

Investments



# Private markets ESG report

Demonstrating our positive societal  
and environmental outcomes

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# Foreword

**Environmental, social and governance (ESG) issues have received increasing prominence over the past year from investors, regulators and employers alike. ESG challenges such as worsening climate change, resource scarcity and human rights issues have only brightened ESG's spotlight and will continue to do so.**

This has led to the mainstreaming of ESG investing and ESG reporting standardisation to develop a common baseline of ESG and sustainability standards. Locally, the measurement of ESG and its impact within investments is becoming more necessary for both asset managers and investors. This is a welcome development as sources of sustainable finance are critical to achieve our ambition of working towards the National Development Plan (NDP) and the UN Sustainable Development Goals (SDG). Applying ESG-led risk management considerations is a complementary approach to evaluating risk that could potentially weaken or derail an investment. Measuring the costs or benefits, caused by an investment and any associated impact on society and the environment is critical.

ESG considerations have proven to be a useful and effective tool to use to both understand material risk in investments and how investments can promote positive societal and environmental outcomes – an awareness that is being acknowledged across the investment sector and the

business sector at large. As environmental and sustainability challenges are increasingly impacting society, the need to align investment processes and business strategies with ESG best practice and reporting requirements is quickly growing.

This report will demonstrate the ESG alignment and tangible impact made from our private markets programme. The Alexander Forbes Investments South Africa Private Markets programme aims to create economic, social and environmental impact while achieving financial returns for investors through our partnerships with alternative investment providers.

We believe that our targeted impact areas detailed in this report will address some of the most challenging issues we face as a country and we are proud to be in a position where we can contribute to overcoming them. We measure this impact against the NDP - a local impact framework - and the UN SDGs as a global impact framework to better demonstrate our aligned contribution to development initiatives.

South Africa is not sitting on the sidelines of these global developments; we are an active participant in them. However, we admittedly have more progress to make. We can play a fundamental role in this dynamic, evolving movement and keep the spirit of 'what gets measured, gets managed'.



**Lebo Thubisi**  
Deputy Chief Investment  
Officer: Alternative Assets



**Premal Ranchod**  
Head: ESG Research

## Our targeted impact areas



### Green transition

As part of tackling climate change, our programme focuses on the green transition to work towards cleaner energy solutions using a combination of renewable energy sources that provide more green energy than the carbon footprint they create. It also seeks to measure water sustainability by monitoring the usage of it and monitoring the results of focused recycling efforts throughout our private markets programme.



### Job creation

One of the greatest challenges facing South Africa is the unemployment rate that has plagued the country for years and remains one of the highest in the world. In the heart of the unemployment crisis are women and people of colour who are more vulnerable to this plight.

According to Stats SA, black women have the highest unemployment rate - over 40% - as at the first quarter (Q1) of 2022. In 2022, 47% of women were recorded to be economically inactive, i.e. nearly half of women of working age are unable to find jobs. These sobering statistics tell a cautionary tale that needs to be managed and addressed urgently.



### Diversity and financial inclusion

To survive in the face of increasing social unrest and complexity, breaking barriers in the hiring process is important. By extending diversity to a wider range of demographic groups, the opportunities to find work increase. Companies with a culture of performance and those that use their diverse talent base can improve their contributions to solving challenges. Organisations that are able to be both diverse and inclusive are at an advantage to unlock business opportunities and business growth compared to their peers that are not.



### Education

It is often said that education is one of the greatest equalisers of society. Despite this, South Africa has a myriad of challenges when it comes to providing quality education to its youth.

According to UNICEF, learners are between 75% and a full school year behind where they should be. While the advancement of education has always been a priority, it is especially important now.



### Health and safety

Occupational health and safety (OHS) focuses on the promotion and maintenance of the physical, social and mental well-being of employees, and the prevention of absenteeism and risks to health due to poor working conditions. It also includes the assessment of an employee's occupational environment and whether employers are taking steps to ensure employee welfare.

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

Economic, environmental and social area of focus	Infrastructure	Private equity	Unlisted credit	Direct property
Green transition	+	+		
Job creation	+		+	+
Diversity and financial inclusion	+	+	+	+
Education	+			
Health and safety	+	+		+

# Integrating ESG: impact considerations

Responsible investment (RI) is an umbrella term for ESG investing, impact investing and active ownership. We have incorporated responsible investing considerations into our multi-managed portfolios for more than a decade now. We view responsible investing as an investment practice that integrates factors that may materially affect the sustainable performance of assets, including those of an ESG nature.

We acknowledge the urgency to evolve towards a more focused, forward-thinking approach that is aligned with local and international best-practice frameworks. That is why we have created our Investment Framework for Responsible Investing.

The **framework** follows a transparent and practical four-pillar approach - **beliefs, policy, process and portfolio**. It allows clients invested in our multi-managed portfolios to understand and identify where responsible investment considerations sit within our investment approach.

We also recognise the urgency to mobilise capital to make an impact in critical areas in our society. We do this through our private markets programme across four investment sleeves:

- Infrastructure
- Private equity
- Unlisted credit
- Direct property

Through our partnerships with experts in alternative investments, we can invest in dedicated funds that target initiatives that advance environmental, economic and social solutions such as sustainable agriculture, microfinance, renewable energy, as well as access to affordable basic services such as healthcare, housing and education.

Our programme intends to generate financial, social and environmental performance to target both investment objectives and development ones.

We recognise the ripple effect that sustainable investing has on the financial value for investors and the potential of longer time horizons in private markets that correlate well with meeting investment goals.

## Impact snapshot



**6 480+**  
SMEs funded or impacted



**1.2m (via debt funding) and 2.7m (via equity-based funding)**  
households powered with renewable energy



**41 500+**  
females employed



**9**  
SDGs targeted



**5 070+**  
employees of colour in senior management



**6**  
NDP target chapters contributed to

Data as at 31 December 2022.



# Green transition

## Energy produced

The amount of total energy and renewable energy produced has improved consistently every year and is in line with our expectations.

In 2022, a debt manager that is part of the fund began reporting on power generation resulting in an additional 7 000 GWh of renewable energy being reported by the programme. We therefore have debt and equity data for 2022. In comparison, 2021 only had equity-funding data. Accordingly, we are reporting the “equivalent household powered” separately.

Within a concentrated market such as South Africa there is an overlap of projects that compete for equity and debt funding. Therefore we are cautious to not double count or overstate our impact in doing good.

## Water saved

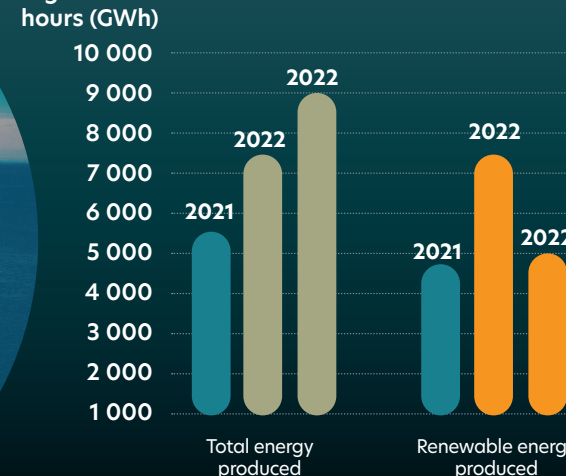
A family of four can use anything between 300 and 800 litres of water in the home per day. This is a very large amount considering that many people in the world use as little as 25 litres of water per person per day, or 6 kilolitres of water per household per month. This means that it is entirely possible

to conduct your daily tasks, such as cleaning, cooking, bathing, drinking and flushing toilets with only 2.5 buckets of water a day. Water Wise, Rand Water's environmental brand, challenges every South African to use as little water a day as possible.



Data as at 31 December 2022.

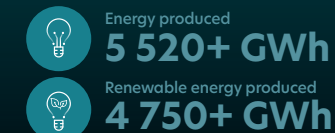
### Fund energy generation



### 2022



### 2021



The fund powered **1.2 million** equivalent households (via debt funding) and **2.7 million** equivalent households (via equity-based funding) with clean energy.



The average South African household consumes **approximately 300l** of water a day or **0.25kL**



**80m kL** of recycled water was used by the programme



The recycled water used was equivalent to the consumption of **731k households**

Source: [https://waterwise.co.za/site/water/Water\\_usein\\_the\\_home/](https://waterwise.co.za/site/water/Water_usein_the_home/)



## Green transition

### Impact framework alignment

#### SDG alignment



### Impact framework alignment

#### NDP alignment



### SDG targets

- + Increase the share of renewable energy
- + Improve energy efficiency
- + Expand infrastructure
- + Promote mechanisms for effective climate change management
- + Improve education and institutional capacity on climate change mitigation and adaption
- + Universal access to safe drinking water for all
- + Improve water quality and reduce pollution
- + Support local communities' participation in improving water and sanitation

### Key SDG indicators

- + Total energy produced (GWh)
- + Renewable energy produced (GWh)
- + Household equivalent produced (GWh)
- + Renewable energy utilised (kilowatt hour)
- + Total water usage (kL)
- + Volume of water recycled (kL)

### National Development Plan 2030 - Green economy, building environmental sustainability and resilience

- + Chapter 3: Economy and employment
- + Chapter 5: Environmental sustainability

The world is at the starting point of this transition, with both the public and private sector taking action to reach the goal of sustainability as soon as possible. To achieve this, companies, governments and individuals must design solutions that mitigate their environmental footprint and promote the well-being of the planet. The good news is that these measures are already underway.

Developing resilient, high-quality infrastructure is essential for achieving an economic model based on environmental well-being. To this end, our allocations to infrastructure investments provide capital to funds that work towards upgrading infrastructure to make them environmentally sustainable.

## Job creation

In the current period, the total number of jobs supported in the programme has reduced from 200 000 to 128 000. This is due to the maturation of debt within the private debt sleeve of the programme.

The element of cyclicalality is understood given the shorter duration of funding to such companies.

On a positive note, the number of reports on BEE employee statistics has significantly increased with all asset managers in the programme now submitting employment data. This capture of granular statistics also resulted in the increase in the number of females in management.

Through our private markets programme, we were able to advance the successful job placement of women and people of colour:



**41 500+** female employees

**3 120+** female employees in senior management



**85 460+** employees of colour

**5 070+** employees of colour in senior management

Data as at 31 December 2022.





## Job creation

### Impact framework alignment

#### SDG alignment



### Impact framework alignment

#### NDP alignment



### SDG targets

- + Implement nationally appropriate social protection systems
- + Ensure that men and women have equal rights to economic resources
- + Build resilience to reduce ESG vulnerabilities
- + End discrimination towards women in the provision of work
- + Ensure effective participation of men and women in all levels of work and decision-making
- + Promote access to finance

### Key SDG indicators

- + Total number of employees of colour
- + Total number of female employees
- + Total number of historically disadvantaged South African (HDSA) employees
- + Total number of HDSA employees in management
- + Total number of female employees in management

### National Development Plan 2030- Job creation

- + Chapter 3: Economy and employment
- + Chapter 4: Economic infrastructure
- + Chapter 15: Transforming society and uniting the country

As part of addressing unemployment, our programme measures its effort in creating jobs, both permanent and temporary, in terms of race and gender. This data indicates how our focus is not just on employment, but inclusive employment. It is also pleasing to showcase that the majority of jobs created are permanent, creating more job security opportunities during a critical period.



# Diversity and financial inclusion

## Diversity

In assessing the influence that our appointed asset managers have on investee companies and their gender inclusion practices, we measure the assets that managers have in investee companies and what the female representation is in proportion to the total board composition.

## Board representation

We have enhanced our board seat reporting by including a number of board seats held by Black Economic Empowerment (BEE) individuals. The number of female and asset manager board representations remains in line with expectations.

## Financial inclusion

The total capital that has been allocated to local suppliers has significantly improved to R15.7 billion. Spending towards local and minimum BEE level 3 suppliers remains high, with some of our largest allocations contributing the most to these statistics.

### Board representation



Total number of  
board members:  
**813**



Number of female  
board members:  
**171**

Average BEE level: **3**



**Over R15.7 billion**  
spent on  
local suppliers



**Over R5.2 billion**  
spent on suppliers  
with a minimum  
BEE Level 3



**6 480+ SMMEs**  
funded or  
impacted

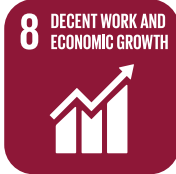
Data as at 31 December 2022.



## Diversity and financial inclusion

### Impact framework alignment

#### SDG alignment



### Impact framework alignment

#### NDP alignment



### SDG targets

- ✚ Ensure effective participation of men and women in all levels of work and decision-making
- ✚ Achieve full productive employment for all
- ✚ Implement nationally appropriate social protection systems
- ✚ Ensure that men and women have equal rights to economic resources
- ✚ Reduce waste generation through recycling and encourage companies toward sustainability

### Key SDG indicators

- ✚ Total spend on green suppliers (R)
- ✚ Total spend on local suppliers (R)
- ✚ Average BEE level
- ✚ Total spend on suppliers with a minimum BEE Level 3 (R)
- ✚ Total number of board members
- ✚ Number of female board representation
- ✚ Number of asset manager board seats
- ✚ Number of SMMEs funded or impacted

### National Development Plan 2030 – Social, economic, financial, historically marginalised inclusion

- ✚ Chapter 3: Economy and employment
- ✚ Chapter 4: Economic infrastructure
- ✚ Chapter 15: Transforming society and uniting the country

Having the right diversity and inclusion practices puts companies in a good position to be primed for growth and positive performance. Our programme seeks to promote inclusivity through the measurement of its spend on green and local suppliers, access to finance, transformation and the representation of historically disadvantaged South Africans across invested private market ecosystems specific to the programme.

# Education

The graph below shows the positive outcomes of the fund that our private markets programme invests in, in comparison to the national average.

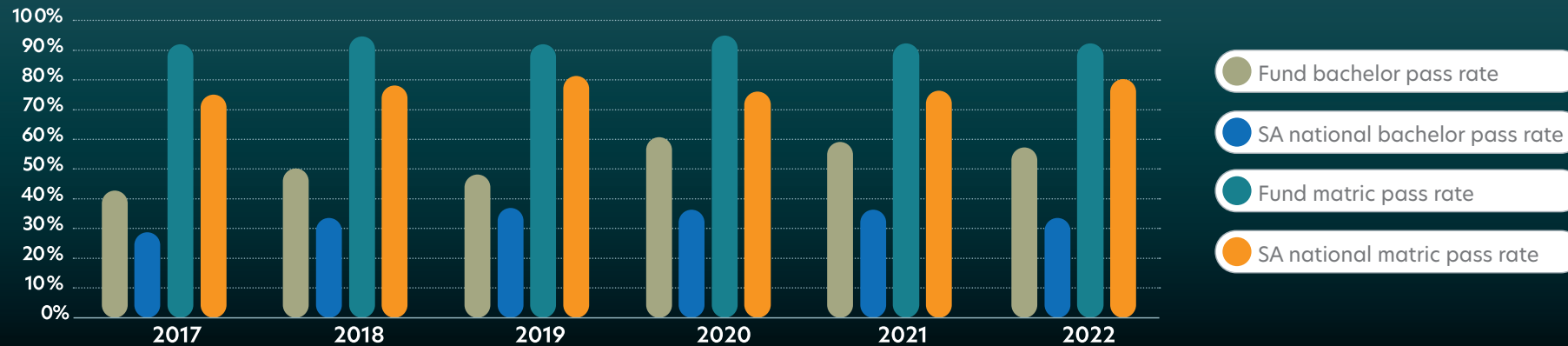
## Academic results

The programme experienced a minor setback in 2022 when the overall pass rate declined from 95% to 92%. However, this is still a commendable feat compared to the historic pass rates of our

programme which were also in excess of the national pass rates for overall matric and bachelor pass rates. The fund continues to surpass the national matric and bachelor pass rates across all periods that the fund was active.

Enrolments remain steady year on year which is positive given the trend of emigration affecting private education, and a challenging economic trading environment.

**Schools and Education Investment Impact Fund of South Africa matric pass rates**



Data as at 31 December 2022.

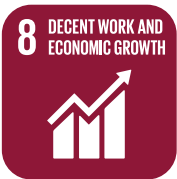




## Education

### Impact framework alignment

#### SDG alignment



### Impact framework alignment

#### NDP alignment



### SDG targets

- + Access to quality pre-, primary- and secondary education

### Key SDG indicators

- + Year-end pass rates

### National Development Plan 2030 - Growth, jobs and quality education

- + Chapter 4: Economic infrastructure
- + Chapter 9: Improving education, training and innovation

Our allocation to education, and specifically to affordable private schooling, seeks to provide learners with access to quality education and thus underpins local economic development via workforce upskilling. We look to measure the matric pass rates of investee schools relative to the national pass rate to assess the efficacy and success of these schools so they can consistently improve over time.

# Health and safety

The insights below show the total number of days in our private markets programme that were:

- worked in the organisations
- lost to injury
- dedicated to OHS training

## Total days worked



There is an increase of **13 414 832** days worked in the current period with **11 263** days spent on operational health and safety training.

## Days lost due to injury



**< 1%** of total days worked were lost due to injury.

## Total OHS training



In the current period we find that fatalities have reduced significantly mostly due to Covid-related deaths not being a factor.

Overall working hours are up due to additional data being received by one of our managers. In terms of overall training time, infrastructure managers have spent time training in line with business related operational risk. Private equity, debt, and property managers have reduced training time, expectedly so in a tough trading environment.



Data as at 31 December 2022.

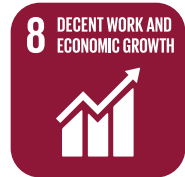




## Health and safety

### Impact framework alignment

#### SDG alignment



### Impact framework alignment

#### NDP alignment



#### SDG targets

- + Protect labour rights and promote safe working conditions

#### Key SDG indicators

- + Fatalities
- + Lost-time injuries (LTIs)
- + Total hours worked
- + Total days lost due to injury
- + Total OHS training hours

#### National Development Plan 2030

- + Chapter 3: Economy and employment
- + Chapter 11: Social protection

Job prospects also need to be measured by the quality of the working environment of employees and whether employee safety is prioritised and promoted by employers. The pandemic has highlighted the importance of employee well-being, pertaining to the physical and social environment, and how employees feel about their work. There is also an increased focus on mental health being a metric of employee welfare. Our private markets programme seeks to measure health and safety indicators to gauge the progress and improvement of the working environments that are part of the underlying funds in the programme.

# A tangible impact in our communities

It is sometimes difficult to understand the direct impact and tangible outcomes that private market allocations have and to comprehend what they look like. In the section below, we have case studies from each of the private market sleeves that demonstrate the real-world community impact they have:

## Infrastructure

New and existing shopping malls cater to the needs of underserved communities across South Africa. Properties are selected for their potential for strong income growth. The communities in which the selected shopping centres are built benefit from the employment opportunities the properties present. They also get access to a wide range of quality shopping facilities and commercial services that would otherwise be a significant distance away.

[For the full case study, click here.](#)

## Direct property

The right to quality education includes having a school where learners are safe to learn and have the adequate infrastructure and facilities to do so, however this is not the case for some of our youth. To address this issue, we invest in funds such as the Schools and Education Investment Impact Fund of South Africa that provide accessible, high-quality education to our communities.

[For the full case study, click here.](#)

## Private equity

During the Covid-19 pandemic the broader South African economy suffered severely with over 40% of smaller enterprises closing as a result of the economic distress caused. This led to mass job losses that worsened the South African unemployment rate to levels last seen in the 2008 global economic crisis. This is where business can yield positive socio-economic outcomes such as job creation for the benefit of our society.

[For the full case study, click here.](#)

## Unlisted credit

We are able to give our clients access to invest in organisations that are enabling the growth of small businesses such as Cape Finance. They provide funding opportunities to SMMEs that would not have access to capital through traditional channels, thus promoting the growth of the SMME sector and creating more employment prospects.

[For the full case study, click here.](#)

This **illustration** also shows how members can benefit from private markets in their everyday lives with entities they may interact with.

# Disclaimer

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