stakeholders through the use of sound operating principles.



Scope and boundary

This report covers the period from 1 October 2022 to 30 September 2023 and includes details of our strategic goals, operational background, material matters, risks, opportunities, performance and governance. Any material events that occurred after this date and up to board approval of the IAR on 3 July 2024 are 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 and reliability when assessing information for this report.

Reporting frameworks and assurance

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

- Pension Funds Act (No 24 of 1956)
- Financial Sector Regulation Act, (no 9 of 2017)
- SARS guidelines
- King IV Code™ of Corporate Governance
- International Integrated Reporting Council's (IIRC) <IR> Framework
- Regulatory Reporting Requirements for Retirement Funds in South Africa
- Circular PF130 issued by the Financial Sector Conduct Authority (FSCA)

We assessed the following codes and standards to strengthen our sustainability and climate reporting:

Primary codes and standards

The Johannesburg Stock Exchange (JSE) Sustainability Disclosure Guidance

Code for Responsible Investing in South Africa (CRISA 2)

The United Nations Sustainable Development Goals (SDGs)

Secondary codes and standards

JSE Climate Change Disclosure Guidance

The Task Force on Climate-Related Financial Disclosures (TCFD)

The Principles for Responsible Investment (PRI)

The TCFD, PRI and JSE Sustainability and Climate Disclosure Guidance documents were all considered, with certain components being aligned with this report and others evaluated for potential use in future reports. As part of this progression, we started a process to implement components of the TCFD with further implementation planned for the next financial year.

The board of trustees reviewed and approved the IAR and is comfortable that external assurance on the accuracy of non-financial information is not necessary at present. Our Financial Sector Transformation Council (FSTC) Level 3 rating was independently verified by Diversifi in June 2023.

Deloitte & Touche South Africa (Deloitte) audited our annual financial statements as at 30 September 2023 and have 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 and strategic objectives. 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 then 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 of 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. AF Access 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.

Data and metrics

The quantitative data and metrics in this report have been internally verified and are accurate for the period to 30 September 2023 unless an alternative timeframe is given. Comparative data for 2022 is also provided where possible and indicated next to each data point. Where we rely on our members to provide demographic data – for example, gender and age – the data reported on may be incomplete. We endeavour to collect and safely manage as much relevant data from our members as possible and report on this as appropriate. We are constantly working to improve the ways in which we report on data and metrics.

Trustee assurance and approval

The trustees confirm 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 activities.

In the board's opinion, this report provides a fair and balanced account of the fund's performance on those material matters which 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 was approved by the board of trustees on 3 July 2024 and signed on its behalf by:

Robin "Sakkie" Hurd
Chairman, AF Access Retirement Funds

Our highlights

Twelve months ended 30 September 2023

	Provident section	Pension section
Registered participating employers	267 (2022: 296)	209 (2022: 206)
Total assets under management	R6.9 billion (2022: R5.6 billion)	R6.3 billion (2022: R5.4 billion)
Average replacement ratio of retirees	32% (2022: 31%)	32% (2022: 31%)
Average preservation rate	10% (2022: 9%)	10% (2022: 9%)
Active members	55 458 (2022: 45 254)	24 921 (2022: 21 670)
Number of claims processed and paid	8 574 (2022: 6 133)	4 545 (2022: 3 231)
Total benefits paid out to members	862 (2022: 583)	857 (2022: 672)
Average exit rate	15% (2022: 14%)	18% (2022: 15%)



R12.4 billion in **additional assets** due to group arrangements



R200 million per annum in **fee savings** as a result of the annuity strategy



72 023 individuals with **easier access** to financial advice through various channels under group arrangements



R270 million per annum in **tax savings**



Our members have **pensions that last 4 years longer** than the average retail living annuity, providing additional years of income in retirement

AF Access overview

Fund overview

Founded in April 2010, AF Access has grown into one of the largest commercial umbrella funds in South Africa, offering a comprehensive solution for employers seeking a cost-effective and professionally managed retirement fund for their employees. We offer a wide range of services that help our members to maximise the value and benefits of their retirement savings.

As at 30 September 2023, the fund comprises

	AF Access Retirement Fund (Provident Section)	AF Access Retirement Fund (Pension Section)	
Fund assets:	R6.9 billion (2022: 5.6 billion)	R6.3 billion (2022: 5.4 billion)	The Provident Section and the Pension Section accommodate historical differences in retirement savings regulations. This option ensures flexibility for members based on their preferences and aligns with evolving tax and retirement landscape standards.
Members:	55 458 (2022: 45 254)	24 921 (2022: 21 670)	
Participating employers:	267 (2022: 296)	209 (2022: 206)	

The AF Access Retirement Fund (Pension Section) and AF Access Retirement Fund (Provident Section) are both separate legal entities managed by a professional board of trustees. The board is the same for both sections.

How the fund works

An umbrella fund is a retirement fund set up by a specialist financial services company, which a number of unrelated employers choose to join. This is cost-effective as the employer groups share fund expenses through economies of scale.

The fund is an intermediated fund where an employer, on the advice of their appointed independent financial advisor (IFA), selects the fund as their preferred retirement fund option. Employees therefore become members of the fund when their employer starts contributing to the fund on their behalf, to assist and support them in saving for retirement. The fund receives contributions from both employees and employers and can receive transfers from other funds, allowing employees to consolidate their retirement savings. The retirement savings for all employees are managed and invested on their behalf with the aim of generating sound investment returns over time.

Retirement saving are made up of

Any previous savings transferred from another retirement fund

+

Monthly contributions from members and their employers

-

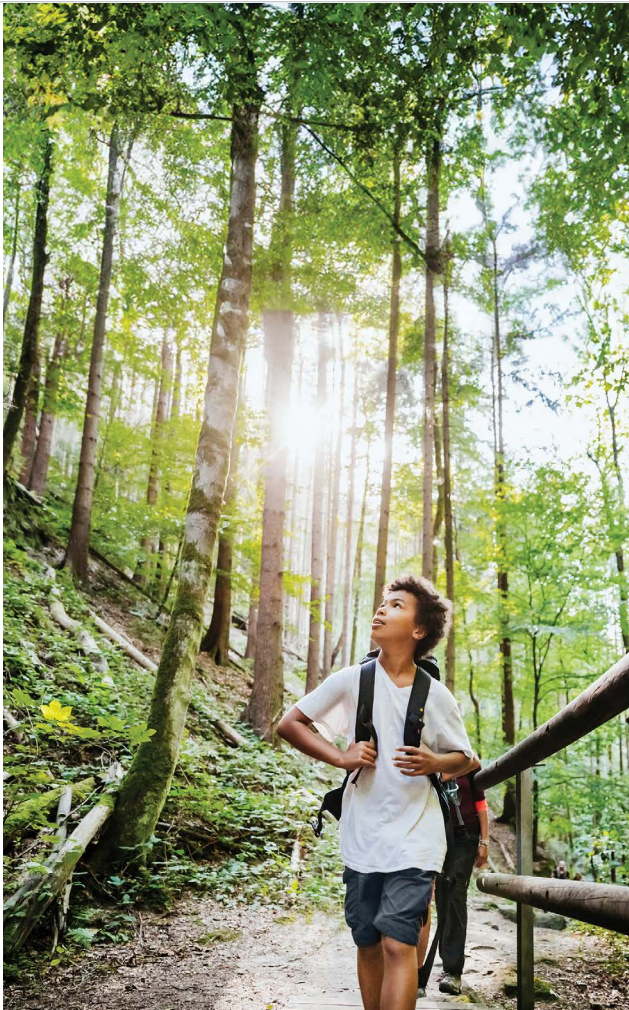
Costs deducted for fund expenses

+

Investment performance over time

On retirement, members will likely use a large portion of their retirement savings to set up a regular income. The level of income that members will receive on retirement depends on how much they have saved before retiring and how much a retirement income costs at the time they convert their retirement savings into a pension.

AF Access offers employers flexibility to structure employee benefits cost-effectively while ensuring the highest administration and communication standards. The fund offers employers - on the advice of their appointed IFA - a risk benefits structure, which is not tied to a single service provider and can be designed to accommodate the specific needs of their employees. Involvement by employer representatives is reduced, allowing employers to focus on their core business.



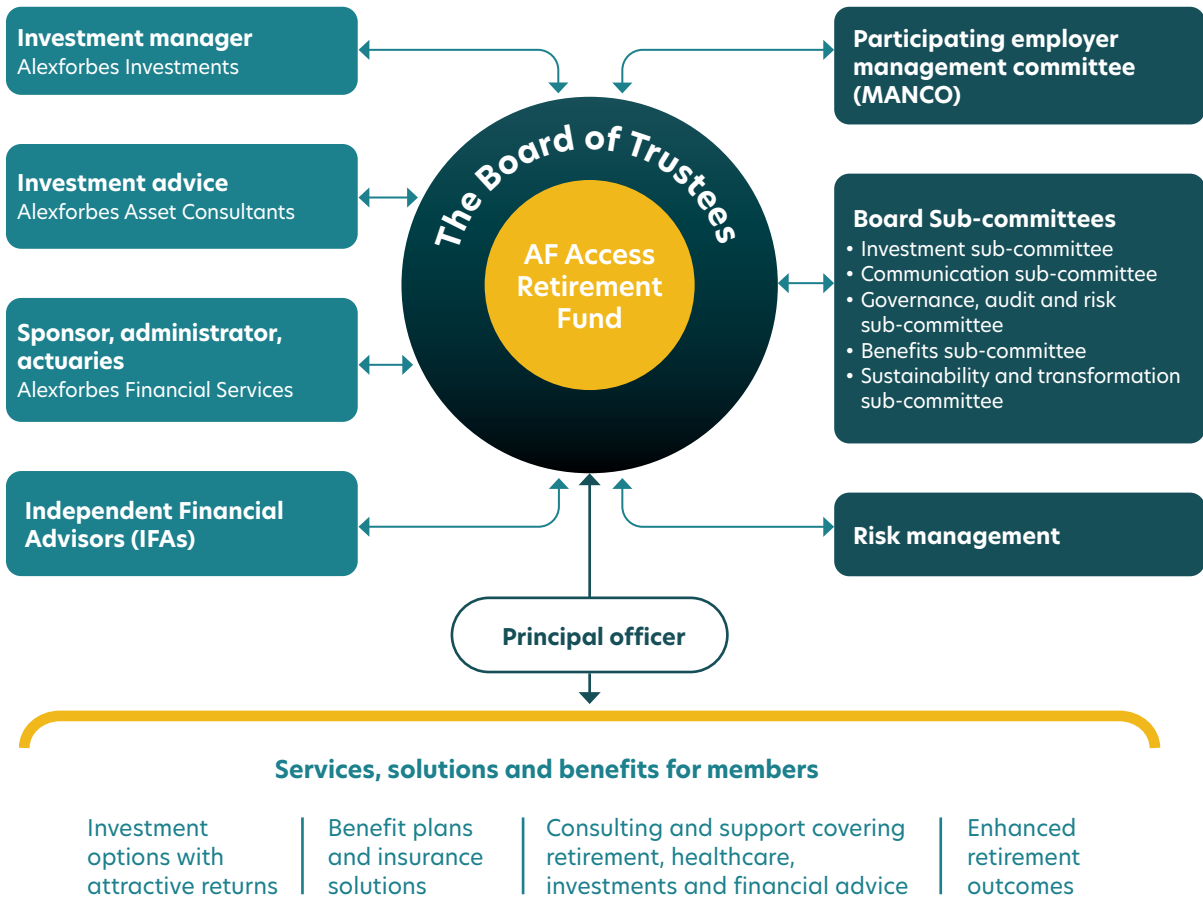
How the fund is managed

A professional board of trustees assumes responsibility for directing, controlling and overseeing the operations of the fund, yet the employer has the option to retain a hands-on approach by appointing a management committee (MANCO) advised by an IFA of their choice. The board of trustees, the MANCO and their IFAs have a fiduciary duty to protect members' interests.

The trustees manage the fund according to the law, general rules of the fund and special rules of each participating employer. The trustees also decide on the range of investment options that are offered to meet the diverse needs of the fund's members. From this wide range, the MANCO, supported by its IFA, selects the most appropriate options for their membership and may set a default investment portfolio at employer level. The fund provides default investment portfolios (based on the different participation options) for employers and members who prefer not to make decisions on portfolios.

The board of trustees must also appoint an independent principal officer (PO) to take care of the day-to-day running of the fund. The trustees may outsource certain operational matters to the administrator of the fund, but the principal officer and the trustees remain responsible.

In terms of the Pension Funds Act, retirement funds must appoint an administrator to handle all routine administrative duties. AF Access is serviced by Alexforbes which provides support as the sponsor, investment manager, administrator and actuaries. Alexforbes also provides consulting and investment advisory services to the board of trustees.



What sets us apart

AF Access is differentiated by a flexible intermediated approach, allowing IFAs to customise services based on members' needs. This open architecture, combined with a commitment to better retirement outcomes and responsible investing practices, makes AF Access a versatile and impactful choice in the retirement fund landscape.

Independent consulting approach

AF Access' independent approach provides participating employers with the ability to retain their trusted relationships with their IFAs. This approach means the employer can focus on running their business while relying on their IFA for assistance and support in decision-making, empowers informed financial choices and promotes enhanced retirement outcomes for employees.

Unbiased independence

AF Access' independence from insurers, investment managers and other providers ensures unbiased decision-making. The IFAs are free to source, replace or reshape designated services to align with high standards, driving impactful collaborations to create quality solutions for clients across various industries.

Quality services and expertise

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

Digital optimisation

Through digital tools, online portals and enhanced digital engagement strategies, AF Access 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, financial advice and retirement benefit counselling, while Digital exits has boosted active preservation decisions and deepened understanding of the impact of withdrawals impact on retirement outcomes.

Responsible investing practices

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



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. This benefits both employers and members participating in an umbrella fund.

Benefits to members:

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

Benefits to participating employers:

- Freeing employees to focus on core business
- Optimising fiduciary time and effort
- Reduced costs and enhanced fund offerings
- Meeting objectives through one point of contact
- Focus is on the members

Why AF Access Retirement Fund?

- **Operational pedigree**
- **Future-ready administration**
- **Service flexibility and support**
- **Safety prioritised**

Our value proposition

AF Access is an advice led umbrella fund.

By leveraging the research-based insights and analytics available to the fund, we offer IFAs the opportunity to provide their clients with access to a modern, strategically focused retirement solution that takes employers and individual members' needs into account without compromising long-term objectives. For employers, this means better business and for individual members it means the correct solutions at the correct time of life, which is intended to have positive impact on retirement outcomes.

INSIGHT

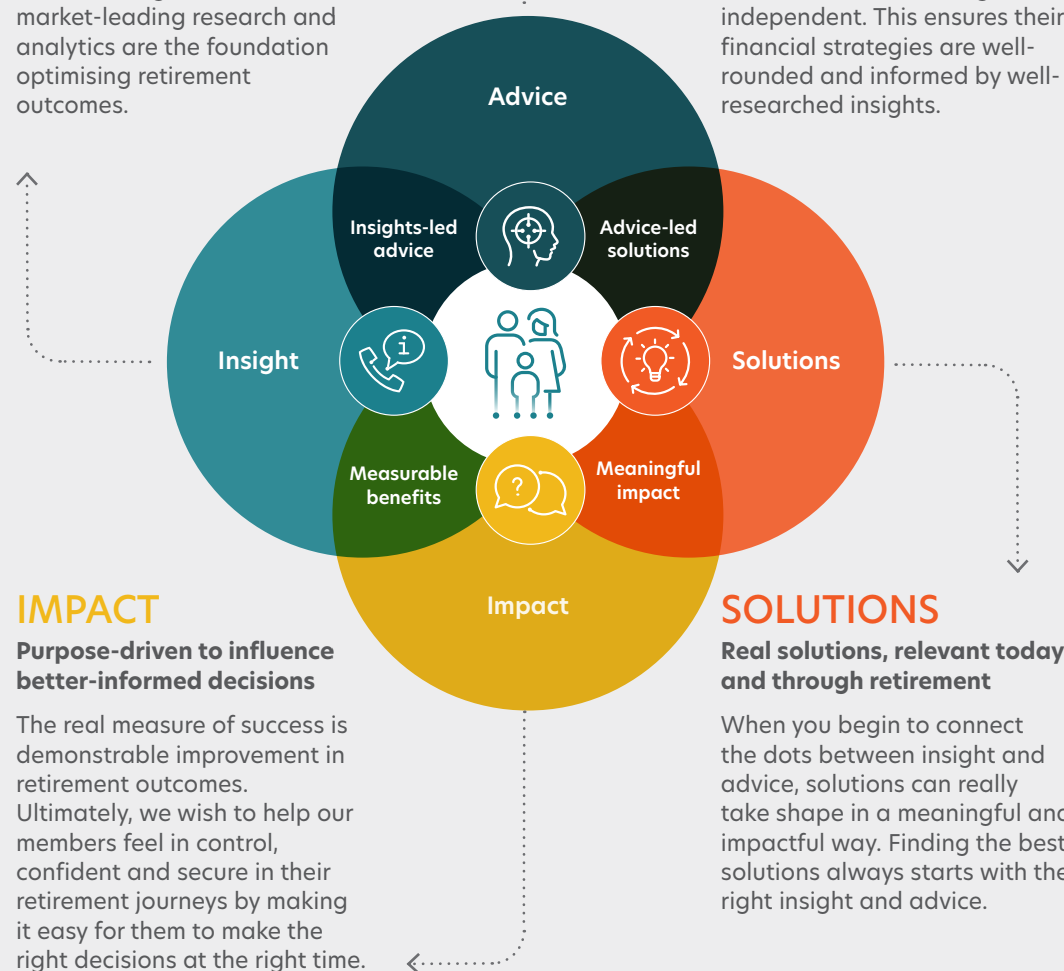
Knowledge is power

We understand that if we are going to change the course of retirement outcomes for members, we need deep insights into what their challenges are. Access to market-leading research and analytics are the foundation optimising retirement outcomes.

ADVICE

High-quality advice leads to better decisions

Through participation in AF Access Retirement Fund via their IFAs, members benefit from high-quality advice that is both integrated and independent. This ensures their financial strategies are well-rounded and informed by well-researched insights.



Board of trustees

The AF Access Retirement Funds are managed by a board of six trustees. The board is made up of:

- three external (independent) trustees appointed by the board
- three internal trustees appointed by the sponsor (Alexander Forbes Financial Services (Pty) Ltd)

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. Each trustee has an area of expertise to add value to the management of the fund.

During the year under review the trustees were as follows.

Internal trustees



Michael Prinsloo (49)
Internal trustee
B Com, CFP
Over 20 years industry experience
Appointed: 1 March 2018



Leroy Munetsi (49)
Internal trustee
BBA, GDE, MBA
Over 17 years industry experience
Appointed: 1 May 2019




Nazreen Fakir (42)
Internal trustee
CA (SA)
Over 11 years industry experience
Appointed: 1 October 2022

External trustees



Lavinia Khangala (54)
Independent trustee
B Proc, LLB, LLM CFP
Over 16 years industry experience
Appointed: 1 March 2013




Jurgen Fegbeutel (70)
Independent trustee
LLD, LLB, MA (Hons)
Over 38 years industry experience
1 September 2015



Sakkie Hurd (68)
Independent trustee
B.Mil Sc
Over 21 years industry experience
Appointed: 1 July 2019

Principal officer



Nomonde Zwane (41)
(Ex officio)
B Com, MBA, MPhil
Over 14 years industry experience
Appointed: 1 March 2021

Monitoring person

Wendy Wessels

Appointed: April 2021

Appointed by the trustees to monitor the receipt of contributions to the fund and to report to the board on any breaches by employers

Information officer

Nathalie Burrows

Appointed: May 2021

Appointed by the trustees to monitor the implementation and management of data privacy, to maintain the funds PAIA Manual and to report to the board on any information breaches

Sub-committee membership

- ◆ Governance, Audit and risk
- ▲ Investment
- ★ Benefits
- ◇ Communication
- Sustainability and transformation

* Denotes the chairperson

Change in the board

Mr Leroy Munetsi resigned effective 31 December 2023 and has been succeeded as an internal trustee by Ms Alvina Chetty. Alvina is a senior legal adviser at Alexforbes. She has been with the company for over 11 years. Her skills include drafting rules, management, employee benefit design, legal research and advice, contracts and pension funds. Alvina has a strong legal background with a Bachelor of Laws (LLB) from the University of KwaZulu-Natal, focused on corporate.

Message from the chairman



It is my privilege to present the AF Access Retirement Fund's inaugural Integrated Annual Report for the 2023 financial year. By issuing this report, we aim to demonstrate our commitment to accountability and excellence, reflecting the fund's dedication to fostering trust and delivering exceptional value to our stakeholders.

Amid times of great socio-political uncertainty and rapid technological change, our commitment to delivering flexible, independent and impactful retirement solutions remains steadfast. I am pleased to highlight the key developments and achievements that position AF Access as a leading choice in the retirement fund landscape.

A flexible intermediated approach

A defining characteristic of AF Access is our intermediated structure. We empower independent financial advisors (IFAs) to serve as the primary liaison with employers, supporting them to tailor services and solutions that best meet the needs of their members. This open architecture model enables our clients to choose from a diverse range of service providers and investment options, while leveraging our robust administrative platform.

Our growth is driven by this flexibility, attracting large employers previously in stand-alone funds who value the ability to retain their own advisors and tailor investment strategies. Umbrella funds remain an attractive value proposition, offering economies of scale that directly benefit both IFAs, employers and their members.

In addition, our platform, provided by Alexforbes, provides IFAs with access to extensive research, analytics and administrative tools. We continuously enhance our digital capabilities to provide IFAs with efficient solutions for client interactions and portfolio management.

Fund performance and growth

Despite global and local economic challenges, such as persistently high inflation and geopolitical tensions that erode investor confidence, the fund has delivered pleasing investment returns. The AF Balanced High Growth portfolio, in which most of our members are invested, not only met but exceeded expectations in 2023. Over the past five years, our fund has more than doubled its assets and members, a testament to the effectiveness of our unique structure and the ongoing support from our IFAs.

Our commitment to delivering consistent and stable returns has been a key factor in our growth. We understand that stability is crucial for our members and we have structured our portfolios to provide reliable performance while managing risks effectively.

Navigating economic challenges

The post-Covid economic landscape presents unique challenges. Employers are still grappling with the financial aftermath of the pandemic, compounded by ongoing legislative changes and economic pressures. For many, maintaining contributions to retirement funds can seem like a daunting task. At AF Access, we understand these realities and are committed to supporting employers and members through tough times.

We have responded by offering specific exemptions and relief periods for distressed employers, allowing them to manage their financial obligations more effectively. Our goal is to make certain that employers can continue to provide retirement benefits to their employees without compromising their financial stability. By working closely with employers and IFAs, we aim to navigate these challenges together, ensuring better retirement outcomes for all.

Supporting national initiatives for better retirement outcomes

AF Access fully supports National Treasury's two-pot retirement system, which is set to significantly enhance retirement outcomes for South Africans. Our belief is that the two-pot system will not only increase retirement savings but also assist members in managing their financial challenges more effectively. We are actively engaging with National Treasury, the Financial Sector Conduct Authority (FSCA), SARS and industry bodies throughout this process to make sure that our systems are prepared for the transition.

However, we recognise the potential challenges, such as possible increased withdrawal rates owing to financial distress and higher indebtedness among fund members. Effective communication will be critical in managing the transition as members need to understand the long-term benefits of the two-pot system, as well as the potential drawbacks such as tax implications and fees associated with early withdrawals. Our aim is to ensure that members make informed decisions that align with their long-term financial goals.

Relevant and accessible solutions

Recognising the importance of safeguarding our members' financial futures, we have adopted a member-centric approach that prioritises financial inclusion, accessible advice and lifelong education. Our goal is to communicate with members at every stage of their financial journey, empowering them to make decisions that positively impact their retirement outcomes. By providing convenient digital services, we have reduced barriers to entry, allowing members to access their accounts, investment options and educational resources from the comfort of their homes at times that best suit them.

Robust governance and compliance

AF Access remains fully compliant with legal requirements and embraces proactive governance. During 2023, we enhanced our governance structures by expanding our Audit and Risk Committee to include a deeper focus on governance practices. The Governance, Audit and Risk Committee plays a crucial role in managing compliance more effectively and not only meet, but exceed regulatory requirements, thereby maintaining the trust and confidence of all stakeholders.

We have also embraced the regulatory changes brought about by the two-pot system. Our preparations include ensuring that trustees will be fully compliant with the Trustee Training Toolkit requirements well before the target date. This training covers a wide range of topics, including fiduciary duties, governance best practices, legal and regulatory requirements, investment strategies and risk management.

During the year, the board also began implementing the Financial Sector Transformation Council (FSTC) scorecard, which became fully operational in September 2023. These initiatives are designed to ensure that we remain compliant with the latest regulations while continuing to offer top-tier services to our members.

Our primary focus for the coming year is the successful implementation of the two-pot retirement system. This includes preparing our administration systems, enhancing digital solutions and ensuring effective member communication. We anticipate a surge in claims and queries when the legislative changes take effect and we are preparing for potential challenges by bolstering our administrative capacity and streamlining our processes.

Maintaining the fund's growth momentum is another key focus area for the years ahead. While we believe the economies of scale achieved through our umbrella fund structure will continue to offer significant advantages, sustained growth will require continued innovation founded on a comprehensive understanding of our stakeholder's needs. Our strategy involves not only attracting new employers and members but also enhancing member preservation and providing compelling reasons to stay invested in our fund. We remain dedicated to supporting our members, employers and IFAs, providing them with the tools and resources needed to achieve better retirement outcomes.

I extend my heartfelt gratitude to our dedicated trustees, committee members and principal officer, as well as the entire Alexforbes team for their unwavering commitment and hard work. Together, we are navigating the complexities of the retirement fund industry, working towards the best possible outcomes for our members and stakeholders.

Thank you for your continued trust in AF Access Fund.

Robin "Sakkie" Hurd

Chairman, AF Access Retirement Funds

Message from the principal officer

It is with great pleasure that I share my insights into our fund's transformative journey towards a more sustainable future. As we navigate a challenging macroeconomic landscape and adapt to evolving regulatory requirements, the fund is keenly aware of both the challenges and opportunities that are likely to shape our future. Globalisation, changing population dynamics, technological advancements, climate change and shifting generational expectations are driving fundamental changes in mindsets, risks and opportunities for retirement funds. Preparing for these changes is crucial to ensuring robustness, relevance and long-term financial security for members.

As one of South Africa's larger umbrella funds, we understand the urgency and importance of this paradigm shift and I am proud of the fund's resilience, innovation and unwavering commitment to making a positive impact in our members' lives.

A commitment to sustainability

Over the past year, the fund has focused on integrating ESG principles into our strategy and operations. This process involves identifying practical application and implementation strategies as sustainable investment and ESG practices mature within the industry.

Given the scope, impact and dynamic nature of ESG risks, we have established a Sustainability and Transformation Sub-committee (STSC) to manage and monitor broader sustainability and transformation within the fund's operations. The STSC is integrating sustainability into every aspect of our fund's operations and engages with the investment multi-manager on implementing these across our investments.

I am honoured to serve as the chairperson of the newly formed STSC and I greatly appreciate the contributions of our committee members who bring a wealth of experience and knowledge.

Driving transformation

The STSC plays an important role in ensuring the diversity and transformation objectives of the fund are continually reviewed, monitored and reported on. We are developing a comprehensive three-year strategy to guide our actions towards becoming a more diverse and inclusive fund. We believe diversity encourages innovation and better decision-making, ultimately benefiting our direct stakeholders and the broader industry.

The fund recognises the importance of enhancing transformation within the board's composition and ensuring continuity in leadership. The fund is in the process of appointing alternate trustees with specific skill sets to meet transformation requirements, selecting them not only for their qualifications but also for their potential to transition into full trustee roles. Additionally, we will be engaging with former trustees to retain their institutional knowledge and skills, which will be conferred to newly appointed trustees and alternate trustees.

The STSC is tasked with reviewing and monitoring the broad-based black economic empowerment (B-BBEE) credentials and transformation policies of the fund's service providers, with consideration of their overall ESG practices and application. 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 also actively support businesses predominantly owned by black entrepreneurs.

Responsible investing

Recognising the long-term nature of retirement funds, the AF Access Retirement Fund understands that our investments must be sustainable to secure the financial future of our members. By identifying and addressing potential risks related to environmental and social issues or governance failures, the fund ensures that our investment strategy is reviewed and monitored by our Investment sub-committee (ISC) in the interest of members.

The retirement landscape is changing, with studies showing that people are living longer than previous generations, which means that people who are young today will need more substantial retirement savings. We also see that the impact of climate change is affecting investment markets and are aware of the need to invest in a sustainable manner while also considering the long-term financial impact of climate change on our members' retirement savings.

We also acknowledge our ethical and social responsibility to invest in a way that contributes positively to the communities where our members live and the environment at large. Embracing responsible and sustainable business practices will likely result in resilient investment returns in the long term.

To achieve our responsible investment goals, the fund collaborates closely with the investment multi-manager to conduct regular evaluations of current fund investments and potential investment opportunities, specifically assessing the achievement of consistent investment returns and alignment with global best practice ESG standards and sustainability frameworks.

Proxy voting is another important tool in the fund's sustainability strategy. Through proxy guidelines agreed with our multi-manager, we monitor that our shareholder rights to influence ESG practices within our investment portfolio are aligned with these guidelines, ensuring that our voting power supports responsible and sustainable business practices.

Outlook and appreciation

Our commitment to delivering optimal retirement outcomes goes beyond the present, it is about making sure that we remain relevant and sustainable in the years to come. To ensure that the AF Access Retirement Fund is future-fit and ready to adapt quickly to emerging needs, we have proactively embraced the "Retirement Fund of the Future™" vision developed by Alexforbes. This advisory service is founded on five objectives that retirement funds should incorporate into their strategies so that they are ready to meet the future needs of members, changing investment landscapes and sustainability challenges. The five characteristics of the fund of the future are member-centricity, strategic long-term thinking, impeccable governance, impact-conscious and transparent stakeholder communication.

As this report will show, the AF Access Retirement Fund has already started this journey and is uniquely positioned to provide relevant and timely solutions to a diverse membership base and our IFA collaboration. Our unwavering commitment to making an impact sets us apart and ensures that the fund sets the industry standard for a best-in-class, future-fit retirement fund that is resilient and innovative through multiple time horizons.

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, AF Access Retirement Fund (Pension and Provident Section)

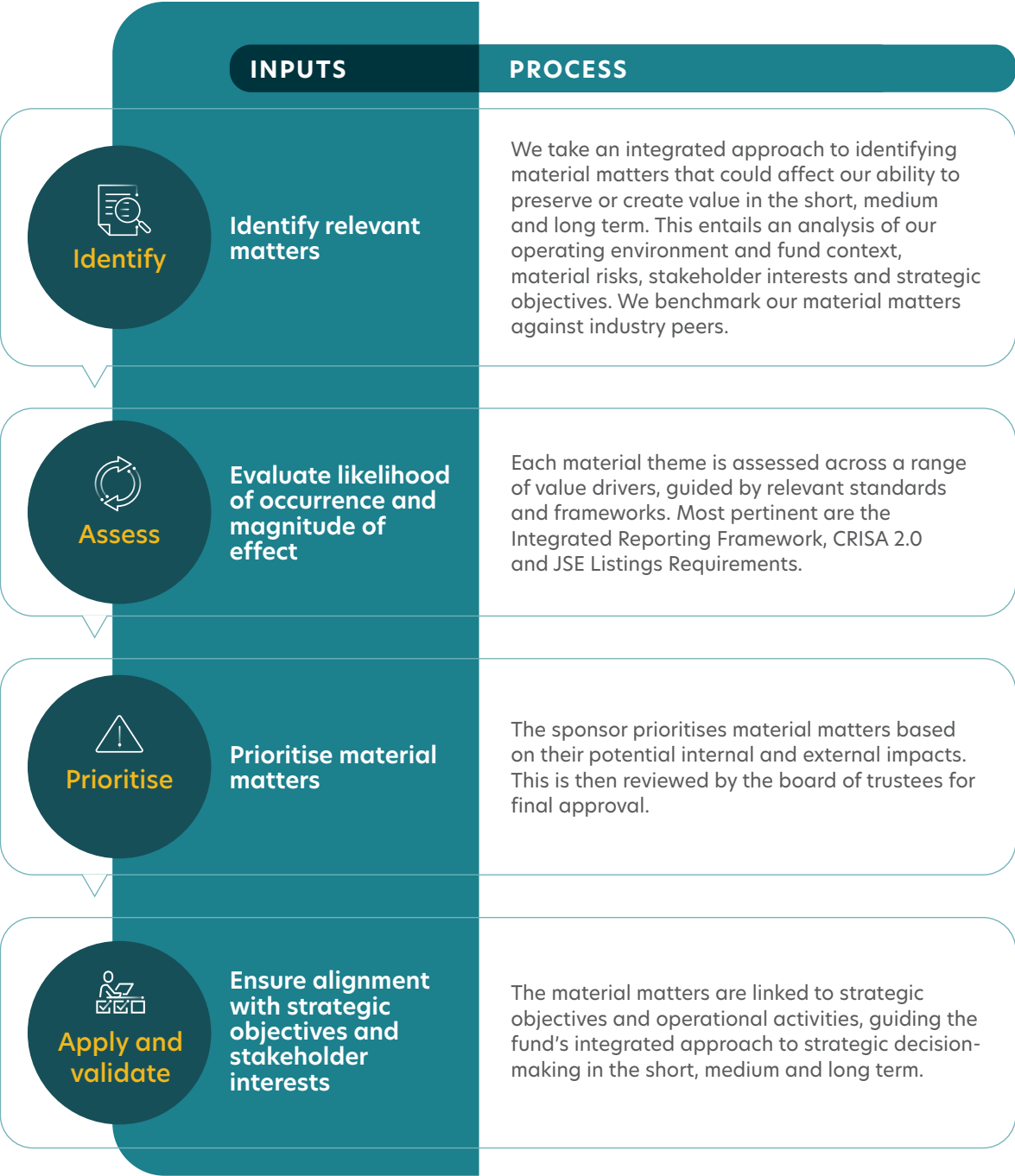
Nomonde Zwane

Material matters

Materiality determination approach

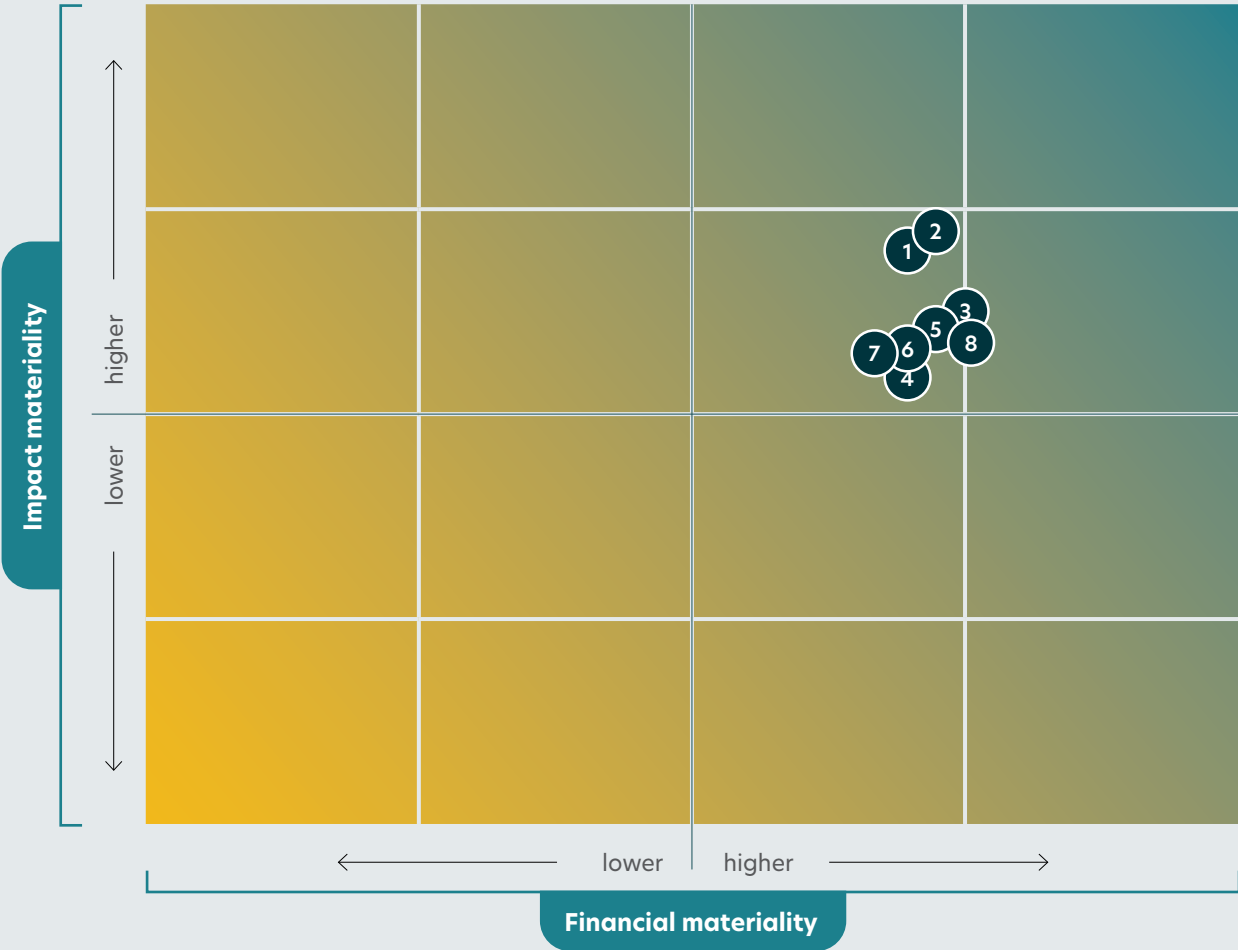
Material matters are important topics or issues that can significantly impact the fund's financial performance, its impact on the environment and its relationship with society. These are the key factors that stakeholders consider when evaluating the fund's overall performance and sustainability.

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



Our material matters in 2023

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 below.



Material matters

- 1

Oversight of responsible investing outcomes with a focus on stewardship
- 2

Fiduciary oversight to ensure fund performance has a sustainable financial impact on members
- 3

Maintain good governance, accountability and ethical practices
- 4

Manage risks and compliance
- 5

Manage and respond to stakeholder interests
- 6

Member education including financial literacy, retirement benefit counselling and capacitating employer management committees
- 7

Measurable benefits that create member impact
- 8

Effective and efficient management of the fund

Our material matters in 2023 continued

1 Oversight of responsible investing outcomes with a focus on stewardship

Our focus is on responsible investing to ensure that the impact of our investment portfolios contributes positively to sustainable outcomes over the long term via our investment manager, Alexander Forbes Investments. 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 impacted

Service providers



Regulators



Society

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

Our fiduciary duty is to ensure that our fund delivers the most reliable financial returns possible and fosters long-term wealth creation for our members. The board of trustees 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 impacted

Members



Participating employers



Service providers

3 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, the selection and appointment of an independent principal officer and transformation of the board by way of succession planning. Strong ethical practices are imperative in our dealings with all stakeholders.

Stakeholders impacted

Members



Participating employers



Service providers



Regulators

4 Manage risks and compliance

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

Stakeholders impacted

Participating employers



IFAs



Service providers



Regulators

5 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 IFAs is a critical element of this process. Participating employers, members, the government and regulatory bodies and service providers such as Alexforbes must all be managed and responded to appropriately.

Stakeholders impacted

Members



Participating employers



IFAs



Service providers



Regulators



Society

6 Member education including financial literacy, 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 and IFAs understand the impact of these solutions on members' retirement outcomes and when our members are capacitated to make informed decisions on the various options available. MANCO and IFA-led member education and engagement, the promotion of financial literacy and retirement benefit counselling supports better outcomes for both our members and the fund.

Stakeholders impacted

Members



Participating employers



IFAs



Service providers

7 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, investment return, length of service and preservation, alignment of investment strategy and selection of annuity option on retirement).

Stakeholders impacted

Members



Participating employers



IFAs



Service providers

8 Effective and efficient management of the fund

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

Stakeholders impacted

Members



Participating employers



IFAs



Service providers



Regulators

Regulatory environment

AF Access is entrusted with the financial goals and outcomes of our participating employers and members in pursuit of their reasonable benefit expectations and so we adopt the highest standards of regulatory compliance. Compliance with retirement fund rules and laws helps us to uphold the highest legal and ethical standards in managing retirement savings. It helps identify and prevent misconduct, fraud and mismanagement, ultimately safeguarding the retirement benefits of members.

Compliance with legislation and regulation is the minimum standard expected of the fund. We aim to exceed this standard to deliver meaningful benefits to our participating employers, our members and society.



Our approach to rules and regulations

Retirement funds follow complex rules that keep changing. To keep up with these changes and make sure we treat our customers fairly, we need to be quick to respond to change. We therefore employ good governance practices to anticipate and prepare for changes.

We monitor our regulatory universe to determine whether there are any changes that might affect the fund and the members it serves.

- If there are any new laws or changes to existing laws, these are discussed in the relevant sub-committee and by the board of trustees
- Education and training is rolled out to relevant stakeholders to ensure compliance with these new/changed rules
- We continuously monitor compliance with the new/changed rules
- We remain affiliated, and regularly engage with, industry groups and regulators to maintain a holistic and independent view

We also make sure we follow important international rules, like those that protect the fund from being involved in money laundering.

Update on legal framework

No amendments to the fund rules were submitted from 1 October 2022 to 30 September 2023.

Regulatory changes

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

- Conduct Standard 1 of 2022 on Requirements Related to the Payment of Pension Fund Contributions
- Adoption of the CRISA 2 in the investment policy principles
- Final amendments to Regulation 28 of the Pensions Fund Act

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

- The anticipated two-pot retirement system, proposed to take effect on 1 September 2024
- Draft Joint Standard for Cybersecurity and Cyber Resilience Requirements (revised)
- Conduct of Financial Institutions (COFI) Bill

Final amendments to Regulation 28

The Pension Funds Act was amended to make some important changes to Regulation 28, starting from 3 January 2023. Regulation 28 is like a rulebook for retirement funds that helps protect the money that members invest when saving for retirement. It does this by setting how much of the fund's money can be invested in different types of assets, which helps to manage the diversification risk.

Below are the main changes that the Financial Sector Conduct Authority (FSCA) have made:

- Retirement funds can now invest up to 45% (of the total fund value) in investments outside of South Africa. This differs from the previous limitation of 30% in other countries and 10% in Africa
- The limit for investments into infrastructure investments increased to 45% (of total fund value)
- Allocations to hedge funds and private equity investments are now viewed separately
- Retirement funds are not permitted to invest in crypto currencies
- Funds are limited to investments of 25% (of total fund value) in one company, except when they invest in government debt
- Housing loan guarantees to members reduced from 95% to 65% (of fund credit) for new loans.
- Only certain hedge funds approved by the Collective Investment Schemes Control Act (CISCA) may be used for investment
- The requirement to exclude collective investment schemes (CIS) and insurance policies from reporting has been lifted for infrastructure investments

How we are responding



- **Noted** the revised increased limits
- **Engaged** with our investment consultants and the multi-manager to understand the potential risk/return impact of the increased limits to the fund investment portfolios
- **Reviewed** the multi-manager's feedback on where strategic asset allocation changes should be considered to better align the specific portfolio with its mandate
- **Introduced** new investment portfolios,
 - AF Explorer and AF Passive Explorer to provide for those members whose investment objectives are aligned with a portfolio with maximum offshore exposure limit
 - AF Retirement Navigator, to provide for those members in the Base Access option which does not provide for member investment choice
- **Amended** the housing loan limits to be subject to the new lower guaranteed amount allowed

Regulatory environment continued

The two-pot retirement system

The two-component system (also known as the two-pot system), as proposed by National Treasury in 2022, is set to take effect on 1 September 2024, following the release of the:

- Revised 2023 Revenue Laws Amendment Bill in November 2023
- Draft Revenue Laws Amendment Bill 2024 in February 2024
- Pension Funds Act Amendment Bill in January 2024, which contains the legislative amendments required for pension funds to implement the first phase of the two-component retirement system.

The president must now sign the bills into law. However, a few steps remain in finalising the implementation of the two-pot system, which includes legislative changes to the Income Tax Act (1962) and the Government Employees Pension Law. It is also important for the South African Revenue Services (SARS) to get its systems ready to handle the tax component of withdrawals from the savings component. In addition, retirement funds need to apply to the Financial Sector Conduct Authority to amend their fund rules to accommodate the necessary changes.



How we are responding

The two-pot system at a glance

Prior to 1 September 2024, retirement savings were invested in one pot. Members could only withdraw cash from these savings if they left their employer or retired.

From 1 September 2024 any new retirement savings will be split into two new pots:

Read more about the two-pot system.



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

<https://mymoneymatters.alexforbes.com/twopot.html>

The two-pot retirement system promises to improve member outcomes by:

Enhanced preservation:

By segregating retirement savings into two distinct pots, the system encourages greater preservation of funds meant for retirement. The locked retirement pot ensures that a substantial portion of members' savings remains untouched until retirement, thus bolstering long-term financial security.

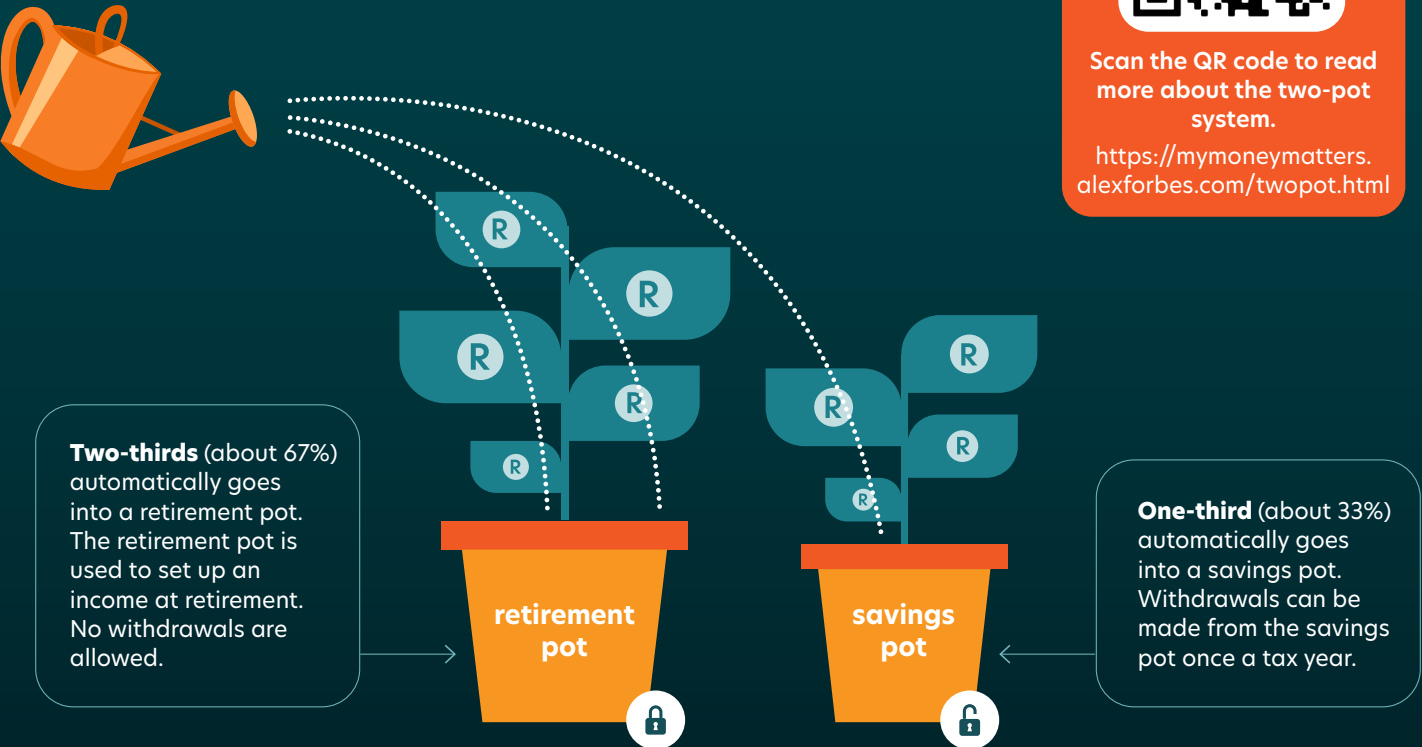
Flexibility and emergency access:

Simultaneously, the accessible savings pot provides members with a degree of flexibility to address pre-retirement emergencies or financial challenges without compromising their core retirement savings. This duality fosters a balanced approach to financial planning, catering to both short-term needs and long-term goals.

For retirement fund members, this system brings both opportunities and responsibilities. On one hand, it offers a safety net for managing unforeseen financial challenges before retirement. On the other hand, it underscores the importance of prudent financial planning and responsible debt management, making sure that retirement savings remain intact for their intended purpose – securing financial stability in retirement.

- AF Access is in favour of the two-pot system because it will enhance the retirement outcomes for members in the long run. In the short-term, however, there will be pressure on our administrators to process a significant amount of claims because members can cash out some of their savings from 1 September 2024
- We are working closely with the sponsor to assess, monitor and manage the various impacts of implementing the two-pot system, including administration, governance, communication and investments and have workplans in place to address these challenges
- The sponsor is making big changes to their administration systems and member portal, using the latest technology to enable electronic withdrawals from the savings pot and to empower members with access to information and tools

A further impact may be that more free-standing funds will consider moving to umbrella funds, which can cater for these changes more efficiently. This could result in growth of our fund's membership.



Our key relationships

AF Access aspires to make a real difference for the people and groups connected to us. We aim to work closely and positively with all our stakeholders to build strong and lasting connections.

Regular conversations with stakeholders are essential for effective fund management and reducing potential risks. These dialogues help us identify and resolve important issues that affect our value creation strategy. They also help us better understand what our stakeholders expect from us and make us more open and accountable. The input we receive from stakeholders is crucial for informed decision-making by our board, ensuring accurate planning and forecasting.

Our approach is guided by the following principles:

Inclusion

Saving towards a comfortable retirement is applicable to everyone
Everyone has a role to play in ensuring the best possible outcome
Everyone has the right to be heard

Reaction

We believe in a proactive approach to all fund matters and timeous response to all stakeholder interactions

Transparency

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.



Stakeholder engagement



Members

AF Access serves over 80 000 members. Unfortunately, the majority of these members do not actively engage their retirement fund arrangements consistently and are exposed to the risk of poor decision-making as a consequence.

Their concerns

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

How we engage

- Our member engagement suite provides access to financial learning opportunities, an online portal, enhanced retirement benefit counselling (eRBC) and financial advice
- Through employer appointed IFAs to employer MANCO's and members via member sessions
- Where proactive engagement has failed, we have a robust complaints process to ensure customers are treated fairly and issues resolved expeditiously

How we are responding

- Our refreshed strategy was crafted to enable AF Access to better connect with individual members
- We are implementing our member engagement suite across our IFA and participating employer client base to optimise adoption among their members
- 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 by the board and our Sustainability and Transformation Sub-committee (STSC) on treating customers fairly (TCF). Embedding and confirming our commitment to TCF principles at each sub-committee and board meeting



Participating employers

AF Access services a wide range of participating employer groups across various industries and regions. The quality of our relationships with these employers and in particular their appointed IFAs dictates our ability to impact members' lives through the delivery of our integrated best-practice model.

Their concerns

- Navigating the complexities of managing employer responsibilities in retirement fund participation arrangements
- Changes in legislation such as Regulation 28 and the two-pot system
- 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 engage

- IFAs and MANCOs of the various participating employers work closely together and engage with the sponsor and board of trustees to ensure the best outcomes for members
- The sponsor has a systematic 'voice of the customer' process that provides direct engagement with a representative sample of institutional clients to explore their concerns and aspirations
- Participating employers and IFAs have direct access to the PO and the board to address escalations
- Participating employers and IFAs have direct access to senior executives of the sponsor and the product head to address escalations

How we are responding

- When concerns are escalated, we close the loop and deliver appropriate actions and mitigate potential relationship losses
- We provided insights to address recent changes in retirement fund regulations and how these changes may affect employers' contributions and compliance requirements
- We host IFA and employer engagement events where topics of relevance are discussed
- Regular feedback is provided to the Governance, Audit and Risk Sub-committee (GARSC) and Sustainability and Transformation Sub-committee (STSC) to create visibility and the opportunity to provide ongoing input
- Review of escalations and outcomes are assessed at quarterly board meetings

Our key relationships *continued***Independent financial advisers (IFAs)**

AF Access caters for a wide range of IFAs within the boarder industry and particularly those IFAs who focus on providing their clients (participating employers) with high quality and best of breed retirement fund solutions. The quality of our relationships with these IFAs and their client bases dictates our ability to impact members' lives through the delivery of our integrated best-practice model.

Their concerns

- Navigating the complexities of managing employer responsibilities in retirement fund participation arrangements
- Changes in legislation such as Regulation 28 and the two-pot system
- Administration of contributions, reporting and benefit payments
- Administration and management of deductions
- The impact of macroeconomic matters on the financial outcomes of their members
- Investment performance in the context of volatile markets

How we engage

- The IFAs and MANCOs of participating employers work together closely and also engage with the Sponsor and Board of Trustees to ensure the best outcomes for members
- The sponsor has a systematic 'voice of the customer' process that provides direct engagement with a representative sample of institutional clients to explore their concerns and aspirations
- IFAs have direct access to the PO and the board to address escalations
- IFAs have direct access to specialised broker consultants at the sponsor and to senior executives of the sponsor and the Product Head to address escalations

How we are responding

- When concerns are escalated, we close the loop and deliver appropriate actions and mitigate potential relationship losses
- We provide insights to address recent changes in retirement fund regulations and how these changes may affect employers' contributions and compliance requirements
- We host IFA and employer engagement events where topics of relevance are discussed
- Regular feedback is provided to the GARSC and STSC to create visibility and the opportunity to provide ongoing input
- Review of escalations and outcomes are assessed at quarterly board meetings

**Government and regulators**

Our regulators make certain that we treat our clients and members fairly, protect their information and assets and act in the best interests of all our stakeholders.

Their concerns

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

How we engage

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

How we are responding

- Compliance with regulation is the minimum standard expected of AF Access. We aim to exceed this threshold to deliver meaningful benefits to our members and society
- Our philosophy is premised on regular, transparent and proactive engagement
- We provide status updates to regulators as required
- We give regulators advance notification of transactions or any other material items
- We provide opinions and suggest solutions to regulators with regard to industry matters

**Service providers**

The fund has a close-knit relationship with Alexander Forbes Financial Services (AFFS) and Alexander Forbes Investments Limited (AFIL) as both entities 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.

Their concerns

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

How we engage

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

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 broader objectives of the Alexforbes Group and AFIL to foster seamless integration
- AF Access' financial performance is vigilantly monitored and maintained to complement 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
- Our transformation policy and ESG requirements have been socialised with the asset managers

**Society**

AF Access, as a leading retirement fund, is a key player in the savings and investment industry. 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.

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 fund'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 engage

- We have implemented a TCF framework
- Ongoing engagement with asset managers on ESG matters to influence meaningful change
- We contribute to relevant policy matters, such as regulatory reform through various professional bodies, directly with government and in public discourse

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.
- We participate 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

Material risks

Most of the risks that could significantly impact AF Access's ability to create value in the short, medium and long term originate from the external environment. While these external risk factors are largely beyond our control, we constantly monitor and engage with our asset manager and take steps to manage their actual or potential impacts.

The current top concerns being monitored and managed through the risk monitoring process are as follows.

ESG and transformation

There is a need for the consideration of **ESG factors and transformation to be embedded in the operation of the fund**. This involves practical application and implementation as this process is undertaken. There is a greater scope for change and increased legislative and best practice guidelines, in particular as sustainable investment and ESG matures in the industry and is evolving.

Two-pot retirement system

The **introduction of the two-pot retirement system** requires substantial changes to the manner in which retirement funds operate. The initial proposed implementation date of 1 March 2024 and subsequently amended to 1 September 2024, introduced a number of risks in a several areas that were difficult to fully prepare for given the substantial changes required to systems and the lack of clarity regarding operations and requirements.

Section 14 transfers

Section 14 transfer is the transfer of retirement savings from one retirement fund to another in terms of Section 14 of the Pension Funds Act. As multiple parties are involved, timeous notification, communication and receipt of documentation and asset transfer timeframes can be challenging. **Delays in notification and finalisation of transfers between funds remains an industry problem.**

The single most contributing factor to delays in the process is the requirement for funds to obtain tax directives from SARS where members tax affairs are not in order.

Section 13A contributions and supporting information

Section 13A of the Pension Funds Act requires that **employers pay contributions for a particular month within seven days after month-end**, that they provide member schedules in respect of contribution payments to the fund and that interest (at the legislated rate) is paid on late contributions.

At the onset of Covid-19, the rules were amended to allow a reduction in contributions temporarily as a result of financial distress.

There are a number of employers struggling with regular cashflow in the tight economic conditions that fall into arrears and do not inform members. This is a concern, as **failure to pay contributions** can result in risk cover lapsing, a loss of investment return, delays in updating benefits for members who leave service and it is a criminal contravention for which the employer directors can be held liable.



Our risk management process is described in greater detail on page 37 of this report.

Mitigating measures

Owing to the scope, impact and dynamic nature of these ESG risks, the STSC was established to manage and monitor broad sustainability and transformation within the fund operations and to engage with the multi-manager on the implementation plans of these aspects in the funds investments.

The revised implementation date of 1 September 2024 provides for further engagement with the authorities and additional time to align systems to ensure a more seamless transition to the new system. However, the overall risk areas remain the same. The trustees are reviewing and engaging with the fund's administrator and service providers on the following risk areas:

- Administration and resources
- Communication
- Rules and policies
- Investment strategy
- Member impact

The trustees engage regularly with the administrator to ensure they manage compliance with Section 14 transfers and automate processes where possible to mitigate delays.

The fund governance team also continue to provide training and assistance in managing backlog projects, escalations (including to the FSCA) and providing reporting on the different areas at trustee meetings so these can be monitored and addressed.

Ongoing communication for participating employers and members emphasises the need for members to ensure that their tax affairs are in order with SARS.

Mitigation measures for financial strain and impact on cashflow and payment of contributions was pro-actively addressed through the servicing consultants to employers to mitigate arrear contributions and ultimately preserve existing benefits in the fund for members. Measures such as lower contribution rates, redefining pensionable salary, temporary suspension or reduction of contributions except for risk expenses are all options available for the employer to engage with members on. These options will continue to be communicated through the servicing consultants and MANCO communications.

Contraventions are and will continue to be reported to the FSCA and notifications issued to employers and members.

Governance and fund management

A key reason why employers participate in umbrella funds is that it is difficult to keep abreast of the ever-changing legislation governing retirement fund operations while still trying to fulfil their employment obligations. The fund was designed to provide a retirement fund with a governance framework in place and a management structure that operates at three different levels:

- A professional board of trustees to set the parameters within which participation takes place and ensure compliance with the spectrum of retirement fund legislation and regulation
- A MANCO at participating employer level, which provides the participating employer and its members with a mechanism to determine the benefit structure of their participation in the fund and the ability to monitor service delivery
- Direct and open communication to the sponsor and the fund by the IFA and participating employer

We strongly believe good governance is essential for creating value that lasts. As a retirement fund, we uphold rigorous standards for governance, internal controls, risk management and compliance, reflecting strong stewardship practices. Governance ensures robust decision-making aligned with accountability, fostering capable management in harmony with stakeholders' interests.

Our board of trustees, dedicated to top-tier corporate governance, compliance and transparency, assumes the critical role of overseeing the fund's operations. The board, assisted by the principal officer (PO), is ultimately accountable and responsible for the performance of the fund. They uphold this responsibility by providing strategic direction and leadership, ensuring good governance and ethics, determining policy, agreeing on performance criteria and delegating detailed planning and policy implementation to the fund's service providers.

Some responsibilities of the board are delegated to board sub-committees. These five committees provide a forum for discussing issues within their mandate and develop recommendations for consideration and approval by the board.

Board of trustees

Management committee (MANCO)**

Investment sub-committee

Communication sub-committee

Governance, audit and risk sub-committee

Sustainability and transformation sub-committee

Benefits sub-committee

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

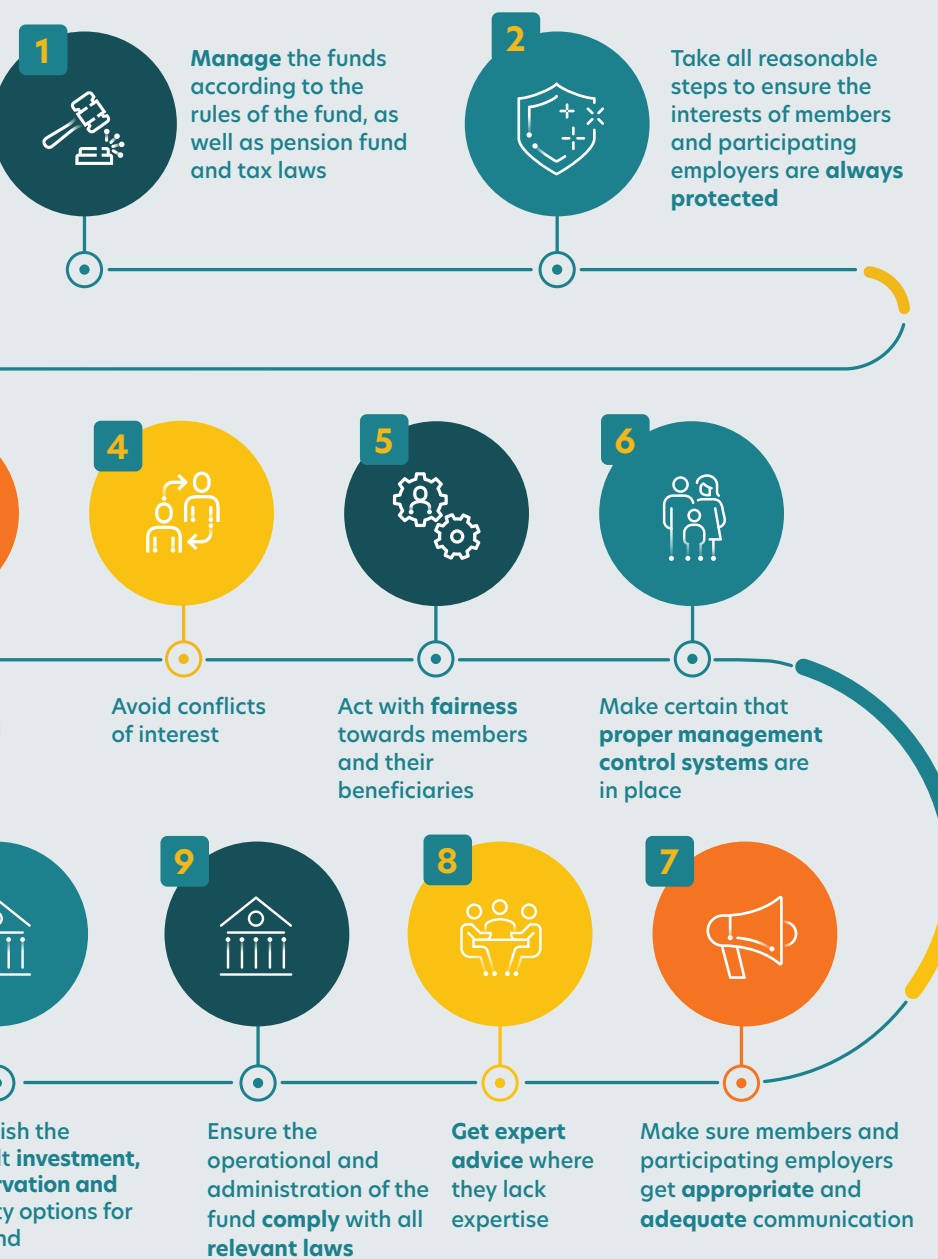
Our Alexforbes service providers are responsible for the day-to-day management and administration and report to the board.

Trustees and principal officer

Trustee duties and responsibilities

Retirement funds are governed by a board of trustees, which must act in members' best interests at all times.

The trustees' duties include:



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

Principal officer duties and responsibilities

All funds must appoint an independent principal officer to:

- Sign all documents on behalf of the fund
- Notify the Financial Sector Conduct Authority (FSCA) of new trustee appointments
- Submit rule changes and inform members of the changes
- Submit transfer documents to FSCA
- Submit financial statements, annual reports and valuation documents to FSCA
- Act as liaison person with the FSCA
- Monitor, manage and engage service provider delivery to the fund

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

Central to the trustee selection process is a detailed skills and experience matrix covering governance, financial legal, compliance and sustainability. Current trustees' skills and experience are mapped against the needs of the fund to identify deficiencies to inform continued professional development interventions, succession planning needs and nomination priorities. Naturally, not all requirements will or should be met at a trustee level and the organisational and executive capability, as well as areas where external expert skills may be more appropriate, are taken into consideration.

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

Nominations and appointments

Board members are appointed or elected, as appropriate, through a formal and transparent process.

- The board is responsible, subject to the rules, for the appointment of the external trustees. The process includes an evaluation of any candidate's fitness and appropriateness, as well as reference checks. Trustees are required to exhibit characteristics of integrity, competence, responsibility, accountability, fairness and transparency.
- The sponsor is responsible, subject to the rules, for the appointment of the internal trustees.

On appointment, the terms and conditions are formalised in a letter of appointment and new trustees undergo an induction programme to facilitate their understanding of the business environment in which the fund operates.

Rotation

The term of office for board members is a period of up to five years subject to the provisions of the rules, whereupon they become available for reappointment. Eligibility for re-election or re-appointment is informed by the individual trustee's performance, contribution and attendance, their willingness to stand for another term and the requirements of the fund.

Any vacancies need to be filled within the prescribed period as set out by the FSCA from time to time or as required in terms of the rules of the fund should this period be less than the prescribed period.

Succession planning and alternate trustees

Board succession is a continuous area of focus, both from an emergency and long-term sustainability perspective. As part of building a reliable leadership pipeline, the fund's rules were changed to allow for alternate trustees. The process of appointing alternate trustees is currently underway. These trustees will provide continuity in the management of the fund and promote the transformation of the board.

Trustee remuneration

External trustees are appointed and paid by the fund.

The rate of remuneration is determined in terms of the rules of the fund and adjusted annually. The rate paid is competitive and aligned with industry rates and benchmarked by the sponsor against funds of a similar nature and complexity, and are aligned with rates charged by external trustees of sponsored funds.

The rate is standard for all external trustees and chairperson(s) are not remunerated at a differentiated rate. The total remuneration paid in any year is disclosed in the funds' annual financial statements.

Conflicts of interest

AF Access aims to avoid conflicts of interest but recognises that some are unavoidable. To manage conflicts of interest, the fund requires service providers and trustees to disclose any potential conflicts at each trustee and sub-committee meeting.

The fund acknowledges a potential conflict between the administrator, multi-manager and the fund investment consultant because they are part of Alexforbes. The board manages this inherent conflict through its risk management framework.

Training and ongoing learning

The fund's board members are appointed as professional trustees and are expected to have sufficient education in their appointed skills. They must understand their accountabilities and responsibilities and attend ongoing training programmes and meetings to equip themselves appropriately.

The board recognises the importance of educating trustees in various fund-related matters, including investments and governance. Investment topics are regularly covered in meetings and annual workshops, including educational components to enhance trustees' knowledge and understanding of the fund's investment framework.

The trustees have fully embraced the FSCA Trustee Toolkit initiative and monitor individual trustees compliance with the conduct standard. The trustees also expect the PO to comply with the requirements. All trustees are furthermore required to provide a quarterly training report to the PO for record purposes.

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. The evaluation helps track progress and assess skill and development needs. The PO'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 that all sub-committees have the collective knowledge, skills and experience required to fulfil their mandated responsibilities. The board and sub-committees also discuss how they can improve performance against their mandates.



Board focus areas in 2023

During 2023 the trustees focused on several key areas to enhance the fund’s governance and operations. These areas include:

ESG integration

The primary focus for the board has been the integration of ESG principles into the fund's investment strategy. This initiative aimed to align the fund's investment portfolio selections with those with sustainability goals and ethical considerations. To achieve this the board considered various options and formally established a Sustainability and Transformation Sub-committee and developed and approved a mandate for the sub-committee. This sub-committee began its work to integrate the work already done by the Investment Sub-committee in respect of an analysis to identify gaps and opportunities to effectively implement ESG principles by the multi-manager. An implementation plan was developed by the multi-manager and overseen by the board to bridge these gaps and ensure alignment with the underlying investment managers used in the construct of the multi-manager portfolios. Continuous monitoring of ESG implementation remains a priority.

Transformation and continuity

AF Access recognises the importance of enhancing transformation within the composition of the board and ensuring continuity in leadership and retention of intellectual property. This task was mandated to the newly formed Sustainability and Transformation Sub-committee to enable the board to gain a holistic view of the spectrum of sustainability and transformation. To achieve this, the board is in the process of appointing alternate trustees with specific qualifications and skill sets and to meet transformation objectives. These alternate trustees are being selected based on their potential to transition into full trustee roles. Engagement is ongoing to retain or engage with former trustees with institutional knowledge and skills to confer such on newly appointed trustees and alternates.

Adapting to regulatory changes

Over the past year, the board dedicated substantial time and resources to identify and prepare for upcoming regulatory changes. This includes understanding the implications of the two-pot retirement system, how these changes affect the fund and members and considering efficient adaption to new requirements that will come into effect during the year ahead.

Engaging participating employers with cash flow challenges

With the challenges posed by the Covid-19 pandemic, cash flow problems emerged within some of the fund's employer groups. These challenges have led to issues like late or inadequate fund contributions and the board had to guide employers and members on managing these issues. They provided options, including contribution holidays and adjustments, to prevent member terminations owing to non-payment of contributions. This proactive approach aims to prevent negative consequences for fund members and ensure compliance with regulations such as Section 13A.

Treating Customers Fairly (TCF)

An ongoing focus area for the board has been the implementation and embedding of the TCF principles in all aspects of the fund. The fund has integrated and embedded TCF principles into its operations, aligning values and processes with TCF objectives. A comprehensive campaign was conducted to ensure that TCF principles are embedded in the fund's culture and practices. The board continually emphasizes TCF outcomes in meetings, underscoring its commitment to fairness and transparency in its interactions with all stakeholders.

Governance structures and processes

Internal management sub-committees

Where the fund's rules allow, the board delegates its responsibilities to sub-committees. These sub-committees maintain efficient management, compliance and strategic alignment within AF Access.

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

Investment sub-committee

- Reviews fund investment strategy in collaboration with asset consultant
- Assists trustees in investment-related duties
- Monitors investment policy adherence and updates
- Approves asset allocation strategy, mandates and fee agreements
- Oversees investment performance and compliance
- Supports responsible investment principles
- Recommends investment managers and reviews life-stage structure
- Identifies and mitigates risks associated to investments

Communication sub-committee

- Ensures compliance with communication regulations, including the Pension Funds Act, FSCA guidelines and TCF principles
- Focuses on member and stakeholder communication strategies
- Reviews and updates communication policy annually
- Monitors transparency and effectiveness of communication
- Manages member complaints and feedback
- Promotes the Protection of Personal Information Act (POPIA) and the King IV Report on Corporate Governance

Benefits sub-committee

- Allocates death benefits
- Reviews compliance with Pension Funds Act Sections 37C and 37D
- Considers Section 37D deductions from members benefits and contentious divorce orders
- Addresses member complaints and feedback
- Identifies and mitigates risks associated to the above

Governance, Audit and Risk sub-committee

- Reviews fund governance, audit and risk management
- Monitors financial controls and compliance
- Assesses governance structures and systems
- Reviews audit reports and financial statements
- Identifies and mitigates risks
- Oversees data protection and privacy

Sustainability and Transformation sub-committee

- Oversees fund sustainability practices and transformation efforts
- Implements ESG plan and aligns with investment managers' initiatives
- Adheres to transformation standards and retirement fund scorecard
- Develops plans for board and service provider transformation
- Reviews B-BBEE credentials and transformation policies

Governance structures and processes continued

Trustee and sub-committee meetings

Attendance	Trustee meetings	Investment Sub-committee	Communication Sub-committee	Governance, Audit and Risk Sub-committee	Benefits Sub-committee
Michael Prinsloo	4/4	3/4	n/a	4/ 4	n/a
Leroy Munetsi	4/ 4	4/4	n/a	n/a	11/12
Nazreen Fakir	4/4	n/a	3/ 3	4/4	n/a
Lavinia Khangala	4/4	4/4	n/a	n/a	12/12
Jurgen Fegbeutel	3/ 4	4/4	n/a	1/1	12/12
Sakkie Hurd	4/4	n/a	3/3	3/4	n/a
Nomonde Zwane	4/ 4	4/4	3/3	4/4	8/12

Management committees (MANCO)

Each participating employer should appoint and elect an employer MANCO which consists of participating employer representatives who play a crucial role in making decisions on the benefit structure applicable to the participating employer, monitoring service delivery between the employer and the fund and its administrator and its members. The MANCO must meet (except for Base offering clients) at least once per year with their IFA to review:

- the benefit structure of their participation within the framework of the fund
- the costs and rates applicable to their participation and benefits provided through the fund
- their investment strategy
- reports regarding their participation, such as the administration report and in respect of the comprehensive offering, a cash flow report and financial assessment

MANCO also acts as the communication channel to members and as a conduit of members' concerns.

Risk benefits

- Request and obtain risk benefit quotes
- Select and structure most appropriate risk benefits

Investment choice

- Choose an appropriate default solution (excl Base Access)
- Monitor strategies against objectives

Member education

- Educate members on benefits
- Inform members of services available

Service delivery

- Review efficiency, professionalism and competitiveness of offering
- Maintain integrity of achieving long term retirement goals

Claims assistance

- Assist with processing of death benefits
- Remind members to update nominated beneficiary details

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 sets out how the board governs the risks the fund faces. It provides a structured framework for identifying and mitigating key risks, aligning with the fund's core objective of ensuring members receive adequate retirement benefits and extending benefits to dependants upon a member's death.

The overall responsibility for the risk identification and assessment process rests with the board of trustees. In cases where specific tasks or actions are delegated to sub-committees or external entities, their findings and actions are reported back to the board in detail for final assessment.

Risk identification

Risks are carefully identified through a comprehensive approach involving various sources, which include:

- Legislative parameters such as the Pension Funds Act and Income Tax Act
- Industry regulators' guidance and best practices
- Pertinent legal cases and rulings
- Reports furnished by third-party entities, encompassing auditors, actuaries, administrators, investment consultants and investment managers

The task of risk identification and assessment is entrusted to the Governance, Audit and Risk Management Sub-committee (GARSC). Its findings and assessments are communicated to the board of trustees.

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
- Based on these assessments, risks are categorised as follows:
 - green: risks that are no longer a cause for concern, having been effectively managed or eliminated.
 - amber: risks under active management that may necessitate further action or continued monitoring.
 - red: risks demanding immediate attention, intervention and ongoing scrutiny

Risk assessment register

All identified risks are documented in a dedicated register. This repository includes:

- Detailed descriptions of each identified risk
- The GARSC assessment of the risk's current status
- A summary of the measures implemented or planned for risk mitigation
- Evaluation of the potential impact on the fund and its members
- A clear allocation of responsibility to manage each risk
- Prescribed intervals for re-evaluating these risks

Risk monitoring and action

Immediate action plans are promptly initiated in response to 'red' risks. For 'amber' and 'red' risks alike, cautious monitoring is upheld, with regular status updates provided during sub-committee and trustee meetings.

The risk identification and assessment process is conducted at least once every three years. 'Amber' and 'red' risks are reviewed on an ongoing basis, but not less than annually, ensuring timely responses to emerging challenges.

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

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.

Our primary objectives are:

Retirement income security

To provide members with a variety of portfolios that have the greatest likelihood of securing a reasonable pension at retirement, based on each member's unique circumstances and saving ability. This involves delivering acceptable investment returns at an acceptable level of risk and with reasonable costs.

Stability near retirement

To offer members portfolios that provide less volatile returns, particularly as they approach retirement, with the aim of generating an income stream that maintains their standard of living post-retirement.

Our investment principles

The fund's investment strategy is underpinned by a set of agreed principles and beliefs about how investment markets work:

Retirement income focus

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

Long-term approach

Given that retirement savings are for the long haul, the investment strategy primarily focuses on the long term

Managing risk

Trustees view risk as not meeting investment goals. The strategy maximises the likelihood of achieving investment goals while avoiding unnecessary risks

Mix of strategies

Both passive and active investment strategies are used

Choosing managers

We use a method to identify and select market-leading managers per asset class, which are likely to outperform the market and their peers

Asset allocation matters

The allocation between asset classes such as cash, bonds, property and equities has the biggest impact on returns

Considering the Environment

Investment into and upliftment of environmental and social matters will positively affect portfolio performance

Economic role

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

Our investment strategy

AF Access's investment strategy is designed to provide members with the best chance of securing a reasonable pension when they retire. To this end, the fund provides default investment options as well as a range of other investment choices that align with different needs and stages of life, all while making sure members' savings are managed carefully and responsibly.

AF Access participation options

AF Access offers three broad plans to employer groups. These are carefully chosen to suit different needs.

Base option

For smaller employer schemes and offers a stable investment with growth over time. All investments are housed in the single default investment portfolio suited to this option and it does not provide for member or MANCO investment choices.

Select Access option

Ideal for medium to large employer schemes, it balances growth and risk as retirement gets closer. This option offers access to a selected series of portfolios that the MANCO can choose from.

Full Access option

Larger schemes can personalise their investment approach, but with specific rules and is restricted to the wide range of portfolios made available by the trustees.

The fund also provides flexibility for large schemes, generally with 1000+ members and a minimum of R500 million in assets. These employers can construct their own bespoke investment plan and use any of the approved portfolios they choose, as long as the board approves them and they're on the Alexander Forbes Investments Limited platform. For this option, an investment consultant helps the MANCO select their default investment strategy. Special rules apply to this option requiring pre-approval by the board.

Default investment portfolios

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

Base Access

AF Retirement Navigator

This portfolio targets long-term growth while smoothing returns, providing a low volatility investment portfolio with stability of returns, which is deemed more appropriate for the average member profile in this option.

Select Access and Full Access

Alexander Forbes Goals-based Balanced LifeStage model

This portfolio targets higher investment growth (CPI + 5%) when members are more than five years from retirement, then gradually assumes less risk (and lower expected investment growth) as members approach retirement. It spreads investment risk across different:

- Asset classes (types of investments)
- Investment styles (ways or methods of investing)
- Asset managers (the service providers managing investments)

This means the investments are spread in a way that limits exposure to any single risk.

Investment strategy *continued***Investment portfolio choices**

Employers participating in the Select Access and Full Access options may choose a different investment strategy instead of the fund's default choice and can select portfolios as indicated below.

Members in the Select Access and Full Access options can also opt out of their employer's default strategy and invest in other portfolios approved by the trustees within each participation option. Members will access these options on the advice of their participating employer IFA, or their personal financial advisers.

Select Access investment options

- AF Goals-Based LifeStage models (AF High Growth, AF Balanced High Growth, or AF Passive Bold)
- Shari'ah High or Medium Growth portfolios
- AF Retirement Navigator portfolio
- A management committee choice or investment strategy selected from the range of portfolios approved by the trustees, provided it is compliant with the regulations

**Full Access investment options
(as selected by members)**

- AF Goals-based LifeStage Model portfolios
- AF Balanced High Growth
- AF High Growth
- AF Passive Bold
- AF Access Houseview Income Target
- AF Access Passive Houseview Income Target
- AF Access Flexible Income Target
- AF Access Inflation Income Target

Multimanager portfolios

- | | |
|---------------------------|--------------------------|
| • Accelerator | • Shari'ah High Growth |
| • AF Retirement Navigator | • AF Explorer |
| • Banker | • AF Passive Explorer |
| • Conserver | • Shari'ah Medium Growth |
| • Performer | • Stable Focus |
| • Real Return Focus | • Stable Focus Combined |

**Managing investments**

The fund consists of a large number of participating employers and members who have different investment needs, solved for by making available a wide range of portfolios to choose from. The board believe the best way to meet these needs is to be invested in a multi-manager pooled portfolio which optimally combines exposure to more than one investment manager and reduces risk, thereby providing an additional layer of diversification.

Multi-manager

The fund has entered into a long-term policy of managing our investments in partnership with Alexander Forbes Investments Limited, referred to as the multi-manager.

The multi-manager builds portfolios by choosing suitable underlying investment managers based on their philosophy, expertise, past performance and more. The underlying asset managers are regularly assessed based on factors like performance, reputation, approach to investments, meeting benchmarks, fees, transformation and experience of the investment team.

**Single investment
manager portfolios**

The trustees have also chosen specific single investment manager portfolios that are available to Full Access participating employers and members with input from their IFA.

Monitoring investment performance

We take a proactive approach to reviewing how our portfolios perform against our set targets. We also monitor and review our overall investment strategy and the performance of our multi-managers at regular intervals to make sure our investments are delivering the targeted returns for our members.

This may result in changes to portfolio construction or offering from time to time, based on discussions between the board, its asset consultants and the multimanager. This process ensures that the investment options offered to members are diverse, well managed and aligned with the fund's goals.

Keeping a watchful eye on investments

Review portfolios against
target investment returns



3 months

Review overall
investment strategy



Every year

Review
multimanagers



3 years

Investment strategy *continued*

Fund performance

Investing of contributions

We invest **96%** of members contributions within five working days which is five days quicker than our agreed service standards

We receive over **540** contribution schedules from participating employers every month

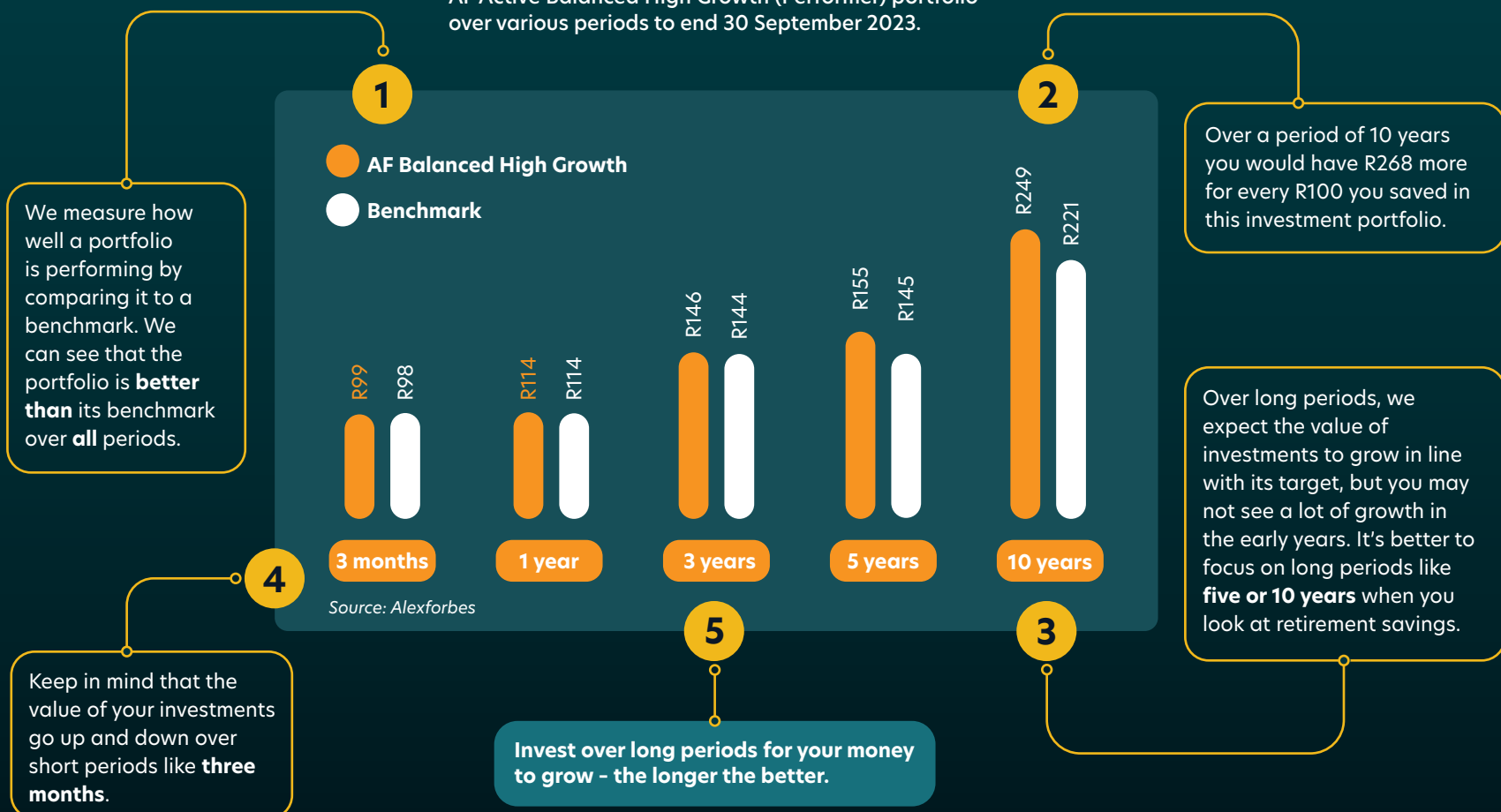
Our administration team takes an average of **2.42** days to invest contributions

Growth portfolios

	Past returns			% of AF Access total assets as at 30 September 2023
	1 year	3 years	5 years	
AF Balanced High Growth portfolio	13.93%	12.30%	8.88%	70.3%
Benchmark	14.06%	11.82%	7.75%	
AF High Growth portfolio	14.92%	12.92%	8.60%	1%
Benchmark	15.57%	11.78%	7.88%	
AF Passive Bold portfolio	15.17%	11.99%	7.68%	6.4%
Benchmark	15.19%	11.90%	7.54%	

These returns are based on one amount of money being invested at the start of the period up to 30 September 2023. Please note that past performance is not a reliable indicator of expected future returns.

This graphic shows the value of R100 invested in the AF Active Balanced High Growth (Performer) portfolio over various periods to end 30 September 2023.



Responsible investing

Our approach to responsible investing

AF Access's approach to responsible investing (RI) goes beyond obtaining investment returns for our members. We also assess investments in terms of their effect on environmental, social and governance (ESG) factors, as well as recognising the impact of these factors on portfolio performance. ESG principles guide our investment decisions, prioritising opportunities that are both financially sound and ethically responsible. We firmly believe RI can generate favourable returns while promoting positive change.

The fund sees itself as a potential contributor to South Africa's economic and social progress. Our trustees understand the importance of targeted investments that influence society and the environment, as well as transformation, diversity and inclusion. These beliefs shape our investment choices and align with our commitment to responsible investing.

We value multi-managers and single investment managers who incorporate the ESG factors that may affect the sustainability of an investment into their assessments and investment processes, as it enhances informed decision-making and aligns with our commitment to responsible investing.



The fund defines responsible investment as:

"An investment approach that includes environmental, social and corporate governance (ESG) factors and broader systemic issues – for example, climate change and sustainable development – along with stewardship and active ownership."

The value of incorporating ESG into decision-making

Link to corporate performance and portfolio performance to varying degrees

90% of outperformance from active engagement, with successful engagement taking 1.5 years on average

Similar or better corporate performance 71%

Similar or better fund performance 59%

Link to governance issues 62%
Link to environmental issues 58%
Link to social issues 55%

There is evidence of correlation between existing investment management styles and factors (value, growth, momentum, size, quality, risk) and ESG.

Source: (i) 2021 NYU/RockerfellerAsset Management Meta-Study(ii) 2015 Meta Study by G. Friede, T. Busch and A. Bassen (iii) Active Ownership by E. Dimson, O. Karakas and X. Li(iv) 2006 Hermes UK Focus Fund study (v) Alexforbes research

Our partnerships and signatories

AF Access endorses several recognised codes and standards in its commitment to responsible investment.

Code for Responsible Investing in South Africa (CRISA)

Launched in 2011, CRISA encourages institutional investors and service providers in South Africa to integrate ESG issues into their investment decisions. We endorse CRISA and its latest iteration, CRISA 2, which aims to reaffirm a framework of principles for stewardship and responsible investment as a key component of the South African governance framework.



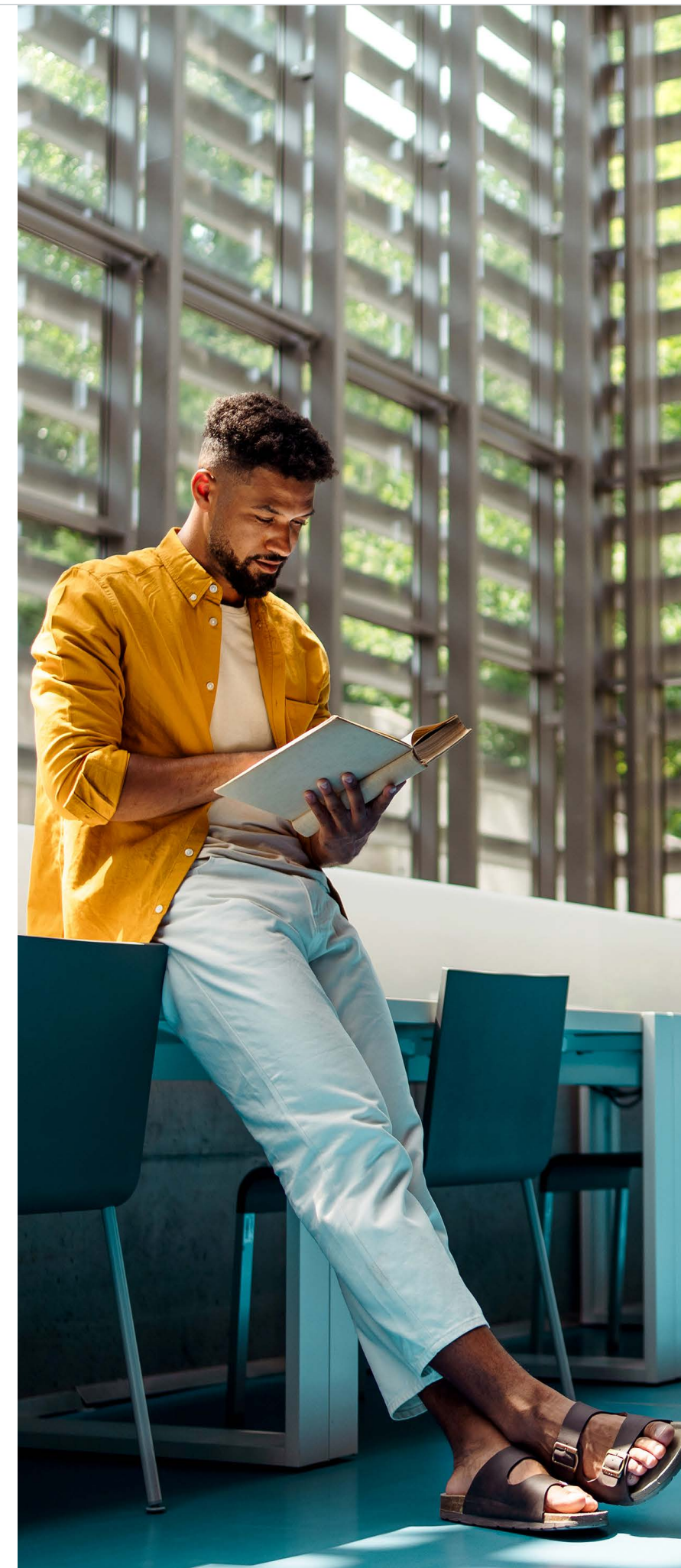
Read more on our implementation of CRISA 2

UN Principles for Responsible Investment (UNPRI)

Although the fund is not a signatory to UNPRI, it aligns with its principles, which emphasize the fiduciary duty of institutional investors to consider environmental, social and governance (ESG) factors in their investment decisions. AF Access's beliefs and practices echo the UNPRI's call for responsible investing that goes beyond financial returns.

United Nations Sustainable Development Goals (SDGs)

Our business activities primarily contribute to SDGs 8 and 10, with secondary goals being SDGs 3, 4, 5, 7 and 13. Through our RI approach, a focus on shaping SDG outcomes involves broadening the analysis of our financially material ESG issues to include a parallel analysis of the most important outcomes to society and the environment at a systemic level.



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. AF Access's responsible investing framework is built on five pillars that are aligned with the CRISA 2 responsible investing codes.

1 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
- AF Access has established reporting and monitoring mechanisms to ensure asset managers adhere to their 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

2 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

3 Collaboration and capacity building

- AF Access 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 due diligence process and address concerns through ongoing engagement

4 Governance

- Responsible investment governance is overseen by various stakeholders, including the board of trustees, Sustainability and Transformation Subcommittee (STSC), investment consultants, the principal officer, multi-manager and investment managers
- Each has defined roles and responsibilities to ensure that ESG integration takes place

5 Transparency and communication

- AF Access supports disclosure and transparency, making its responsible investment policy available to members and reports 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, AF Access 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 directly contribute to meaningful outcomes for the communities and the people that the programme is able to contribute to. The private markets portfolio aligns with relevant SDGs, with a particular emphasis on the South African National Development Plan 2030. These focus areas present a clear direction on where to steer the fund's efforts to create maximum, intentional impact.

Transformation policy

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 also actively support businesses predominantly owned by black entrepreneurs.

Our transformation policy serves as a strategic roadmap. 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 multimanager to ensure that:

- 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 roadmap

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

Our responsible investing roadmap 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 AF Access, responsible investing is not just a concept, it is 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

Stewardship through proxy voting and engagement

Stewardship involves responsibly managing assets for long-term value and proxy voting is a key tool in this process. By actively participating in proxy voting, AF Access requires the multi-manager to evaluate and direct underlying managers to exercise ownership rights to influence corporate decisions and promote responsible behaviour.

The multi-manager has established clear proxy voting guidelines that the fund supports. These guidelines consider ESG factors aligned with industry codes and principles like CRISA and UNPRI. The multi-manager engages closely with its investment managers to maintain adherence to these guidelines, conducting regular meetings and due diligence. Voting and engagement activities of our underlying asset managers are reviewed regularly and reported on to ensure transparency and this information is used to inform our investment decision making. Proxy voting expectations and reporting requirements and were significantly enhanced in 2023.

The multi-manager has reported on their engagements with asset managers to assess how they consider ESG opportunities and risks in stock selection and portfolio construction, as well as how they should vote. We expect the multi-manager to ensure that the underlying asset managers have a deep understanding of the companies in which they invest and to be aware of any potential issues that may materially affect the company's value.

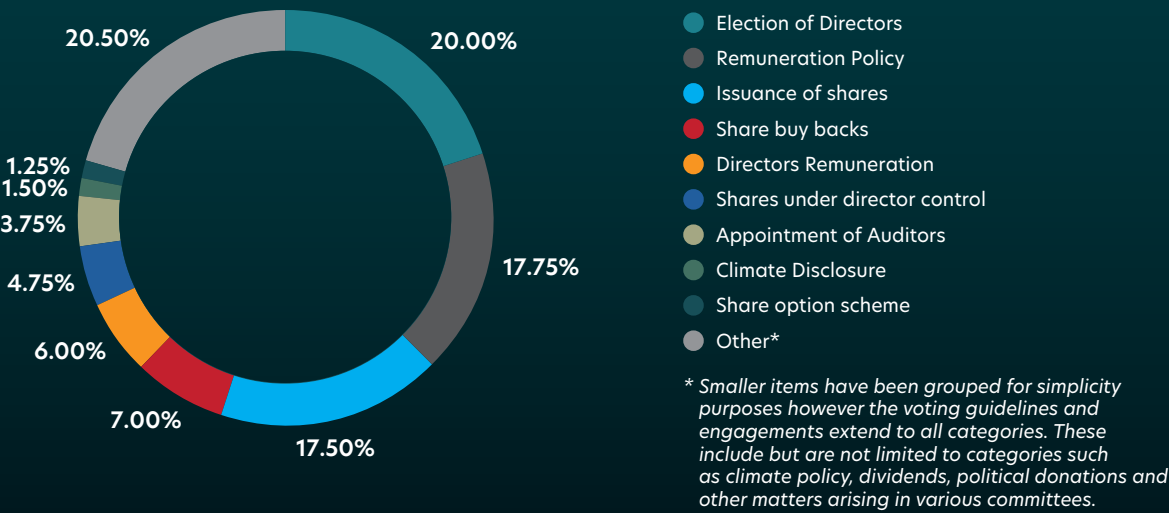
Performer portfolio proxy voting

During 2023, the multi-manager reported voting on over 6000 resolutions through the appointed Performer Portfolio asset managers across locally managed equities.

Number of resolutions	6 165
Number of resolutions voted for	5 486
Number of resolutions voted against	666
Abstained	13

The fund, via its service provider, 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 below highlights the main categories of resolutions where Performer Portfolio fund managers have voted against or abstained from voting between 1 January and 30 September 2023.



Addressing climate change

We are committed to addressing climate change because we understand that it not only aligns with the best economic outcomes for long-term investors but is also pivotal for the well-being of our planet. In the spirit of the 2015 Paris Agreement, we recognise the importance of limiting global average temperature increases this century. Nonetheless, we are acutely aware of the climate change challenges specific to South Africa and the associated social concerns. Therefore, we are taking proactive steps to address climate change risks.

Incorporating climate change considerations into our investments is integral to our responsible investing approach. We assess asset managers' ESG integration with climate change in mind and encourage them to align with global standards, like the Task Force on Climate-related Financial Disclosures (TCFD).

We are using the weighted average carbon intensity (WACI) metric to measure our carbon exposure. Lower WACI indicates less vulnerability to carbon-related risks. As at 31 December 2022 the multi-manager portfolios available to AF Access have a WACI range from 90 to 450, reflecting our commitment to managing climate risks.

By addressing climate change, we aim to secure sustainable returns while contributing to a better environment. We have committed to developing an investments climate change policy to inform the multi-manager of our preferences during 2024.

Responsible investing continued

Investment portfolio ESG performance

Some performance metrics for the Performer portfolio, as the largest portfolio of the default investment strategy as well as the largest individual member selected portfolio, representing 68% of total fund assets, are as follows:

Gender diversity

We are pleased to note that South African companies have embraced female representation on boards and our portfolios reflect this positive outcome. Locally, our portfolios are in line with female board representation being close to the 30 - 35% range, broadly in line with the FTSE JSE All Share Index. Both our local and global portfolios are in line with their respective benchmarks.

Performer portfolio female representation: 31%



ESG integration

We use an ESG rating framework to assess the performance of asset managers. These ratings apply to the full scope of the investment strategy and its underlying assets, not solely to equities or shares. The portfolio ratings represent a weighted average of the ESG ratings of individual managers within a given portfolio, determined through our due diligence processes.

ESG 1 signifies a leader in the integration of ESG factors and it goes down to ESG 4, indicating little integration of ESG considerations. Overall, most of our portfolios have higher-rated portfolio ratings relative to their respective benchmarks.

Performer portfolio average ESG integration rating: 2.3

Climate change

We have adopted the WACI metric to report the carbon intensity of the Performer portfolio. We have found that a WACI measure around 450 means a portfolio is highly vulnerable to carbon-related risks and a measure around 90 indicates that it is relatively protected from carbon-related risks.

- The equity component of our domestic portfolios reflect a WACI range of 220 - 450.
- The equity component of our global portfolios can be split into:
 - a developed market allocation which reflects a range of 90 - 160
 - an emerging markets allocation which reflects a range of 260 - 340.

Performer portfolio WACI score: 355

Ongoing participation in private markets

The fund is already investing in private markets through two of our portfolios:

- AF Balanced High Growth (Performer)
- High Growth

These two portfolios invest in different ESG sectors namely: water, power, environment and housing. This means that by investing in these portfolios, our members are participating in ESG and contributing towards the recovery of the economy. Additional themes, aligned with the fund's beliefs may be considered in future.

Performance highlights from the AF Private markets 2023 ESG report include:

- 3 260+ SMMs funded or impacted
- 149 880+ females employed
- 19 390+ employees of colour in senior management
- 1 444 560+ households powered with renewable energy
- 9 SDGs targeted
- 6 NDP target chapters contributed to

Impact on our members and participating employers



Member impact

Member impact reports

To help members on their retirement journey, we use data to look at what members are doing with their retirement savings. We use this data to provide industry insights for employers and IFAs to help members make informed decisions about their retirement savings.

During 2023, we started providing individualised member impact reports to our employer groups. Member impact reports:

- provide insight into the financial health of their members by benchmarking key metrics relative to their sector
- highlight issues to employers enabling them to consider interventions to improve their impact
- show how AF Access is positively impacting member outcomes over time through engagements and active counselling

We will report on the real-life impact of this intervention in securing better member outcomes through measurable benefits.

Insights driving member impact

The information in this section highlights some of the insights we have gained through developing member impact reports. It is based on an average profile of our AF Access members. Some of these are new metrics for the year and comparative figures will be disclosed going forward.

Detailed member demographics

Gender*



Male

43%

2022: 44%



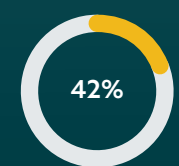
Female

57%

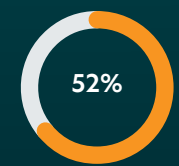
2022: 56

Age profile*

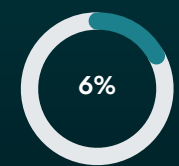
percentage of members



Aged 36 and younger



Aged between 37 and 59



Aged 60 and over

Retirement age



Average expected retirement age

65

(2022: 65)

Average actual retirement age

62

(2022: 62)

Delaying retirement means more time to save and invest, which increases the likelihood of achieving a comfortable lifestyle in retirement

* Demographic data is provided by our members and may not be complete

Contribution rates

Average contribution rate (%)

9%

(2022: 8%)

This is the percentage of pensionable salary contributed monthly

Average expenses (%)

1.17%

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

Average pensionable salary per year

R369 066

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

17%

Average fund credit (retirement savings) per year

R91 619

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

3 x salary

When it comes to retirement, taking a long-term view is essential. We encourage our members to start contributing towards retirement early in their careers and embrace preservation when changing jobs. Contribution rates should be as high as possible to get the best tax dispensation, to offset expenses and to ensure that monthly contributions will result in enough savings to live on in retirement.

Preservation and replacement ratios

Our research shows that:

Only about one in 10 people (9.6%) keep their retirement savings invested and growing when they change jobs.

Most people retire with retirement savings to cover about **20%** 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.

Keeping retirement savings invested is one of the most important things people can do to make sure that they have enough to live on in the future. Making a good decision can be tough – especially if it means giving up the opportunity to experience relief from financial stress by having access to extra cash.

Average projected replacement ratio for the fund over the past five years

42%

Average actual replacement ratio of retirees

22%

(2022: 22%)

Retirees who achieved a replacement ratio of 80% or higher

2% to 3%

Members with the worst projected replacement ratio outcomes

Age 60+

Average exit rate

17%

(2022: 14%)

Average preservation rate

12%

(2022: 10%)

Member impact continued



Measurable benefits

Our strategic ambition is to best serve institutional clients and individual members by delivering measurable benefits through our integrated experience and ongoing support for IFAs and MANCO's. We will continue to invest in our core strengths of consulting, administration and investments to gain further scale, efficiencies and operating advantages, thereby delivering enhanced solutions to IFA's, MANCO's and members.

Claims and benefit payments

Insured death benefits are available to all our employer groups. These insurance arrangements are provided through a group of four selected insurers, under terms and conditions specifically negotiated for the fund. Our recommendations to members are driven by the most competitive and appropriate offerings presented by all insurers.

Number of claims processed by the administrator:	
Pension Section	Provident Section
4 545	8 574

97% of claims are paid within five working days after we receive the tax directives from SARS.

Payment may be delayed when members do not provide valid tax numbers or correct banking details.

Separate and unapproved risk benefits (group life, disability, funeral and dread disease) are not prescribed by the fund and the selection of an appropriate service provider is an arrangement between the IFA and they employer.



Creating better retirement outcomes

Preservation options

When members leave their job before retiring, we offer a structured and cost-effective way to keep their retirement savings safe in the fund. However, members can also choose to move their savings to another fund or take their savings out in cash, which both have tax implications for the member. By connecting with members to provide advice and affordable solutions to improve their financial decision-making, we aim to serve our members throughout their financial journey. Doing so creates a uniquely differentiated opportunity to impact the lives of our members and their families.

In-fund preservation

If members are not sure what to do with their retirement savings when they change jobs or get retrenched, they can simply leave their money in the fund until they decide what to do with it.

Alexander Forbes Retirement Income Solution (AFRIS) preservation fund

Through AFRIS, our members can consolidate their investments built at each stage of their careers, even at different employers, into a single fit-for-purpose vehicle, without any need to change when changing employers. Members can choose all of AFRIS's benefits to supplement their existing retirement savings.

Out-of-fund preservation

Members are not bound to remain invested in the fund and may preserve their savings in their new employers' fund, a preservation fund, or a retirement annuity of their own choice, preferably with advice from their financial adviser.

To help members keep their retirement savings invested and growing, the fund will:

- Encourage members to obtain counselling or advice before they take their savings out
- Offer guidance/counselling to beneficiaries of a deceased member
- Make a wide range of investment options available to cater to members personal circumstances
- Retain the member's option to switch portfolios at any time
- Make AF Rewards available to assist with savings on retail purchases
- Retain institutional pricing

Increase in preservation rate

2021	12%
2022	9%
2023	10%

Annuity options

When members retire, they use their retirement saving to buy an annuity. An annuity is an insurance product designed to provide retirees with regular payments after retirement for a specified period of time, or for the remainder of their lives.

AF Access offers our members out-of-fund annuities, including:

- A living annuity option through Alexforbes for those members with more than R2 million. This offers good value in terms of flexibility and pricing
- A guaranteed life with-profit annuity through Just SA

We help our members to understand the advantages and disadvantages of each annuity type so that they have the best chance of benefiting from the most appropriate annuity option during their retirement.

We also encourage members not to retire too early in their working lives. Retiring at age 65 rather than 55 can almost double retirement income.

At 30 September the fund recorded that

155

members had postponed their retirement

Member engagement

A core element of our strategy is to better serve our employer groups and the individual needs of our members by empowering individuals to make informed financial choices. We do so by evolving our support to IFAs and MANCO's to ensure we empower IFAs and employers to assist and drive the best decisions for every member. This member-focused approach has been shaped by our multi-manager's transformative investment and innovation across automation, digitisation and organisational structure.

Insights from our member impact report and regulatory changes such as the two-pot system have heightened the need for our individualisation strategy, which aims to improve member outcomes, increase the number of new members and improve member retention. Key to this is expanding our pool of IFAs and structures supporting IFAs, broadening our education capabilities and enhancing our digital landscape to better connection with members.

Individualisation strategy

We see the individualisation of the member's experience of retirement funding as the biggest opportunity to make an impact on people's lives by engaging them to make informed financial choices.

Traditionally generic advice efforts have focused on members who retire but we are expanding to provide access to best advice to individuals throughout their lifetime and to serve financial needs beyond retirement savings. As a result, more flexibility in benefit options for members has been introduced over the years.

There has also been a strong trend towards a more individualised experience for members. Our individualisation journey includes growing our pool of IFAs, broadening our IFA support capabilities and enhancing digital tools to connect members with their IFAs.

During the year:

- We improved ease of access to information and services to enhance financial inclusion, including a WhatsApp self service channel
- We aligned our communication strategy to amplify the reach and relevance of individualisation through:
 - IFA engagement
 - bespoke member impact reports
 - refreshed workplace financial wellness initiatives
 - enhanced retirement benefit counselling (eRBC)

Our individualisation strategy is on track to improve member outcomes and maintain or improve client retention going forward. We will continue to deliver on our individualisation strategy through accelerated digital engagement and the modernisation of our engagement channels.

We want members to:



Improving digital engagement

A focus area to amplify the experiences of our customers is by digitising tools to offer clients and members a range of convenient access points.

Benefit information and self-service

- Alexforbes Connect (online)
- Alexforbes app
- Alexforbes WhatsApp channel

Understanding options and practical application of information

- My Money Matters toolkit
- Digital exits
- My retirement picture
- Digital onboarding

Decision-making support

- Enhanced retirement benefit counselling

During 2023 our digital member engagement strategy was enhanced and new products and features were implemented. We improved our online customer experience and launched our new client portal and mobile app to provide user-friendly access to secure information using the latest technology.

The fund is now available at all times on the Alexforbes Connect website providing access to benefit statements, retirement fund news, options on leaving and retiring brochures and claim forms at the click of a button. Some of the content is available in isiZulu, Afrikaans, isiXhosa and Sesotho.

Two other notable tools in our digital journey gained traction during 2023:

- The My Money Matters portal includes access to a dedicated call centre and a member toolkit. It provides targeted support across curated member journeys with access to financial advice, enhanced retirement benefit counselling (eRBC) and financial learning opportunities
- The Digital exits process has led to a significant increase in active preservation decisions and a better understanding of the financial impact of withdrawal on retirement outcomes

Direct communication with members

The fund keeps in touch with members regularly, including those who do not have access to electronic communication, providing fund newsletters, annual trustee reports, statements and fund updates directly.

Getting information directly to our members is a high priority for AF Access so that members have the right information at the right time. During 2023 we encouraged members to make sure that the fund has their correct private email address or mobile number.

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

On average

10%

of members who received the newsletter by email read the newsletter – the industry click-through rate is 10%.

On average

10%

of the SMSs we sent were successful.

Member education

AF Access is committed to equipping members with the knowledge and skills they need to make informed financial decisions and manage their money effectively. To achieve this, we provide access to programmes that inform individuals about their retirement funds and other benefit options and how to make the most of their money. Our programmes build financial skills that enable individuals to take responsibility for their financial choices and feel confident in their decisions.

Workshops, webinars, guided digital learning experiences and comprehensive materials go hand in hand with retirement benefit counselling and financial advice. We take a contextually relevant and culturally sensitive approach to delivering our content and messages. Our initiatives are tailored to the language preferences of our audience and are accessible in various ways, including social media, face-to-face workshops and technology platforms. This approach allows us to reach a wider audience and help build financial skills.

We measure our member education activity and the quality of our impact. To do this, we ask customers about their experience, how confident they feel about the financial choice they face and if they have been adequately prepared to make an informed decision.

Member engagement *continued*

Retirement benefit counselling

Whether a retirement fund member is starting, leaving or retiring from a job, important decisions need to be made throughout their careers that could impact their financial future. To help members understand their available investment options, the costs involved and the risks – counselling needs to take place at key moments. The information provided to help our members with these decisions is grouped under the banner of retirement benefit counselling (RBC) – the minimum requirements of the default regulations.

Basic retirement benefit counselling

This is written information that is provided to members to help understand their options in plain language and is our standard offering to all onboarding members. Basic RBC can be seen as the do-it-yourself method of self-learning and gives members important information on key concepts and financial guidance on their options to help make informed decisions and determine if they need financial advice.

Enhanced retirement benefit counselling

This offering provides interactive retirement benefit counselling services by telephone, video, presentation or in person. The eBRC offering is available to clients who sign up – at no extra cost – but we do require more information to setup this offering. It gives members the best chance of making informed decisions and is further supported by financial advice from the IFA if they need additional help.

eBRC provides value at different life stages

Starting
a job

members felt more confident about making retirement fund decisions after engaging with our consultants.

Leaving
a job

members have a better understanding of their retirement fund benefits and options.



Retiring

members enter retirement feeling comfortable about their benefits.

Our regular, in-person pre-retirement sessions also provide our members with important information they need to plan and prepare for a retirement they can look forward to.

AF Rewards

As a fund, we understand members are under a lot of financial stress and we look for ways to assist members where we can. That is why AF Access introduced AF Rewards, an exclusive loyalty programme, to all South African members in July 2022. The rewards programme offers a wide array of benefits to all our members without any subscription fees.

This comprehensive programme offers savings on everyday essentials and much more, making life more enjoyable and affordable.

Benefits include:

Supermarket coupons

Exclusive discounts at leading retail chains like Shoprite, Checkers, Checkers Hyper and PicknPay. These tailored coupons offer savings on essential daily items

Wellness coupons

Members can save while shopping for health and wellness products at Dis-Chem, promoting a healthy lifestyle while keeping costs in check

Travel deals

Our Randgo partnership enables members to benefit from experts' guidance to find budget-friendly holiday and travel solutions

Airtime deals

Members can take advantage of discounts on airtime and data from top providers such as Vodacom, Virgin Mobile, Telkom Mobile, Cell C and MTN

Through initiatives like AF Rewards, we remain dedicated to providing more than just financial security. We are here to help our members embrace life's opportunities while maximising their savings.

AF Rewards benefits 29 July 2022 to 30 September 2023

Member savings

R3 720 000

Coupons issued

8 876

Mall vouchers issued

14 727

Members can access these benefits online via <https://rewards.alexforbes.com> or through USSD by dialling 1209006#

Envisioning The Retirement Fund of the Future™

An evolving retirement landscape

To survive and thrive in the future, retirement funds must embrace sustainable ways of thinking and adapt to emerging megatrends which are likely to drive change in our economies, societies and environments at an exponentially increasing rate.

Increasing average retirement age

Financial necessity, desire to remain active and the need for continued health insurance are pushing the average retirement age upward

Rising cost of living

Inflation and higher living costs are making it challenging for individuals to save adequately for retirement

Changing workforce demographics

Millennials and Gen Z entering the workforce bring different expectations and preferences for retirement planning, emphasising flexibility, digital engagement and sustainability

Technological advancements

Innovations in data analytics and digital platforms are reshaping retirement planning and management

Shift in investment preferences

There is a growing trend toward personalised and diversified investment portfolios to meet individual goals and risk tolerance

These changes necessitate that retirement funds adapt to remain relevant and effective in securing members' financial futures. As such, retirement funds will need to be agile in order to proactively embrace change in the short and medium term.

However, the duty placed upon retirement funds to achieve suitable risk adjusted returns over the long term also presents a significant opportunity to think more strategically, over longer timeframes and to not only respond to the factors that will influence the future, but to play a significant role in creating it.

Retirement funds must transcend traditional retirement planning approaches if they are to survive, thrive and deliver on their mandates to members.

As one of South Africa's large umbrella funds, we understand the urgency and importance of this paradigm shift and what it means for retirement funds. We believe now is the time to act boldly and decisively.



Drawing on leading insight and best advice

AF Access is proactively responding to these changes by drawing on leading insights and best practices, particularly through our partnership with Alexforbes. The Alexforbes' Impact Centre of Excellence (CoE), established in 2023 to develop and deliver broad-based sustainability advisory services to clients, recently established a working group dedicated to designing a conceptual model of a future-fit retirement fund – The Retirement Fund of the Future™.

Based on the outcomes of in-depth research, Alexforbes has concluded that a future-fit fund embodies the following characteristics:

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

When considered collectively, these characteristics underpin five strategic outcomes which a future-fit fund should aspire to:

1 Member-centric

2 Strategic long-term thinking

3 Impeccable governance

4 Impact-conscious

5 Transparent stakeholder communication

The intended impact of Alexforbes' thinking is to set the new industry standard for leading and future-fit retirement funds looking to secure their relevance, resilience and long-term success.

The Alexforbes Future-Fit Solutions suite can help retirement funds better position themselves to:

Identify and understand the impact of their investments on members as well as wider society and the environment

Respond to changes that may present risks and opportunities and accommodate the changing needs and expectations of future generations

Safeguard the financial future of retirement fund members by ensuring that their money is suitably invested in responsible industries, companies and asset classes

Envisioning The Retirement Fund of the Future *continued*

Our path towards becoming the Fund of the Future

AF Access supports the thinking that underpins the Retirement Fund of the Future™ concept.

Below, we set out some initial feedback on our current performance against each strategic outcome. Our approach will be adjusted and further matured in response to the results of the full future-fit gap assessment, which will be completed during 2024.

Member-centricity

Sustainable, future-fit retirement funds recognise that safeguarding and improving the retirement outcomes of members is paramount to the purpose of the fund. Prioritising member outcomes ensures that the fund's strategies, products and services are tailored to meet members' unique needs, fostering trust and satisfaction over the long term.

AF Access has adopted a member-focused approach by enhancing digital offerings, providing supportive advice to IFAs, engagement with MANCO's via IFAs and engaging directly with members. This approach empowers MANCO's and members to make informed decisions, positively impacting their retirement outcomes.

During FY2024, the fund is undertaking further assessment of its approach to improving the experience for IFAs in member outcomes, member communication and transparency and where needed, further improvements will be considered and implemented.

Strategic long-term thinking

Retirement funds must embrace strategic long-term thinking to navigate an ever-changing financial and social landscape. This approach ensures sustainability and adaptability to emerging trends and challenges.

AF Access's focus on responsible investing demonstrates our commitment to strategic long-term thinking.

During FY2024, the fund will undertake further assessment of its approach assessing long-term trends and the strategic impact which these may have on its strategy, considering that the fund invests within a policy of insurance with a multi-manager. Continuous engagement with the multi-manager in assessing and evaluating the multi-managers interpretation and execution of the funds philosophy and reporting to the board is a strategic focus area. Where needed, further improvements will be considered, reviewed with the multi-manager and implemented.

Impeccable governance

Retirement funds must uphold the highest standards of governance to protect members' interests and enhance the credibility of the fund. Strong corporate governance builds trust and transparency and protects the fund registration as a pension fund organisation.

AF Access aim to be a viable umbrella retirement fund of choice for IFAs to present to their clients.

The AF Access board of trustees, supported by a dedicated Sustainability and Transformation sub-committee (STSC), actively works towards adherence to leading governance standards while advancing responsible investments that deliver member benefits and real-world impacts. The fund's commitment to accountability and transparency aligns with impeccable governance principles.

Impact-conscious

Being impact conscious means actively managing the social and environmental effects of the fund's activities and investments. By assessing and mitigating negative impacts while promoting positive change, the fund can ensure long-term value creation and sustainability for its members and society.

As a retirement fund, we believe actively assessing and managing the impact of our operations and investments on society and the environment is crucial for long-term value protection and creation. Today's social and environmental impacts will affect future returns, so we must understand and mitigate these impacts to drive positive change over time.

In FY2024, the fund will further assess its approach to identifying and considering external factors affecting portfolio selection and the fund's broader impacts. Where needed, we will implement improvements and adjustments to our strategy.

Transparent stakeholder communication

Trustworthy retirement funds prioritise clear and open communication with members and other stakeholders to foster positive relationships. Transparent communication builds trust among stakeholders, including IFAs, employers, regulators and particularly members.

AF Access maintains transparent stakeholder communication through regular reports, fund updates and newsletters. We also engage directly with IFAs and members via workshops and webinars to enhance understanding and trust and align with future-fit communication practices.

During FY2024, the fund will undertake further assessment of its approach to stakeholder communication with a particular focus on diversifying communication channels to meet the diverse needs and preferences of our stakeholder groups. Where needed, further improvements and adjustments will be considered and implemented.

As the Alexforbes Impact CoE continues to evolve its thinking through identifying and analysing emerging trends and their potential impact on retirement funds, so too will we evolve our response to ensure AF Access remains resilient and a best-in-class, future-fit retirement fund.

By embracing this future-fit approach we aim to maintain long-term resilience, sustainable growth and positive impact for our members, stakeholders, wider society and the natural environment.





Summarised annual financial statements

Highlights

For the year ended 30 September 2023

	2023	2022	Change (%)
Pension section			
Active members	24 081	21 670	11
Deferred pensioners	909	175	419
Unclaimed benefits	37	160	(77)
Total membership	25 027	22 005	13.7
Total assets	R6.67 billion	R5.44 billion	22
Provident section			
Active members	53 087	45 254	17
Deferred pensioners	2 801	2 098	33
Unclaimed benefits	247	390	(36)
Total membership	56 153	47 742	17
Total assets	R9.93 billion	R5.63 billion	76

Provident section balance sheet

For the year ended 30 September 2023

Rands	2023	2022
Assets		
	9 935 336 195	5 635 209 460
Investments	6 916 831 660	5 447 757 157
Current assets	3 018 504 535	187 452 303
Liabilities		
	9 935 336 195	5 635 209 460
Member balances	9 800 736 148	5 518 763 774
Unclaimed benefits	483 081	2 139 445
Reserve accounts	6 945 694	4 016 127
Employer surplus accounts	52 782	49 241
Current liabilities	127 118 490	110 240 873

Pension section balance sheet

For the year ended 30 September 2023

Rands	2023	2022
Assets		
	6 675 531 952	5 449 361 379
Investments	6 331 297 640	5 225 827 290
Current assets	344 234 312	223 534 089
Liabilities		
	6 675 531 952	5 449 361 379
Member balances	6 503 495 325	5 298 740 843
Unclaimed benefits	420 925	3 652 593
Reserve accounts	6 315 511	4 512 040
Current liabilities	165 300 191	142 455 903

Contributions

For the year ended 30 September 2023

Rands	Pension	Provident
Contributions*	42 413 898	61 454 454
Member	19 189 840	18 683 253
Employer	23 224 058	42 771 201
Allocation to risk and expenses	77 219 402	120 267 099
Allocation to savings	748 357 707	1 045 854 405
* Contributions receivable	(824 621 535)	(1 138 998 897)

* The contributions include additional voluntary contributions as follows:

- Pension: R828 655
- Provident: R 1609432

Pension section benefits accrued

For the year ended 30 September 2023

Rands	2023	2022	Change (%)
	157 101 285	84 563 619	85
Withdrawals	72 684 133	13 335 114	445
Divorce payments	99 575	387 661	(75)
Default housing loans	-	-	
Retrenchments	4 669 479	3 937 880	18
Retirements	19 481 200	3 404 552	472
Pensions	-	-	
Deaths	60 166 898	63 498 412	(5)

Provident section benefits accrued

For the year ended 30 September 2023

Rands	2023	2022	Change (%)
	115 025 057	95 623 584	20
Withdrawals	29 328 360	23 984 938	22
Divorce payments	-	95 650	
Default housing loans	-	-	
Retrenchments	7 945 009	1 856 642	417
Retirements	27 655 788	20 407 074	35
Pensions	-	-	
Deaths	50 095 900	49 279 280	2

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

King IV™ application register

AF Access'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 trust. The application of the King IV™ principles is referenced below.

Leadership, ethics and corporate citizenship

Leadership

Principle 1

The board should lead ethically and effectively.

- The board of trustees acts in good faith in line with its fiduciary responsibilities.
- The board has developed and adopted the following governance documents:
 - Board charter
 - Code of conduct
 - Communication policy
 - Privacy policy
 - Series of fund management and investment policy documents
 - Terms of reference for all board committees.
- This is supported by the fund's implementation of PF 130 which contains good governance guidelines for funds.
- The Board has also adopted the CRISA2 principles and the applicable provisions of the FSCA's Treating Customers Fairly (TCF) roadmap.
- 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 trust's ethical culture.

Organisational ethics

Principle 2

The board should govern the ethics of the fund in a way that supports the establishment of an ethical culture.

- The Fund's ethical organisational culture is reflected in the governance documentation referred to above.
- 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.

Responsible corporate citizenship

Principle 3

The board should ensure that the fund is (and is seen to be) a responsible corporate citizen.

- 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 that 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 transformation and sustainability committee to oversee and monitor the trust's activities in relation to economic transformation, specifically BBBEE and its social and environmental impacts.

Appendix: King IV™ application register *continued*

Strategy, performance and reporting	
Strategy and performance	
<p>Principle 4</p> <p>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.</p>	<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 that the fund's strategies are implemented and that performance targets are being met through regular interaction with external 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 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 Governance, audit and risk sub-committee (GARSC) 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.
Reporting	
<p>Principle 5</p> <p>The board should ensure that reports issued by the fund enable stakeholders to make informed assessments of the fund's performance and its short, medium and long-term prospects.</p>	<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 that 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 advisors, auditors and investment consultants), as deemed necessary.
Primary role and responsibilities of the board	
<p>Principle 6</p> <p>The board should serve as the focal point and custodian of corporate governance in the fund.</p>	<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 on-going basis.• Even though the board does delegate certain management authority to the Alexforbes 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 in this annual integrated report and includes detailed disclosure on board and committee activities.

Governing structure and delegation continued	
Composition of the board	
<p>Principle 7</p> <p>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.</p>	<ul style="list-style-type: none">• The board consists of three internal trustees (Alexforbes executives) and three external, independent trustees.• New board and board committee members undergo an induction process and on-going formal training is provided, as appropriate. Board and board committee members are encouraged to undertake continuous development, training and education throughout their term of office.• 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	
<p>Principle 8</p> <p>The board should ensure that 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.</p>	<ul style="list-style-type: none">• The board has established a number of 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	
<p>Principle 9</p> <p>The board should ensure that 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.</p>	<ul style="list-style-type: none">• Each trustee is required to complete a formal self-appraisal assessment on an annual basis, 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	
<p>Principle 10</p> <p>The board should ensure that the appointment of and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<ul style="list-style-type: none">• The principal officer (PO) is appointed by the board and his/her responsibilities and authorities are clearly defined in the fund rules as well as in the fund's other governance and policy documents.• The PO 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 ensure that decisions taken by the board are properly recorded and implemented.• The PO 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 POs is evaluated annually against Key Performance Indicators (KPIs) agreed with the board.

Appendix: King IV™ application register *continued*

Governance functional areas	
Risk governance	
Principle 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 that sound risk management is embedded at all levels and overseen at an appropriate level.• 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	
Principle 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 who 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.
Compliance governance	
Principle 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 for ensuring 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 advisors 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.• The transformation and sustainability committee assist the board in monitoring the trust's activities in relation to best practice with regard to social and environmental considerations.
Remuneration governance	
Principle 14 The board should ensure that 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.• Annual remuneration increases are in line with inflation as measured by the Consumer Price Index.

Governance functional areas continued	
Assurance	
Principle 15 The board should ensure that 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 ensures 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 Governance, audit and risk sub-committee (GARSC) assumes responsibility and oversight of the audit. The GARSC provides feedback to the board and any relevant matters are put before the board for consideration. The board also have an open invitation to attend any of the GARSC 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 GARSC's mandate are conducted by the board.
Stakeholder relationships	
Stakeholders	
Principle 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, reviews service complaints and the results of the annual Member Watch Survey of the fund 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 Pension Fund Adjudicator (PFA) and views expressed by stakeholders are reported in full to the board at meetings or as and when required.
Responsibilities of institutional investors	
Principle 17 The board should ensure that 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.

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.
Preservation fund	A retirement investment product. You can transfer your retirement fund savings, tax-free, into a preservation fund when you leave the fund. You cannot make any additional contributions to a preservation fund. You can make one cash withdrawal in case of emergency. You can retire from the fund from the age of 55.
Preservation rate	This is the percentage of members who preserve their retirement savings when changing jobs, as opposed to taking a payout of the total savings for which the member may incur a tax liability.
Principal officer	The retirement fund's appointed official and monitoring person who reports to the Financial Sector Conduct Authority (FSCA).
Regulation 28	This is detailed in the Pension Funds Act and is the law controlling retirement fund investments in South Africa. It is in place to make sure investors use investment guidelines to protect you from loss of value from risky investments.
Replacement ratio (RR)	This is the projected percentage of your final pensionable salary you would be receive as a pension income when you retire.
Rule amendments	Retirement fund rules change from time to time and must always be kept up to date with changes in the law, the South African Revenue Services (SARS) and Financial Services Board (FSB) requirements, as well as changes in the retirement industry. Changes made to the rules are called amendments and must be registered by the Financial Services Board and approved by SARS.
Trustee	A member of a retirement fund management board. Trustees are either elected by retirement fund members or appointed by the employer. They are responsible for the fund and must run the fund according to the rules and in the members' best interests.
Umbrella fund	A retirement savings fund for an unrelated group of employers. This can be a cost-effective arrangement as fund expenses are shared over all employer groups.

Fund administration

AF Access Retirement Fund

Fund registration number:
12/8/37997 (pension section)
12/8/37998 (provident section)

Registered office of the Fund

Alexander Forbes, 115 West Street, Sandton

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

Website

Email

This is the AF Access client
contact centre
0860 60 61 62



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:

- This is the AF Access client contact centre number **0860 60 61 62** from Monday to Friday between 8:30 and 17:30
- Email

Divorce orders

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

Email:

Phone: Alexforbes Help Desk on 011 324 3401

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 AF Access website

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



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.