

INTEGRATED
ANNUAL REPORT

2023



BUILDING A
SUSTAINABLE
TSRF TO
THE BENEFIT
OF ALL OUR
STAKEHOLDERS



CONTENTS

04	ABOUT THIS REPORT
08	Board Chairperson's statement
10	External audit assurance
12	OUR BUSINESS
13	Board of Trustees' report
18	Principal Officer's report
20	FUND GOVERNANCE
22	Regulatory developments
26	Managing legal and regulatory matters
28	Financial Sector Transformation Council
28	Sub-Committees
30	Stakeholders
32	INVESTMENT PERFORMANCE
34	Growing and protecting assets
35	Membership
35	Actuarial valuation
35	Housing loans
35	Life stage investment
35	STAKEHOLDER ENGAGEMENT, EDUCATION AND COMMUNICATION
38	TRANSFORMATION, ESG AND SRI
52	FINANCIAL STATEMENTS
31	ANCILLARY INFORMATION
55	External service providers
55	Nomination of beneficiaries
55	Nomination form for funeral benefits
55	Preservation of benefits
56	Section 13A compliance
56	Complaints and disputes
56	Online benefit counselling tool
57	Fund offices

ABOUT THIS REPORT

The Board of the Transport Sector Retirement Fund (TSRF or the Fund) is pleased to present its integrated annual report for the financial year ended 28 February 2023. The report aims to provide stakeholders with an overview of the Fund's activities, management, administration and financial status during the year. It illustrates how the Fund creates and sustains value for all stakeholders in the short, medium and long term to ensure longevity.

THE FUND IS POISED TO GROW AND EXPAND AS THE TRANSPORT INDUSTRY IS SET TO GROW EXPONENTIALLY OVER THE NEXT 20 YEARS.

SUSTAINABLE GROWTH DESPITE CHALLENGES IN THE TRANSPORT INDUSTRY

The South African road freight sector is a major contributor to the local economy. Transporting goods between cities by road has long been the chosen mode as it offers greater flexibility, speed and adaptability than rail.

The transport and logistics industries are diverse – from a one-person show using a small truck to a fleet of vehicles that travel across southern Africa.

However, the road freight sector faces disruptions such as border and port congestion, violent assaults on drivers and torching of trucks, in-transit and warehouse cargo theft, rapidly deteriorating road infrastructure and increasing operating costs caused by volatile fuel prices and foreign exchange rates. Despite these challenges, the sector performed strongly in 2022 with significant increases in transported volumes and it continues to benefit from the ongoing underperformance of the rail sector.

About 85% of all exports are transported by road to ports or airports for delivery to destinations outside the country. Without rail capacity to absorb export increases, especially of mined commodities, there is a significant impact on road transportation.

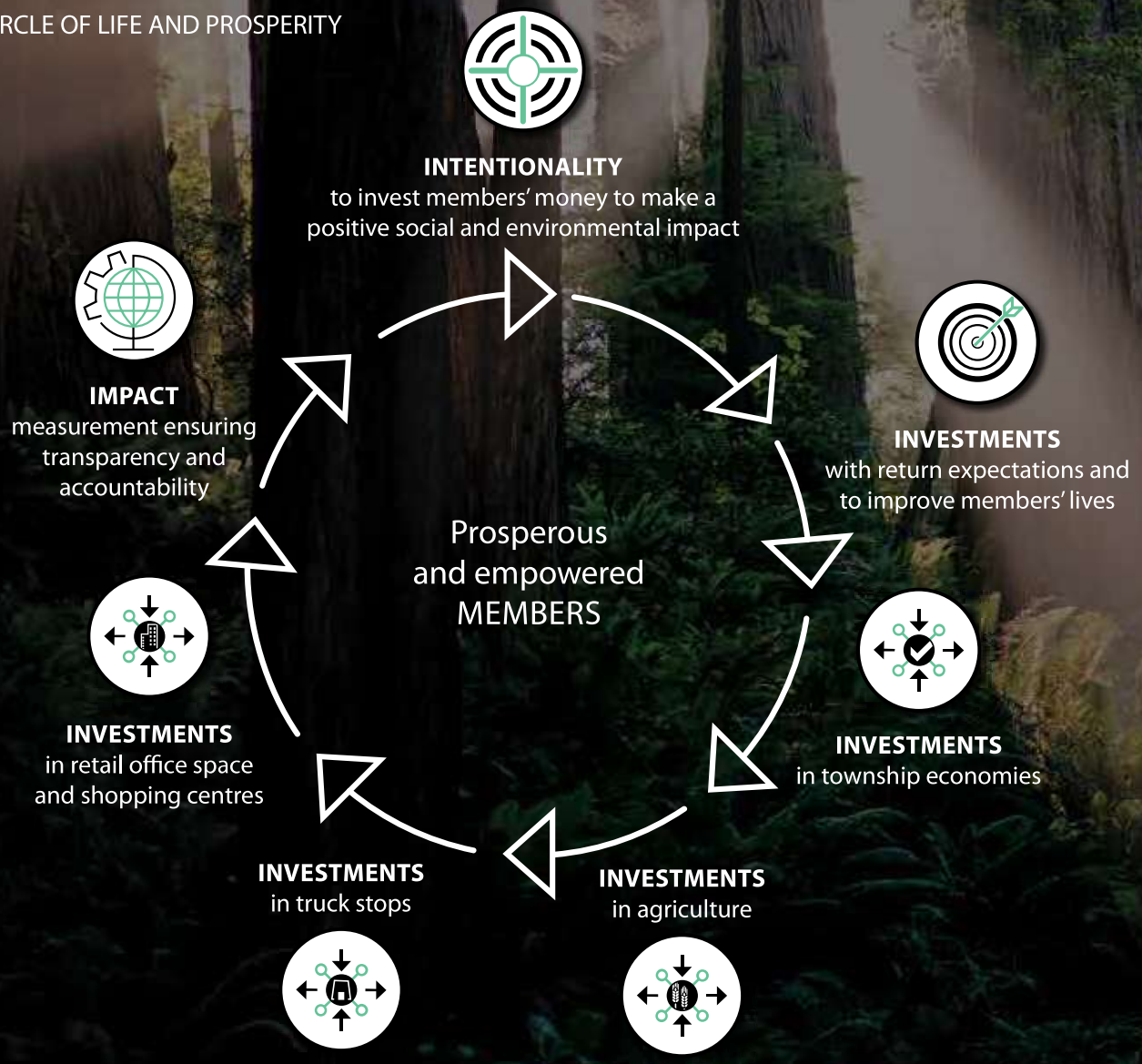
Forecasts indicate that demand for freight transport in South Africa will grow by 200% to 250% over the next 15 to 20 years. Volumes transported on high-volume routes connecting major centres, such as the corridors between Gauteng and Cape Town (50% of all corridor transport), will increase faster.

TSRF is ready for sustainable growth through infrastructure development projects

As a Level 1 broad-based black economic empowerment (B-BBEE) contributor and a responsible corporate citizen, the TSRF believes infrastructure development through impact investment drives socially inclusive growth, which supports transformation and environment-friendly initiatives. We create jobs and alleviate poverty by incorporating environmental, social and governance (ESG) principles in our investments. The TSRF emphasises the integration of ESG factors when measuring an investment's sustainability and ethical impact, which helps to determine the investment's future financial performance.

In the year under review, the Fund invested, among others, in developing a township economy, agricultural projects and truck stops. Our investments improve lives and ensure members' money is used to develop marginalised communities. We thus generate better returns for the same members. We refer to this as the **TSRF circle of life and prosperity**.

TSRF CIRCLE OF LIFE AND PROSPERITY





TSRF AT A GLANCE - 2023 HIGHLIGHTS

INVESTMENT GROWTH

5.37% for the year to 28 February 2023



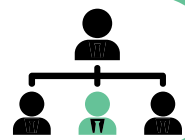
TOTAL ASSETS UNDER MANAGEMENT

Increased from R8.8 billion in 2022 to **R9.3 billion** in February 2023



BLACK-OWNED INVESTMENT MANAGER

Black owned investment managers handle **85%** of the assets under management with a **75% Level 1 B-BBEE** compliance rating



BENEFIT CLAIMS PAID

R1.3 billion in benefits paid during the year

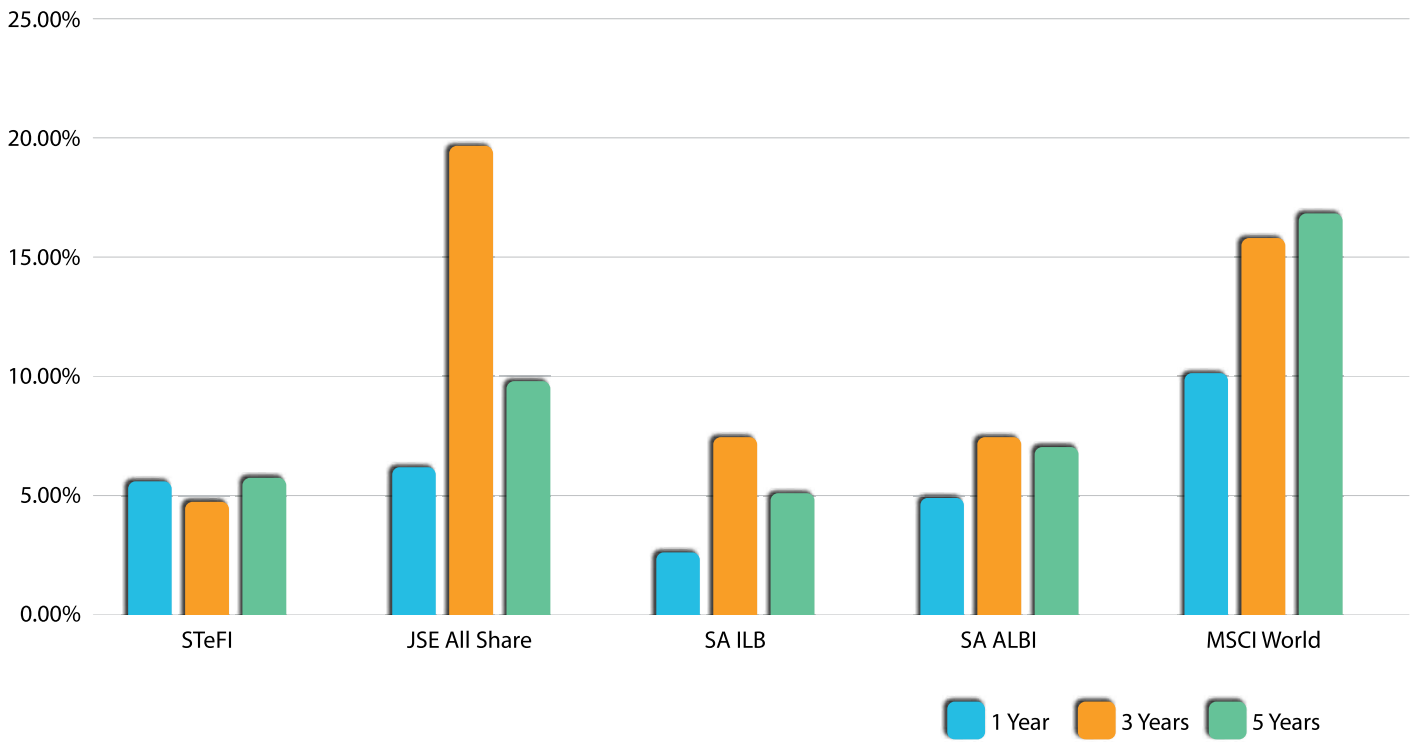


ANNUAL CONTRIBUTIONS

During the period under review, **86 580** active members paid contributions to the value of **R1,2 billion**



Market Index Performance (%)



Top award from IRFA

The TSRF was the overall (gold) winner of the Institute of Retirement Funds Africa (IRFA) award for “Making It Happen” in 2023.

We received the award for investing in infrastructure development and ESG projects that benefit South Africa and our members.

At the awards ceremony, IRFA’s former President, Professor Enos Ngutshane, said we were among winners that had embraced the spirit of transformation and found ways to engage, communicate, educate, invest and translate legislative changes into concrete actions.

Entrants were evaluated by a panel of experts in their respective fields and the award categories were based on research findings and industry best practice.



"SOUTH AFRICA'S RETIREMENT FUNDS INDUSTRY HAS EXPERIENCED SIGNIFICANT REGULATORY CHANGES IN RECENT YEARS WITH THE PROPOSED TWO-POT RETIREMENT SYSTEM BEING ONE OF THE BIGGEST RECENT CHANGES. WITH INCREASED REGULATIONS COME INCREASED COSTS THAT COULD POTENTIALLY IMPACT THE SUSTAINABILITY OF MANY RETIREMENT FUNDS. SUSTAINABILITY IN THIS REGARD REQUIRES A KNOWLEDGEABLE AND WELL-EQUIPPED BOARD, SUPPORTING SUB-COMMITTEES AND SERVICE PROVIDERS THAT BEST SUIT THE NEEDS OF THE FUND. IT IS IMPORTANT FOR THE BOARD TO STAY ABREAST OF CHANGES IN THE INDUSTRY, WHILE AT THE SAME TIME ADDRESSING THE NEEDS AND WELL-BEING OF THEIR MEMBERS."

Extract from PwC's seventh Retirement Funds Survey

BOARD CHAIRPERSON'S STATEMENT

In this report, we celebrate the importance of sustainability – not only for our Fund but for the benefits we provide to our members and our various infrastructure and socially desirable investment projects. We call it the TSRF circle of life and prosperity and it underpins how we look to the future.

The transport sector is set to grow exponentially over the next 20 years. We understand the important role our Fund will play in providing superior benefits at affordable rates to our members. The transport industry provides access to jobs, services, education, medicine, entertainment, sport and social interaction to help create a dynamic country with productive and positive citizens. Transport plays an essential role in providing socio-economic stability and national security within our country.

I commend the members of the TSRF who play a vital frontline role and have endured hardship and violent protests over the past year but have persevered and continued to contribute to our economy as essential workers. Despite great difficulties, our truck drivers spend their time, en route to various destinations in South Africa and across our borders into Africa, tirelessly delivering essential goods.

Our single-minded drive to benefit members, as they are our shareholders, informs the Fund's investment strategy and transformation agenda. Besides our goal of ensuring that members' living standards are maintained when they retire, the TSRF continually looks to improve members' livelihoods while actively employed. We achieve this through the Fund's impact investment projects in housing, retail and office space, agriculture, truck stops, manufacturing and retirement homes.



The TSRF is committed to the ongoing transformation of South Africa's economy to become more inclusive by supporting service providers in the investment value chain who contribute significantly to the targeted economic empowerment of black South Africans.

Commendably, the Fund contributed immensely to the transformation of the asset management industry. To date, 85% of the Fund's assets are invested with black-owned and transformed managers – of which 75% are Level 1 B-BBEE rated as per the new Department of Trade, Industry and Competition codes. The Fund has grown the assets of the Fund while pursuing its transformation objectives. During the year under review, the Fund again received a Level 1 B-BBEE contributor rating.

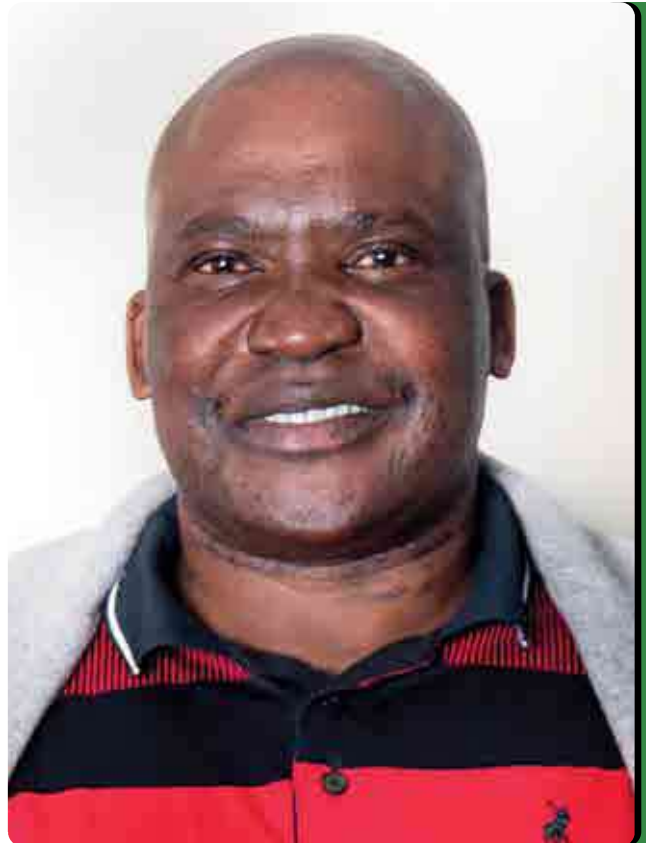
Implementation of the two-pot system (outlined on page 22) has been postponed to 1 September 2024. These changes are intended to marry the opposing concepts of access and preservation. On the one hand, it should ensure better retirement for members by preserving their benefits until retirement (not taking their benefits in cash when they leave employment) and annuitising retirement benefits. On the other hand, Treasury recognises that members may need cash while employed and members of a fund.

Treasury issued an updated version of the two-pot proposals on 9 June 2023 and released draft amendments to the Pension Funds Act (read more about these changes on page 22).

I thank my fellow Trustees, Fund officers and various service providers for their diligence, hard work and ongoing commitment to improving members' livelihoods.

As we navigate the next financial year and implement the onerous two-pot system, we continue to interrogate our systems and processes to ensure our sustainability as we position the transport industry for growth in the years to come.

Mdumisani Mabaso,
Board Chairperson
02.2024



“THERE IS NO PASSION TO BE
FOUND IN PLAYING SMALL
- IN SETTLING FOR A LIFE THAT IS
LESS THAN THE ONE YOU ARE
CAPABLE OF LIVING.”

- Nelson Mandela



EXTERNAL AUDIT ASSURANCE

REPORT OF THE INDEPENDENT AUDITORS

Opinion

We have audited the financial statements of the Fund set out from pages 17 to 35, which comprise the statement of nett assets and funds as at 28 February 2023. It includes the statement of changes in nett assets and funds for the year then ended, and notes to the statements, with a summary of significant accounting policies.

In our opinion the financial statements present fairly, in all material matters, the financial position of the Fund as at 28 February 2023, and its financial performance and cash flows for the year ended are in accordance with Regulatory Reporting Requirements for Retirement Funds in South Africa.

Basis for opinion

We conducted our audit under International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are independent of the Fund under the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board of Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities, under the IRBA Code, and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of preparation and restriction on use

We draw attention to the Purpose and the basis of preparation of financial statements, which describes the basis of preparation of the financial statements. The financial statements have been submitted for the purpose of the Fund's reporting to the Financial Sector Conduct Authority, the Authority in terms of section 15 (1) of the Pension Funds Act No. 24 of 1956, as amended (The Pension Funds Act of South Africa) and have been prepared in accordance with the Regulatory Requirements for Retirement Funds in South Africa. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Board of the Fund and the Authority and should not be used by parties other than the Board of the Fund or the FSCA. Our opinion is not modified in respect of these matters.

Other information

The Board of the Fund is responsible for the other information. The other information comprises the Report of the Board of the Fund, as required by the Regulatory Reporting Requirements for Retirement Funds in South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the information and in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of the Fund regarding the financial statements

The Board of the Fund is responsible for the preparation of the financial statements under the Regulatory Reporting Requirements for Retirement Funds in South Africa and for such internal control as the Board of the Fund determines is necessary to prepare financial statements that are free from material misstatement, whether because of fraud or error.

In preparing the financial statements, the Board of the Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to a going concern and using the going concern basis of accounting, unless the Board of the Fund either intends to liquidate the Fund or to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to get reasonable assurance about whether the financial statements are free from material misstatement, whether because of fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether because of fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit, to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of the Fund.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. Our conclusions are based on the audit evidence received up to our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Obtain sufficient, appropriate audit evidence regarding the financial information relating to the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of the Fund regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As part of our audit of the financial statements for the year ended 28 February 2023, we have read the Board of the Fund's Report to identify whether there are material inconsistencies between this report and the audited annual financial statements. The Board of the Fund's Report is the responsibility of the Board. Based on our reading of the report, we have not identified material inconsistencies between the report and the audited annual financial statements.

However, we have not audited the Board of the Fund's Report and accordingly do not express an opinion thereon.

Mazars











Registered Auditor

Partner: Munesh Patel
Johannesburg
25 August 2023



THE SUSTAINABILITY OF A RETIREMENT FUND REQUIRES A KNOWLEDGEABLE AND WELL- EQUIPPED BOARD, SUPPORTING SUB-COMMITTEES AND A WORLD-CLASS SERVICE PROVIDER.

OUR BUSINESS

	BENEFIT	DESCRIPTION
	Employee Contribution Rate	10%
	Employer Contribution Rate	10% (inclusive of costs)
	Normal/late retirement age	<ul style="list-style-type: none"> • 65 years • Employer approves continued employment after age 65 • Lump sum disability benefits cease at age 65 • Lump sum death and funeral benefits continue to age 70
	Death Benefit	3 x annual salary plus 100% fund credit
	Capital Disability Benefit	3 x annual salary plus 100% fund credit
	Funeral Benefit	<ul style="list-style-type: none"> • Member: R65,000 for • Spouse: R65,000 • Children: <ul style="list-style-type: none"> o 14 to 21 years: R48,500 o 6 to 13 years: R13,000 o 1 to 5 years: R10,000 o 0 to 11 months: R5,000 o Stillborn: R3,900
	Repatriation of Mortal Remains	
	Administration	<ul style="list-style-type: none"> • Front office: Sanlam • Back office: Salt Employee Benefits
	Pension-backed home loan parameters (provided employer signs agreement)	<ul style="list-style-type: none"> • 60% of fund credit • Minimum term: 12 months • Minimum amount: R5,000 • Minimum repayment: R200 per month • Interest rate: Prime less 0.75%
	Investments	<p>The Fund's life stage investment strategy invests members' fund credit based on age and remaining term to retirement:</p> <ul style="list-style-type: none"> • 54 and younger: Growth portfolio • 55 to 63 years: Conservative portfolio • 64 and older: Cash portfolio

BOARD OF TRUSTEES' REPORT

Fund management and control

A Board of Trustees manages the Fund and reports to the Board through the following sub-committees:

- Administration
- Legal and Risk
- Investment
- Death Benefit Disposal

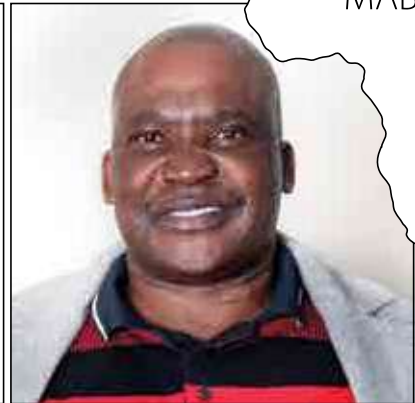
Board of Trustees

The Principal Officer and Deputy Principal Officers are the executive representatives, official contact persons for the FSCA, authorise all Fund documentation and carry the same fiduciary responsibilities as the Trustees.

TRUSTEE	CAPACITY	COMMENCEMENT DATE	APPOINTMENTS
MR MDUMISANI MABASO	Chairperson (union-appointed)	1 October 2017	<ul style="list-style-type: none"> • Main Board • Administration Sub-Committee • Investment Sub-Committee
MR SOLOMON MOTHIBEDI	Union-appointed	1 October 2017	<ul style="list-style-type: none"> • Main Board • Death Benefit Disposal Sub-Committee
ADVOCATE TEBALO MALOKA	Independent	1 October 2017	<ul style="list-style-type: none"> • Main Board • Legal and Risk Sub-Committee • Investment Sub-Committee
MR MBUSO NZAMA	Union-appointed	9 July 2018	<ul style="list-style-type: none"> • Main Board • Administration Sub-Committee
MS PONTSHO MOKOENA	Independent	1 October 2017 - 31 October 2022	<ul style="list-style-type: none"> • Alternate • Investment Sub-Committee
MR MANDLA NKOSI	Independent	1 October 2017	<ul style="list-style-type: none"> • Main Board • Administration Sub-Committee • Death Benefit Disposal Sub-Committee
MR JACK MAZIBUKO	Union-Appointed	8 October 2019	Alternate
MR TAWANA MOPELI	Union-Appointed	18 September 2020	<ul style="list-style-type: none"> • Main Board • Legal and Risk Sub-Committee • Investment Sub-Committee • Death Benefit Disposal Sub-Committee
MR WILLY LEKGOATHI	Union-appointed	25 November 2020	<ul style="list-style-type: none"> • Main Board • Administration Sub-Committee • Legal & Risk Sub-Committee
MR HARRISON BALOYI	Union-Appointed	27 July 2021 - 31 October 2022	<ul style="list-style-type: none"> • Main Board • Administration Sub-Committee • Death Benefit Disposal Sub-Committee
MS ZOLA TSHEFU	Independent	1 September 2023	Main Board
MR ITUMELENG SERITHI	Independent	1 September 2023	Main Board

CHAIRPERSON

Mdumisani Mabaso has served on the Road Freight and Logistics Industry Provident Fund Board of Trustees since 2004 and has 19 years' experience as a Trustee. He serves on the National Bargaining Council for the Road Freight and Logistics Industry (NBCRFLI) and as General Secretary of the Motor Transport Workers Union (MTWU).



**Mr Mdumisani
MABASO**

TRUSTEE

Solomon Mothibedi is National Coordinator for the MTWU. He has completed several accredited trustee training courses and has extensive experience as a Trustee, having served on the Board of the Private Security Industry Fund.



**Mr Solomon
MOTHIBEDI**

INDEPENDENT TRUSTEE

Tebalo Maloka is an admitted but non-practising advocate with wide-ranging experience as a trade unionist and labour relations expert. He is also an experienced public administrator with a proven track record in conciliations, arbitrations and disciplinary hearings in municipalities, the South African Local Government Bargaining Council and the Commission for Conciliation, Mediation and Arbitration.



**Adv. Tebalo
MALOKA**



INDEPENDENT TRUSTEE

Mandla Nkosi is a lawyer with over 20 years' experience in pension fund law. He serves on many retirement fund boards as a Principal Officer, Chairperson and independent Trustee in legal and advisory capacities. His affinity with ethics and good governance secured him the position of Director and Trustee on the board of the IRFA.



**Mr Mandla
NKOSI**

TRUSTEE

Mbuso Nzama is Deputy President of the MTWU and also serves as a Board member of the NBCRFLI.



**Mr Mbuso
NZAMA**

INDEPENDENT TRUSTEE

Pontsho Mokoena joined the Board in 2017. She holds a BA in Insurance and Risk Management and Business Finance from the University of the Witwatersrand (Wits), an MA in Actuarial Science from the University of Leicester, and she is an Associate of the Insurance Institute.



**Ms Pontsho
MOKOENA**

UNION TRUSTEE

Tawana Mopeli began his studies at the London School of Business and Management and completed his BA (Hons) in Business Studies at the University of Greenwich. He completed a BA (Hons) in Social Science and a BA (Masters) in Social Science at Wits University in 2020. He started his career with the South African Transport and Allied Workers Union (SATAWU) as Head of Research and was appointed Head of Operations in the General Secretary's office. He is a Commissioner in the Department of Employment and Labour's Employment Conditions Commission.



**Mr Tawana
MOPELI**



ALTERNATE UNION TRUSTEE

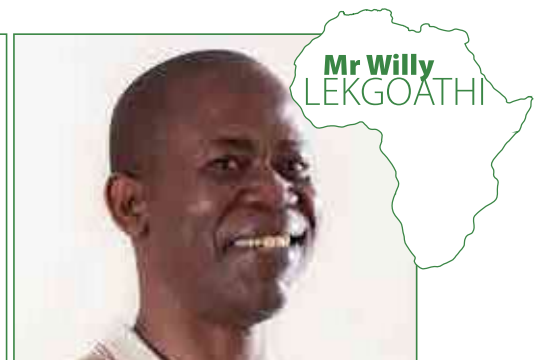
Jack Mazibuko has a long history of trade union activism following his rise as a shop steward and worker office bearer in various structures of SATAWU. He was elected Trustee and Chairperson of the Cleaning Bargaining Council in 2003, worked as a union official/organiser for SATAWU in 2007 and was elected Free State Provincial Secretary in 2008. In 2018, he became SATAWU's General Secretary. He is Chairperson of the NBCRFLI and Executive Member of the International Transport Workers' Federation. Jack holds human resources and labour qualifications from the University of the Free State.



UNION TRUSTEE

Willy Lekgoathi has 18 years' experience in transport and freight with certificates in labour relations, skills development and legal practice. He started his career with SATAWU. He was Acting National Road Freight Sector Coordinator and later became Provincial Coordinator.

He is affiliated with the Motor Ferry Industry Bargaining Council of South Africa and the NBCRFLI.



INDEPENDENT TRUSTEE

Zola Tshefu is a seasoned Director with 17 years' experience as a Non-Executive Director in diverse public and private industries. She has more than five years' retirement fund industry experience as Chairperson, elected by fellow Trustees, for four years within the first year of joining the Board of Trustees. She holds a BCom and an MA in Administration.



INDEPENDENT TRUSTEE

Itumeleng Serithi is an experienced professional independent Trustee. He has a BCom (Hons) degree in Accounting from the University of KwaZulu-Natal. He joined PwC Forensics after university and qualified as a chartered accountant. He has 15 years' experience in audit, governance and forensic investigations. He is an independent trustee of numerous large industry funds, including the Private Security Sector Provident Fund and the Motor Industry Provident Fund.



FUND MANAGEMENT

PRINCIPAL OFFICER



DEPUTY **PRINCIPAL** OFFICER



INVESTMENT OFFICER



LEGAL AND RISK OFFICER



PRINCIPAL OFFICER'S REPORT

I am pleased to confirm that the Fund is in a sound financial position and has received a clean audit for the 11th consecutive year. I would like to thank the Board for this achievement due to their hard work and diligent management. The Fund has diversified its investment strategy to navigate good and bad economic and investment environments.

After faltering in the fourth quarter of 2022, the South African economy expanded by 0.4% in the first quarter of 2023 and narrowly avoided a recession. The demand side of the economy registered a rise in exports backed by increased investment and positive government and household spending. Despite the positive gross domestic product (GDP) reading, the level of economic activity is still 0.7% down from the peak reached in the third quarter of 2022.

The Fund's growth has been steady over the past year despite an uncertain economic outlook – thanks mainly to the Fund's well-designed investment strategy and life stage investment portfolios specifically designed to preserve members' investments and keep them safe as they near retirement.

Despite a gloomy economic outlook, the Fund achieved 5.3% investment growth, which brought assets under management to R9.3 billion. This growth is, in no small way, because of the Fund's impact investment strategy. As a responsible corporate citizen, the Fund, through impactful investment, socially inclusive and environment-friendly initiatives, creates jobs and alleviates poverty by incorporating ESG principles in its investments.

The TSRF emphasises the integration of ESG factors in measuring any investment's sustainability and ethical impact, which helps determine the investment's future financial performance. The Fund invested in developing a township economy, agricultural projects and the Truck Stop Fund. These investments improve the lives of our people and ensure that members' money is used to develop marginalised communities. It thus generates better returns for the same members – this is the TSRF circle of life and prosperity.

The Fund has been gradually increasing its infrastructure allocation to meet impact investing and ESG standards. In line with Regulation 28, our combined value is now 22.7%. This is a mixed bag of direct and indirect infrastructure: some investments are via private equity and others are directly on the Fund's balance sheet. Going forward, the Fund will still consider infrastructure investments as part of the collective, strategic asset allocation.

The Fund considers its functions of promoting savings among its members and investing their savings as vital within the economic landscape of South Africa – a landscape in which a low percentage of salaried people have any long-term savings or retirement products and many are in a debt spiral.

With rising interest rates, most South Africans, and indeed members of our Fund, experienced added financial pressure just to make ends meet. The Fund, therefore, adopted a financial literacy theme for our communication strategy this year, focusing mainly on budgeting and debt management. As the TSRF believes that saving is an integral part of financial literacy, the Fund raises members' awareness of key money management concepts, including the habit of balancing a household budget.

Good governance, business integrity and ethical practices are crucial to the Fund and its various service providers. The Board of Trustees embraces its fiduciary duty to act in good faith, with due diligence and care, to avoid conflicts of interest and to be impartial in its member engagements. The Trustees are ultimately accountable and responsible for the performance and affairs of the Fund. We believe robust governance results from Board members, who are also Fund members, understanding, meeting and exceeding members' expectations.

The TSRF is among a few funds managing its investments with a risk log to timeously implement risk mitigation processes. During the year under review, the Fund proudly extended its risk management framework to include a risk appetite statement that provides a comprehensive summary of risk appetite parameters guiding the Fund's operations.

The TSRF is committed to the ongoing transformation of South Africa's economy. The Fund promotes inclusivity by supporting service providers in the investment value chain and thus contributes significantly to the targeted economic empowerment of black South Africans.

The Fund does not believe in incubation for black asset managers but in black talent management, especially as only 10% of the assets under management in South Africa are controlled by black managers. South Africa's second-quarter unemployment rate of 34.4% is a stark reminder of the country's economic challenges. The South African economy needs to grow to raise living standards and achieve the goals of the National Development Plan.



The Fund's policy is to have not less than 60% of its domestic assets managed by black-owned and controlled investment management companies as defined in the Financial Sector Charter and the B-BBEE Codes of Good Practice.

Many Fund member benefits are highly competitive, which ensures ongoing membership growth during tough economic times. This proactive self-insurance approach enables the Fund to reinvest surpluses and enhance members' benefits. All the proceeds of the Fund's activities are reinvested to ultimately benefit members' retirement savings.

The Fund maintains a good compliance record of section 13A contribution collections despite the impact of the COVID-19 lockdown on many transport businesses. The Board thanks employers (big and small) who diligently pay their contributions to the Fund on time.

A watchful Pension Funds Adjudicator (PFA) highlights non-compliance and judgments against Fund employers, including the TSRF. Although this could be perceived as a negative, we are encouraged by these findings as the Fund and its administrators proactively refer cases to the PFA for consideration and action. The Fund liaises closely with the PFA office to address any issues. The solid progress is encouraging.

The Fund is delighted to be the overall (gold) winner of this year's IRFA "Making it Happen" award for its ongoing infrastructure investment projects and efforts to engage with stakeholders.

I would like to thank the Board of Trustees for their dedication, hard work and unwavering support during trying times. Until we meet again, stay strong, remain positive and take care of yourselves and your loved ones.

Joe Letswalo,
Principal Officer
02.2024



*Joe Letswalo,
Principal Officer*

FUND GOVERNANCE

The TSRF conforms to the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)¹ principles. Materially, the Fund has complied with the King IV principles for the period under review.

¹ Copyright and trademarks are owned by the Institute of Directors South Africa NPC and all of its rights are reserved.

The Board of Trustees (the Board) is committed to managing the Fund according to the highest levels of good governance, compliance and transparency. Four sub-committees (Administration, Legal and Risk, Investment and Death Benefit Disposal) support the Board in managing and monitoring the Fund's affairs.

The Chairperson leads the Board and its effectiveness. The Principal Officer is responsible for strategy execution and the Fund's day-to-day business.

The Board has a fiduciary duty to act in good faith, with due diligence and care and to avoid conflicts of interest. Ultimately accountable and responsible for the performance and affairs of the Fund, the Board should act with impartiality regarding all its members. The Board provides strategic guidance, direction and leadership and ensures good governance and ethics. It determines policy, agrees on performance criteria and delegates the detailed planning and implementation of policy and decisions to management.

The Board is also responsible for managing a successful and productive relationship with the various trade union stakeholders.

The Board operates under a Charter, which sets out its mission, role, duties and responsibilities, particularly:

- Trustees' fiduciary responsibilities
- Board leadership
- New Trustees' induction
- Trustees' evaluation
- Matters reserved for the Board
- Unrestricted access to the Fund's records

The Board and management continually review and enhance control and governance systems. This ensures Trustees manage the Fund's business ethically, within prudent risk parameters and in line with internationally accepted best practice standards.

The Board monitors and deliberates on changes to the legislative and statutory environment, new business policies and compliance matters. This ensures Trustees are apprised of new developments and monitor and support governance and sound business practices on behalf of the Fund.

Trustees enforce several governance policies within the Fund, comprising but not limited to declaration of business interests, gifts, gratuities and hospitality, confidentiality, anti-competitive behaviour and authority limits. To enhance compliance, the Fund's internal Legal and Risk Officer oversees governance, legal, risk and compliance matters.

Trustees convene at least once a quarter and monitor management's compliance with policy and its achievements against predetermined objectives. Additional meetings may be convened when issues arise that must be resolved between scheduled meetings.

The Board held four meetings during the period under review.

Trustees follow a structured approach to delegation, reporting and accountability, including reliance on various committees. The Chairperson guides and monitors Trustees' input and contributions. The Trustees have unrestricted access to Fund information.

The Board and its committees undergo annual performance evaluations. The Chairperson appraises the Principal Officer in consultation with the Trustees. The Board assesses the Chairperson's performance.

Trustee and committee member training is vital to enable excellence in executing the Board's fiduciary duties and responsibilities. TSRF Trustees and committee members completed the FSCA Trustee Toolkit and attended several training sessions, conferences and seminars during the year under review. Each Trustee assesses the Board's performance and conducts peer reviews.

"SUSTAINABILITY IS NO LONGER ABOUT DOING LESS HARM. IT'S ABOUT DOING MORE GOOD. PROGRESS IS IMPOSSIBLE WITHOUT CHANGE – AND THOSE WHO CANNOT CHANGE THEIR MINDS, CANNOT CHANGE ANYTHING. SUSTAINABILITY IS ABOUT ECOLOGY, ECONOMY AND EQUITY.



REGULATORY DEVELOPMENTS

Two-pot system

The two-pot system refers to the proposed changes to South African pension law intended to marry the opposing concepts of retirement fund benefits preservation and access. On the one hand, fund members improve their retirement prospects by preserving their benefits until retirement (not taking their benefits in cash when they leave employment). On the other hand, Treasury recognises that members may need cash while employed and members of a fund.

Treasury issued an updated version of the two-pot proposals on 9 June 2023. The implementation date has been finally confirmed as 1 September 2024. The proposed system is illustrated below:

1 SEPTEMBER 2024



Vested

Your retirement fund savings up to 31 August 2024



Savings

1/3 of your contribution



Retirement

2/3 of your contribution



**1
VESTED POT**

VESTED POT/COMPONENT

Fund credit as at 31 August 2024 will be ring-fenced and protected in the vested pot. **TSRF members will still be able to take their vested component in cash when they retire.**

When the two-pot system comes into effect, members will no longer contribute to their vested component.

Members aged 55 and older

Members who were 55 years and older on 1 March 2021 will only have a vested pot/component, which they can take in cash when they resign or retire. However, these members may continue contributing to their vested pot and, upon request, participate in the two-pot system.

SEED CAPITAL

A new proposal for seed capital, which will enable immediate access to the available balance (accumulated credit) in the Fund on the two-pot system implementation date, is being considered.

Members will be able to withdraw up to 10% of their savings as of 31 August 2024 (minimum of R2,000 but not exceeding R30,00). This option will be available from 1 September 2024. Savings withdrawals will be taxed at the member's marginal tax rate.



SAVINGS POT / COMPONENT

Fund members must contribute one-third (about 33%) of their total retirement fund contributions, after deductions, to the savings component.

Amounts contributed to the savings component, including fund return/growth, will be available to the member as a savings withdrawal benefit (minimum of R2,000 and no maximum limit) once a year before retirement without resigning from employment or retiring from the fund.

The savings component will be paid in cash if the member did not withdraw from the pot in the preceding 12 months.

It is important to note that withdrawals from the savings component will be added to members' taxable income and taxed as normal income at their marginal rates – not as a retirement fund lump sum withdrawal benefit.

Members are encouraged to only use the withdrawal option as a last resort and to preserve their savings for retirement. Early withdrawal could have a negative impact on the expected amount available as a lump sum at retirement as members will forfeit compounded investment returns on withdrawn amounts.

The consequences of a savings withdrawal are paying more tax and having less cash at retirement.



RETIREMENT POT/COMPONENT

After deductions, two-thirds (about 67%) of contributions from 1 September 2024 must be allocated to members' retirement component, which **may only be accessed at retirement and not paid in cash.**

The retirement pot (contributions plus investment returns/growth) will have to be transferred to an annuity or new employer's retirement pot if a member resigns as **it may not be taken in cash. At retirement, it must be invested in a pension plan/annuity to pay a monthly pension to the member.**

It is important to note that the total amount in the retirement component may be commuted as a lump sum if its total value, plus two-thirds of the value in the member's vested component, does not exceed R165,000. This amount will be calculated on a per fund basis. In this instance, the lump sum accruing to the member will be taxed as a retirement fund lump sum benefit.

Please remember that new members who join the Fund for the first time after 1 September 2024 will only have savings and retirement pots/components unless they transfer a vested pot

Funeral nomination

Members are legally required to complete the new Funeral Nomination Form. At death, the member's funeral benefit will be paid to the person named on the nomination form. If a member has not completed the form, the benefit will be paid to the member's estate.

Please note that the estate may take up to 12 months to open and family may not have burial money if a completed form is not available. The person nominated to receive the funeral benefits should be above 18 and willing to be responsible for the funeral. The form is available from a human resources representative or the Fund's website.

Investment instruments and asset classes

Retirement fund managers must invest in a range of instruments and asset classes (equities, bonds and cash) to reduce risk. Regulation 28 of the Pension Funds Act regulates the limits across instruments and asset classes to protect members from risky investments.

Regulation 28 helps with diversification by limiting geographical areas, asset classes and instruments. It can also constrain institutional investors to optimising their portfolios by limiting global assets exposure to 30%, excluding the additional Africa allocation.

The primary goal is to protect the members' retirement provision from the effects of poorly diversified investment portfolios. Retirement fund managers achieve this by limiting maximum exposure to instruments or asset classes perceived as risky.

The main amendments to Regulation 28 include:

- **Infrastructure** – The current regulation does not define infrastructure as a specific category. Exposure can be achieved across several asset classes such as equities, bonds and private equity. The proposed amendment aims to introduce a more precise definition of infrastructure with various and aggregate limits across instruments and asset classes (bonds, equities, immovable property, private equity and others) already permitted through Regulation 28. This will also enable better data and measurement. The proposed overall infrastructure investment limit across all asset categories is 45% for domestic exposure and an additional 10% for the rest of Africa with a 25% aggregate limit per issuer or entity.
- **Split of hedge funds, private equity and any other assets** – Hedge funds, private equity and any other assets not listed in the schedule have been split into standalone asset classes. This allows for specific limits on each of these asset classes. Whereas the private equity limits have changed, the limits on hedge funds and any other assets not listed in the schedule remain the same:
 - Hedge funds: 2.5% per hedge fund, 5% per Fund of hedge funds with an aggregate limit of 10% to hedge funds.
 - Other assets: 2.5%.
 - The total limit of 15% towards hedge funds, private equity and any other assets not listed in the schedule has been removed because of the split.
- **Private equity** – The table below sets out the proposed changes to the private equity limits. Overall, the private equity limits have been relaxed with the limits doubling and the aggregate limit increasing by 5%. In addition, where the current limits on hedge funds, private equity and any other assets not listed in the schedule are limited to 15%, the resultant split means that funds may invest up to 27.5% towards hedge funds, private equity and any other assets not listed in the schedule.

CURRENT

PROPOSED

	CURRENT	PROPOSED
Aggregate limit	10%	15%
Private equity funds	2.5%	5%
Fund of private equity funds	5%	10%
Infrastructure Private equity funds	Via normal limit - 2.5%	5%
Infrastructure Funds of private equity funds	Via normal limit - 5%	7.5%



The TSRF has always been a proponent of alternative investments and we welcome the proposed amendments as this will allow retirement funds to invest more into these types of investments. If retirement funds allocate more to these types of assets, it should positively affect the economy and result in social benefits, which are urgently needed.

Although the proposed amendments focus on infrastructure, our view is that the government should also have reviewed all limits, which were last reviewed in 2011, especially as some limits are currently a constraint on institutional investors (by limiting global asset exposure to 30%, excluding the additional Africa allocation).

The restriction of 30% on offshore investments limits institutional investors to global industries, technology and innovations unavailable locally and reduces overall diversification and the potential for better returns.

We believe the proposed amendments are a step in the right direction to stimulate the economy and provide better social benefits should retirement funds allocate more to these assets. It is also important to note that the government has not proposed prescribed assets in these amendments and funds do not have to invest in these types of assets but have the option to do so.

The Fund's alternative allocations are:

	CURRENT FUND ALLOCATION (TSRF)	PROPOSED NEW REGULATION 28 LIMITS
<i>Total Infrastructure</i>	22.70%	45% locally and 10% in Africa
<i>Total Private Equity</i>	3.89%	15.00%
<i>Total Hedge Funds</i>	26.59%	10.00%

Protection of personal information

The right to privacy of personal information is enshrined in law in the South African Constitution and enabling legislation, the Protection of Personal Information Act No 4 of 2013 (POPIA), which became effective from 1 July 2021. POPIA has brought South African privacy laws in line with existing international trends and laws on privacy.

POPIA intends to regulate personal information processing with two chief objectives:

- Safeguard personal information in line with rights of privacy, as specified in the Constitution
- To regulate the processing of personal information

POPIA has set eight principles to achieve its aim.

What does POPIA mean for our stakeholders? The TSRF is committed to treating member information responsibly and dealing with members' personal information more diligently than ever. This means we will collect information responsibly, only request and process necessary personal information and share and store information securely and responsibly. The TSRF has developed a POPIA Compliance Risk Management Framework informing the development and implementation of policies and procedures to satisfy the requirements of POPIA. All personal information is identified and there are measures to protect and secure this information within a robust risk management programme. The TSRF has taken steps to mitigate infringements of members' stakeholder rights to avoid regulatory action and administrative penalties due to non-compliance with POPIA.

Please note the Fund's privacy notice at <https://www.rflipfund.co.za/>. It outlines the following:

- **Processing personal information:** The Fund collects personal information to provide members with the applicable benefits and services and as required by the Pension Funds Act, insurance, tax and other legislation.
- **Sharing personal information:** The Fund will share members' personal information with its service providers, industry bodies and regulators. Fund managers do this to assess claims, process claims, trace members and beneficiaries, prevent fraud, report to regulators, conduct surveys and conduct required audits.
- **Protecting personal information:** The Fund takes every reasonable precaution to protect members' personal information from theft, unauthorised access and disruption of services.
- **Receiving marketing and communications:** The Fund will not use or share members' personal information for marketing. However, members' personal information will be used to communicate with members (via SMS and e-mail) about the Fund and its benefits.
- **Information Officer and Deputy Information Officer:** The Fund's Principal Officer and Legal and Risk Officer have been appointed as Information Officer and Deputy Information Officer respectively.



Treating customers fairly

The Treating Customers Fairly (TCF) initiative aims for six outcomes through a range of visible and credible deterrents to unfair treatment. The TCF is an outcome-based, regulatory and supervisory approach designed to ensure regulated financial institutions deliver specific, clearly defined fairness outcomes to customers. Regulated entities must demonstrate implementation and delivery of the TCF outcomes.

Guided by its TCF Framework and Policy, the Fund aims to guarantee fair treatment of members, as embedded in the TSRF's culture, in providing retirement benefits and engaging with all stakeholders in the value chain.

In November 2022, the FSCA notified the Fund of an inspection to ensure TCF culture is embedded in the Fund's activities. The discussion with the Fund's Principal Officer, Board Chairperson, Deputy Principal Officer and Legal and Risk Officer included other focus areas identified by the FSCA.

The Fund used the FSCA's self-assessment tool to monitor its performance and the FSCA confirmed that the Fund remained committed to the TCF initiative and was embedding the principles in its culture.

We continue to strive to be recognised as an organisation that delivers value-added benefits for a dignified retirement to our members and their beneficiaries and as a leader and innovator in transformation and financial inclusion.

Conduct standards

Conduct Standard 1 of 2022 (RF), issued under the Financial Sector Regulation Act 9 of 2017, replaces Regulation 33 issued under the Pension Funds Act. It became effective on 20 February 2022 and provides a regulatory framework designed to enhance the enforcement of retirement fund contribution obligations and promote transparency and compliance among employers and retirement funds.

The primary goal of this standard, introduced by the FSCA, is to address employers' non-payment of retirement fund contributions although they deduct contributions from employees' salaries every month.

Key provisions and changes introduced by Conduct Standard 1 include:

- **Notification and education** – Retirement funds must annually inform every employer intending to join the fund about their obligations and liabilities under the Pension Funds Act and the conduct standard.
- **Employer reporting** – Employers must provide retirement funds with specific information about contributions collected and paid on behalf of employees. This data must be accompanied by a declaration from the employer confirming accuracy.

- **Outsourcing recovery** – The conduct standard outlines requirements for retirement funds that outsource recovery of overdue employer contributions to attorneys or third parties. This provision aims to address undesirable practices such as attorneys earning interest on funds recovered but not promptly transferred to the retirement fund, unclear instructions and excessive fees.

Additionally, the FSCA has introduced new reporting formats required under Conduct Standard 1, including notifications to and requests from employers as well as reporting contraventions to the FSCA and the South African Police Service (SAPS). The new formats aim to improve non-compliance reporting.

On 19 February, RF Notice 14 of 2022 was repealed and replaced with RF Notice 8 of 2023, which determines the format of documents for payment of pension fund contributions, especially for funds with multiple participating employers.

CHANGES TO THE RULES OF THE FUND

There were no changes to the rules of the Fund during the period under review.

MANAGING LEGAL AND REGULATORY MATTERS

Risk Culture and Risk Management

Overall risk governance is anchored in the Fund rules, the provisions of the Pension Funds Act and the Investment Strategy Statement. The Fund continuously improves its internal risk management function, supporting the Board, with a systematic approach to identifying, assessing and managing risk. The TSRF aims to strengthen its governance, accountability and sustainability while promoting transformation and financial inclusion, investing for ESG impact and enhancing investment returns for members and beneficiaries. The Fund's highest priority is maintaining a risk-aware culture to avoid undue risks and only taking calculated risks in pursuit of investment objectives.

The Risk Appetite Statement comprehensively summarises the Fund's risk appetite parameters. It serves to:

- Mainly facilitate the concise presentation and informed periodic review of the extent of risk the TSRF is prepared to take in its key activities
- Reflect market practice, enhance the quality of internal decision-making and help build a risk-awareness culture
- Assist the TSRF in communicating with stakeholders, including members, participating employers and service providers
- Support ongoing access to funding and the ability to pursue the TSRF's objectives
- Provide a consolidated overview of governance of the various risk types

Management and the Board have adopted the parameters described in the statement through dedicated policy instruments.

The statement and Risk Management Framework are updated periodically by the Legal and Risk Officer in consultation with the Deputy Principal Officer and Principal Officer and approved by the Board.

The TSRF seeks to protect and grow investments and earn returns, which increase members' retirement and ancillary benefits. Consistent with the applicable legal framework, the TSRF complies with sound investment principles in alignment with the market practice of assessing, measuring and managing risks using common standards of corporate governance and retirement fund regulations. The Fund reinforces market practice with its objectives to provide a retirement benefit, achieve an adequate overall return on the risks borne, support financial sustainability and mitigate against potential excessive losses that would deplete its medium-term operational capacity and affect members' benefits in the long term.

To achieve this, the TSRF implements checks and balances to ensure:

- Investment decisions are not unduly influenced by business targets and risks are fully considered to ensure a good prospect of avoiding losses and negative impacts on members' retirement benefits
- The accumulation of any material correlated risks is identified, reviewed and, where appropriate, acted upon
- Controls are adequately designed around all material risks, robustly implemented and rigorously tested to ensure Management has the agility to act on evolving risk profiles

The Fund's Legal and Risk Sub-Committee oversees the risk management function, which includes an independent annual internal audit process. **During the year under review, it undertook the following projects as part of the risk management process:**

- Review of all regulatory policies
- Internal audit 2022 – 2023
- Continuous monitoring of service providers via online and in-person meetings

- Site visits to investments and service providers
- Implementation of the POPIA Risk Management Framework
- TCF self-assessment and FSCA inspection
- Development of a more robust risk management process
- Review and improvement of complaints management process
- Annual reporting to the Financial Sector Transformation Council (FSTC)
- Development of a cybersecurity quarterly report
- Application for and oversight of B-BBEE accreditation
- Oversight of compliance with the provisions of section 13A of the Pension Funds Act

Internal audit

Nexia SAB&T completed a three-year internal audit resources management plan, including execution of the Annual Coverage Plan, for the Legal and Risk Sub-Committee and other stakeholders.

The internal audit function was authorised to:

- Have unrestricted access to all functions, records, property, personnel and the Legal and Risk Sub-Committee
- Allocate resources, set frequencies, select subjects, determine scopes of work in conjunction with TSRF management and apply techniques required to accomplish audit objectives
- Seek assistance in divisions/areas/components of the TSRF where Nexia SAB&T performs audits and other specialised services within or outside the organisation

Under the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing, and as part of the internal audit process, Nexia SAB&T considered the possibility of fraud and found no incidents. The findings and recommendations of the internal audit are considered by the TSRF Board and used to update the TSRF's risk management plan, which aligns with the TSRF's strategic objectives and its legal and regulatory responsibility.

A strong enterprise risk management programme supports the improvement of operations and processes, ensures the Fund achieves its goals and improves and protects members' benefits.

Financial Sector Transformation Council

The TSRF is committed to transforming the financial sector and actively supports the vision and mission of the FSTC, which is a non-profit company under the Financial Sector Code and section 9(1) of the B-BBEE Act No 46 of 2013.

The TSRF mandated the FSTC through its constituencies: trade associations, government, the National Economic Development and Labour Council (Nedlac) Organised Labour, Nedlac Organised Community and the Association of Black Securities and Investment Professionals to enforce the Financial Sector Transformation Code.

The FSTC issued a notice for the submission of B-BBEE reports for the 2020/2021 measurement period under section 10 (4) of the B-BBEE Act No 53 of 2003 and statement FS 000, paragraph 8.4 of the Financial Sector Code, which requires each entity conducting business in the South African financial sector to report annually to the FSTC on its progress in implementing the provisions of the Financial Sector Transformation Code.

In accordance with the code, the TSRF reviewed its B-BBEE status and received a Level 1 contributor certificate for the period ending September 2024. The TSRF submitted the required reports to the FSTC for the measurement period ending December 2021. The TSRF's transformation agenda, which includes responsible and impact investing, is committed to transforming the financial sector, as a leader in the retirement fund industry, and championing compliance with the FSTC. The TSRF encourages all role players in the financial sector to support the vision and mission of the FSTC and to play an active role in the transformation of the financial services industry.

Trustee development

The Board of Trustees' knowledge base is regularly refreshed and expanded through formalised programmes, focusing on a myriad of relevant topics, from investment to governance (King IV), Twin Peaks, Default Regulations and more. In 2022, Trustees attended industry events and webinars, including the Pension Lawyers Association, IRFA and Batseta conferences.

SUB-COMMITTEES

The Fund is managed by the following sub-committees reporting to the Board.

ADMINISTRATION SUB-COMMITTEE

MANDATE	ACTIVITIES
<p>Established by the Board to:</p> <ul style="list-style-type: none"> • Manage administration risks • Monitor administrator performance against service level agreement (SLA) standards and review the SLA • Review the Fund's benefits and advise on changes as appropriate • Negotiate the basis and timing for regular financial reporting to the Board by the Fund administrator • Record major decisions and factors considered in reaching decisions 	<ul style="list-style-type: none"> • Ensure claims are paid and audited financials submitted on time • Monitor Fund record-keeping in terms of section 13A of the Pension Funds Act • Oversee the Fund's communication function and development of its communication strategy • Assist Trustees in fulfilling fiduciary duties and responsibilities with regard to the Fund's Insured Benefit Structure such as the cell captive
<p>COMPOSITION</p> <p>M Mabaso H Baloyi M Nzama M Nkosi W Lekgoathi</p>	<p>MEETINGS ATTENDED</p> <p>Three Two Three Three One</p>
<p>BY INVITATION</p> <ul style="list-style-type: none"> • Joe Letswalo (<i>Principal Officer</i>) • Lerato Mogopudi (<i>Deputy Principal Officer</i>) • Penny Spentzouris (<i>Legal and Risk Officer</i>) • Grace Chauke (<i>Investment Officer</i>) 	<p>PERFORMANCE</p> <p>The Committee confirmed to the Board that, for the period 1 March 2022 to 28 February 2023, it had fulfilled its mandate as prescribed in terms of reference by the Board.</p>

INVESTMENT SUB-COMMITTEE

MANDATE		ACTIVITIES	
<p>Established by the Board to:</p> <ul style="list-style-type: none"> Assist with establishing the Fund's Investment Policy, monitoring compliance and revisions Devise a suitable asset allocation strategy and recall and transition assets from existing to new Investment Managers Set mandates and fee agreements, establish strategic investment vehicles and monitor and evaluate assets strategy and incidental activities Monitor and review the effectiveness of the strategy and processes to ensure funds are safeguarded against risks that could result in losses Ensure the portfolio of invested funds is structured to meet estimated benefit payments when due 		<ul style="list-style-type: none"> Recommend Investment Managers to the Board to execute the Fund's Investment Policy Perform required due diligences on appointed Investment Managers Revise the Investment Policy Statement Rebalance the Fund's exposure to various Investment Managers and asset classes depending on views of the markets and within limits set out in the Investment Strategy Statement Monitor and report on the performance and compliance of Investment Managers Monitor the Fund's investment performance against the selected Fund benchmark 	
<p>COMPOSITION</p> <p>M Mabaso T Maloka P Mokoena T Mopeli</p>		<p>MEETINGS ATTENDED</p> <p>Three Three Two One</p>	
<p>BY INVITATION</p> <ul style="list-style-type: none"> Joe Letswalo (<i>Principal Officer</i>) Lerato Mogopudi (<i>Deputy Principal Officer</i>) Penny Spentzouris (<i>Legal and Risk Officer</i>) Grace Chauke (<i>Investment Officer</i>) 		<p>PERFORMANCE</p> <p>The Committee confirmed to the Board that, for the period 1 March 2022 to 28 February 2023, it had fulfilled its mandate as prescribed in terms of reference by the Board.</p>	

LEGAL & RISK SUB-COMMITTEE

MANDATE		ACTIVITIES	
<p>Established by the Board to:</p> <ul style="list-style-type: none"> Oversee corporate governance, Board and Trustee appointments, Board and committee training, the Fund's legal function and risk management functions Conduct annual Trustee reviews and assessments Review the Trustees and Fund Administration liability and fiduciary insurance coverage Ensure compliance with Fund rules and applicable legislation 		<ul style="list-style-type: none"> Review and approve policies and legal agreements Attend to Fund rule amendments Provide legal advice to the Fund Manage internal and external complaints Align changes with the Fund's regulatory framework Address fund risks in collaboration with Board committees Prepare recommendations and reports about Fund risk for the Board in consultation with the relevant committee Assist Trustees fulfilling fiduciary duties and responsibilities with regard to the Fund's Insured Benefit Structure such as the cell captive 	
<p>COMPOSITION</p> <p>S Mothibedi M Mabaso T Maloka M Nkosi T Mopeli</p>		<p>MEETINGS ATTENDED</p> <p>Two Two Three Two One</p>	
<p>BY INVITATION</p> <ul style="list-style-type: none"> Joe Letswalo (<i>Principal Officer</i>) Lerato Mogopudi (<i>Deputy Principal Officer</i>) Penny Spentzouris (<i>Legal and Risk Officer</i>) Grace Chauke (<i>Investment Officer</i>) 		<p>PERFORMANCE</p> <p>The Committee confirmed to the Board that, for the period 1 March 2022 to 28 February 2023, it had fulfilled its mandate as prescribed in terms of reference by the Board.</p>	

DEATH BENEFIT DISPOSAL SUB-COMMITTEE

MANDATE		ACTIVITIES
<p>Established by the Board to:</p> <ul style="list-style-type: none"> Consider information received from the employer via the administrator and check supporting documentation is on file Identify qualifying dependants, as defined in the Act, and dependants of the deceased (especially people legally entitled to maintenance) Record Committee decisions at Board meetings and regard as Board decision (unless the Board requires ratification) 		<ul style="list-style-type: none"> Consider and make payments based on equitable distribution of deceased members' death benefits Recommend payment methods (including a Beneficiary Fund in the case of a minor beneficiary or nominee) Submit death claims statistics and reports on issues requiring Board deliberation to the Board Advise the Board on matters referred by the Sub-Committee Advise the Board on risks facing the Fund Ensure benefits are paid within timeframes stipulated in section 37C of the Pension Funds Act and SLA Oversee death and funeral claims processes
<p>COMPOSITION</p> <p>S Mothibedi T Mopeli H Baloyi M Nkosi</p>	<p>MEETINGS ATTENDED</p> <p>Two Three Two One</p>	
<p>BY INVITATION</p> <ul style="list-style-type: none"> Joe Letswalo (<i>Principal Officer</i>) Lerato Mogopudi (<i>Deputy Principal Officer</i>) Penny Spentzouris (<i>Legal and Risk Officer</i>) Grace Chauke (<i>Investment Officer</i>) 	<p>PERFORMANCE</p> <p>The Committee confirmed to the Board that, for the period 1 March 2022 to 28 February 2023, it had fulfilled its mandate as prescribed in terms of reference by the Board.</p>	

STAKEHOLDERS

The Fund's stakeholders include:



2 157 Employers



86 590 Members



Beneficiaries and former members



Organised labour and employer **associations**



Board of **Trustees**



Service **providers**



The broader **transport** industry



The **Authority**

PRIMARY STAKEHOLDERS: MEMBERS

Stakeholder	Reason for engagement	Channel
Members	Inform and educate members about their retirement savings, benefits, rights and Fund developments	Newsletters, brochures, website, posters, SMS, roadshows, social media, surveys and walk-in and call centres

SECONDARY STAKEHOLDERS: PARTNERS, REGULATORY/INDUSTRY STAKEHOLDERS

First tier: our partners

Stakeholder	Reason for engagement	Frequency of engagement	Responsible person
Staff	<ul style="list-style-type: none"> Provide staff with strategic direction and keep them informed about Fund activities Ensure the TSRF is an inspiring workplace Understand and respond to the needs and concerns of employees 	Ongoing and daily	Principal Officer
Employers	<ul style="list-style-type: none"> Provide relevant and timeous information relating to benefits, new regulations, Fund developments and strategy Maintain strong relationships 	Ongoing	Principal Officer
Board of Trustees	Mainly responsible for providing strategic direction in the interests of Fund members	Quarterly	Principal Officer
Sponsors, organised labour and employer associations	<ul style="list-style-type: none"> Provide information on Fund strategy, investments and developments Maintain strong relationships 	Quarterly and ongoing as required	Board Chairperson and Principal Officer
Service providers	<ul style="list-style-type: none"> Carefully selected to help the Fund achieve operational objectives Maintain constant information flow throughout contract 	Regular meetings as necessary	Principal Officer

Second tier: Regulatory or industry stakeholders

Stakeholder	Reason for engagement	Frequency of engagement	Responsible person
Authority	<ul style="list-style-type: none"> Comply with FSCA recommendations and Pension Funds Act regulations Engage through various channels 	Twice annually and when required	Principal Officer, Board Chairperson and/or two Trustees
Industry bodies	Member of Batseta Council of Retirement Funds for South Africa, IRFA and Pension Lawyers Association	Quarterly meetings	Principal Officer
Media	<ul style="list-style-type: none"> Protect and manage TSRF's reputation Communicate with relevant stakeholders and the public 	In response to business-related media queries	Board Chairperson and Principal Officer

INVESTMENT PERFORMANCE

Economic and investment outlook: Global market themes

Global markets experienced a mixed performance in February. Starting with positive momentum from January, they dropped across the board as sentiment shifted towards risk aversion. This change was spurred by higher-than-expected US inflation data with the pace of deceleration slower than market participants expected before this report was published.

When markets are more risk-averse, capital tends to move towards safer allocations – away from higher-risk emerging economies and towards the relatively safe US dollar.

1 The Federal Reserve's (Fed's) preferred measure of inflation, core personal consumer expenditure, rose 0.6% month on month – triple the upwardly revised 0.2% the Fed expected. With the current year-on-year change in this inflation measure at 4.7%, the Fed should have enough impetus to continue raising short-term interest rates going forward. As shown by the implied Fed funds futures rate, current market consensus showed a 25bps increase in March and another 25bps hike in May. In addition, hope for a pause in interest rate hikes waned as the US labour market remained strong with an unemployment rate of only 3.4% – the lowest in over 50 years. Fed Chair Jerome Powell said, if the US economy did not see a marked slowdown, expected to be reflected in the labour market, the country could speed up the pace of its rate hikes and extend them.

2 The S&P 500 and the MSCI World dropped -2.4% during the month. These losses were mild in comparison to emerging market declines.

3 Eurozone members show conflicting inflation prints and the ECB will not end rate hikes until it is confident that headline price growth is heading back towards 2%. The Stoxx All Europe index was up 2% (in euro) for the month.

4 The MSCI China Index fell -10.37% despite the superpower's leading gauge for production levels hitting an 11-year high. The official manufacturing Purchasing Managers' Index (PMI) stood at 52.6 last month against 50.1 in January, based on data from the National Bureau of Statistics, beating expectations as production expanded after the lifting of COVID-19 restrictions.

5 The MSCI Emerging Markets Index fell -6.48% for the month with the Brazilian Ibovespa dropping 7.49% (in Brazilian real). Brazil's trade surplus fell 35% compared to the same month last year. The Ministry of Development, Industry, Trade and Services said the decline came from a significant decrease in exports of crude oil, coffee and beef. It is worth recalling that revisions to the upside on interest rate expectations in the US often lead to negative implications for developing countries.



Economic and investment outlook: South African market themes

South African markets lost momentum following a very strong January. Risk-off sentiment rippled through global markets and domestic markets followed suit.

1 The SWIX and the All-Share indices both shed -2.3% and -2.2% respectively. The resource sector took the biggest hit on the JSE, dropping 12.5%. This segment remains the most volatile in the market as global demand dynamics change rapidly. China's PMI data surprised to the upside in February, which could lead to positive price movement going forward. Financials and Industrials ended in the green, rising 2.8% and 1.6% respectively.

2 The rand did not fare well this month, depreciating 5.3% against the dollar and 2.9% against the pound.

3 The South African Reserve Bank hiked interest rates by 375bps to date while the Fed had a 450bps hike, contributing to the weakening rand, as the relative return on risk diminishes. This change in interest rate differentials played out a lot in the past 12 months. As the difference between the real interest rates of two countries changes, capital flows towards the country with the relatively higher real interest rate (in this case, the US). This mechanism affects the foreign exchange markets as people demand more US dollars in relation to rands, increasing the value of the dollar and decreasing the value of the rand. With continuing uncertainty around US inflation and the future path of short-term interest rate hikes, markets have receded into risk-off sentiment – at least in the immediate term.

4 The South African bond market, represented by the All-Bond Index, dropped 0.9%. The Composite Inflation-Linked Index, an inflation-linked bond index, rose 0.45%.

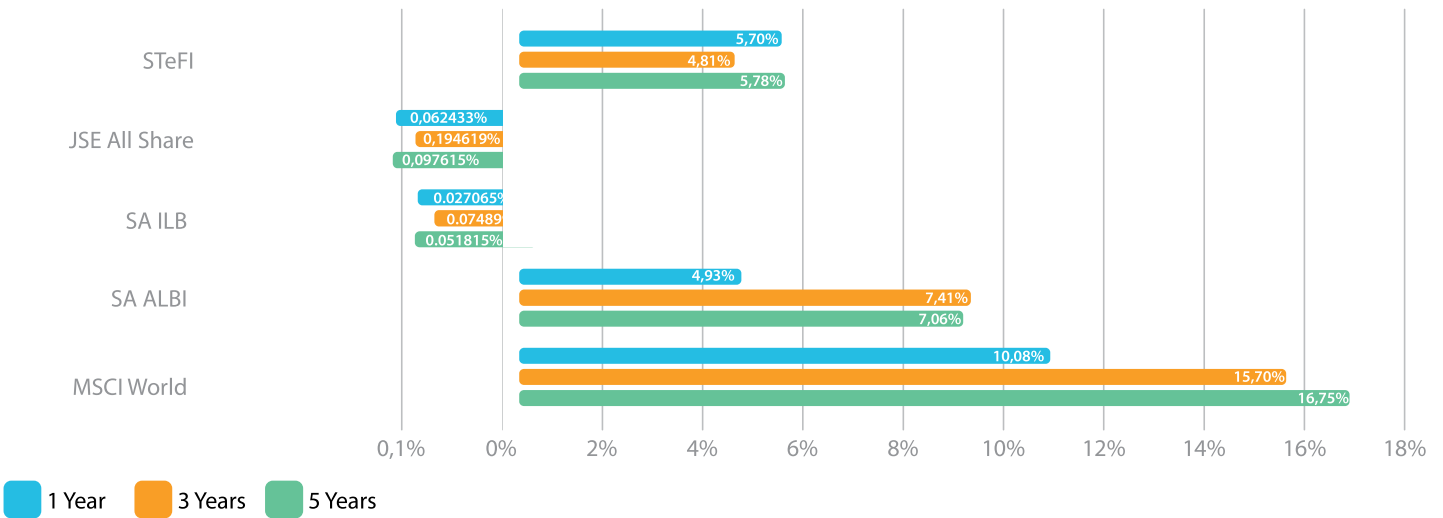
5 Domestic economic news largely focused on Finance Minister Enoch Godongwana's national budget speech. The most electrifying topic on the agenda was the state of crisis at the country's energy utility, Eskom. The state has committed to take on R254 billion worth of Eskom's debt over the next three years. While this commitment comes with strict guidelines aimed at improving capacity, the ongoing burden it places on the nation's fiscus is alarming. The current national debt sits at 69% of GDP and government officials expect this level to keep rising to a peak of 75.1% by 2025. The cost of servicing national debt is roughly R366 billion, which equates to about 20% of total tax revenue collections. These numbers paint a gloomy picture of the overall national balance sheet in the long term.

6 Godongwana also addressed the greylisting cloud hanging over the country, stating that 15 of the 20 deficiencies identified by the Financial Action Task Force, which sets global standards to combat money laundering and the financing of terrorism across national borders, will be resolved through two legislation acts. The remaining five issues can be settled through changes in regulation and practices that do not require legislation. National Treasury expects to address the deficiencies by January 2025.

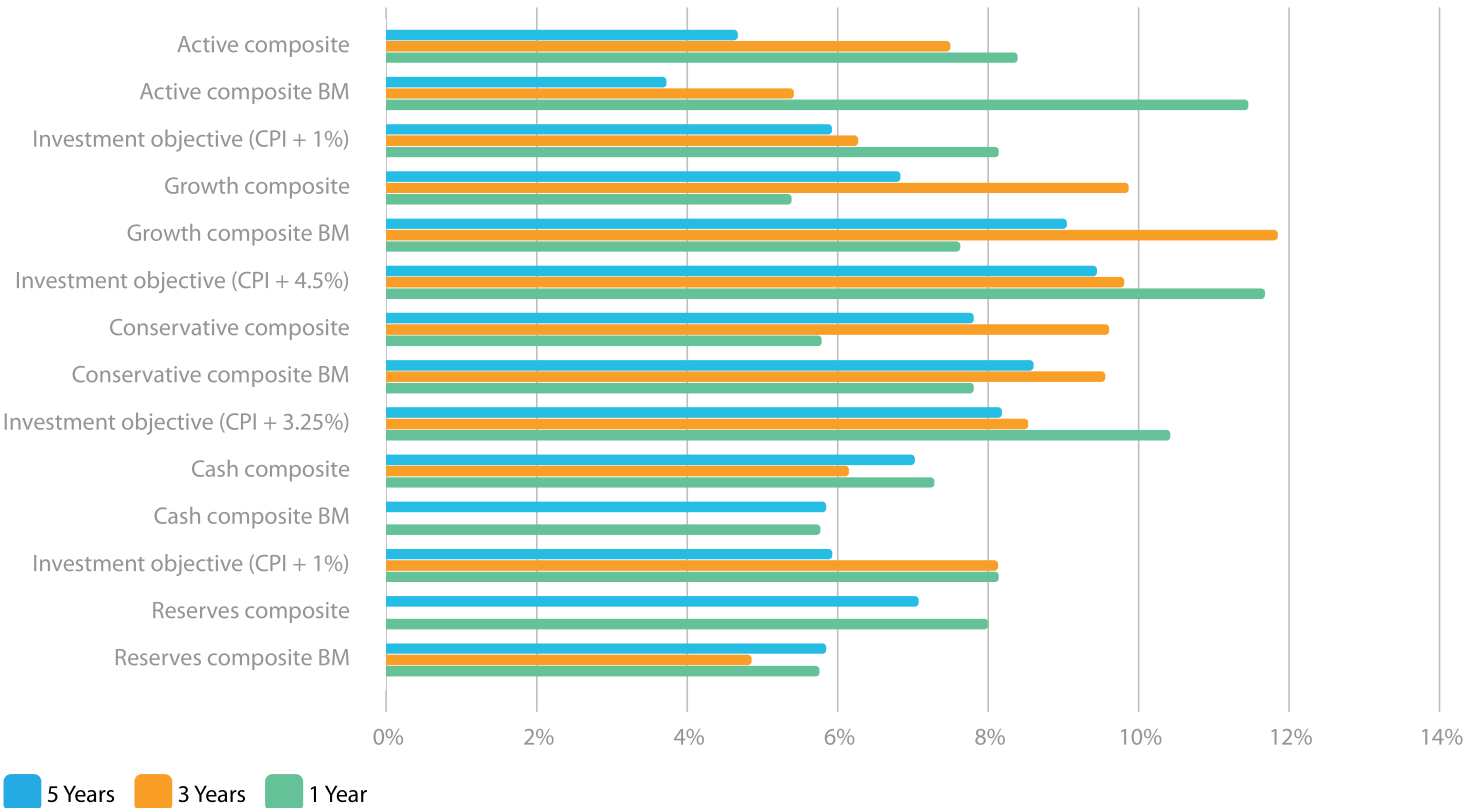
7 Loadshedding continues to dampen economic activity in the country with PMI numbers down to 48.8 as Eskom implemented power cuts every day this year. Political instability also continues to unsettle investor confidence as concerns around a possible national government coalition have caused economic headwinds. A petrol price increase from March placed further pressure on supply chain logistics and household expenditure. Overall, it has not been a positive year for the South African market and investors will need to remain vigilant and adaptable to navigate increasingly uncertain market conditions ahead. Time will tell if the measures stated by Godongwana in his budget will be sufficient to lift South Africa from greylisting status and if the aid provided to Eskom will keep the lights on.

GROWING AND PROTECTING ASSETS

Market Index Performance (%)



Portfolio Returns (%)



The Board of Trustees is confident that the Fund has managed to successfully generate good returns on behalf of its members, regardless of tough market conditions. In doing so, the Fund has aligned itself to asset managers who share its vision for the creation of sustainable futures through investment strategies that are carefully responsive to current and future operating environments.



MEMBERSHIP

ACTIVE MEMBERS	
Number at the beginning of period	76,230
New members	18,493
Capital Disability	(79)
Deaths	(449)
Retirements	(423)
Withdrawals	(5,993)
Retrenchments	(979)
Transfers out	(210)
Number at the end of the period	86,590

ACTUARIAL VALUATION

The financial statements summarise the transactions and nett assets of the Fund. The financial statements do not consider liabilities to pay pensions and other benefits in the future. Under the Fund rules, the actuary examines and reports the actuarial position of the Fund, which does not consider such liabilities, at intervals not exceeding three years. The Fund performed an actuarial valuation on 29 February 2020 and the Valuator reported that the Fund was in a sound financial position.

The next statutory valuation will be performed on 28 February 2023, in terms of the Pension Funds Act, for submission by 28 February 2024.

HOUSING LOANS

The rules of the Fund provide for the granting of housing loans or guarantees to members.

The Fund has granted housing loans in terms of the Fund rules and section 19(5) of the Pension Funds Act. The credit of respective members secures each guarantee. The Fund limits the loan to 60% of the respective member's fund credit after considering the effects of taxation (PAYE).

Investment in participating employers

The Fund holds no direct investments in any participating employer.

LIFE STAGE INVESTMENT

The life stage model comprises three stages: growth up to 54 years of age, conservative from 55 to 63 and cash over 64. This model aims to grow younger members' capital aggressively while protecting the capital of members approaching normal or early retirement. Younger members invest in more aggressive growth-oriented portfolios while older members nearing retirement invest in more defensive, capital-protecting portfolios.

Subsequent events

No subsequent events occurred since financial year end that may materially affect the financial statements.

STAKEHOLDER ENGAGEMENT, EDUCATION AND COMMUNICATION

Financial fitness – budgeting and debt management

With interest rates rising and most South Africans, including Fund members, under financial pressure, the Fund adopted a financial literacy theme for this year's communication strategy. It mainly focused on budgeting and debt management in Facebook posts, articles in quarterly member newsletters and a "How to budget" poster (illustrated on pages 37). Importantly, the Fund did not patronise members, considering the harsh economic climate. The poster was placed in walk-in centres across the country, truck stops, large employer offices and on the Fund's website. The Facebook posts reached about 80% of members who are truckers or truck-driver assistants mostly on the road with smart phones and internet access. An annual research project tests the effectiveness of these channels.

In addition, retirement fund tax tables changed (when cash is taken at withdrawal and retirement). The Fund updated its withdrawal and retirement flyers, Member Guide and website (see "News on the funds" at <https://rflipfund.co.za>) and published articles in member newsletters.

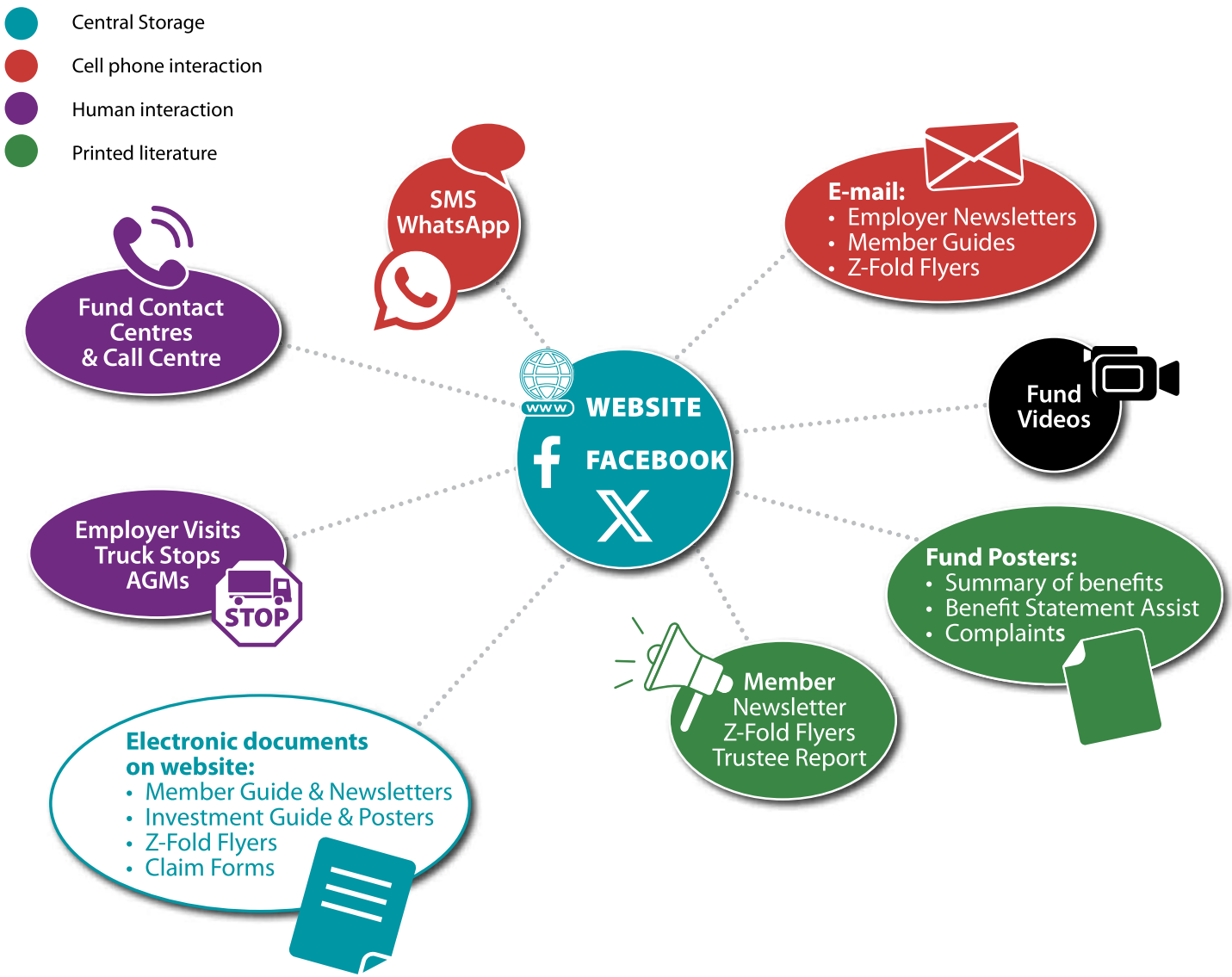
In July 2023, the Fund presented the two-pot system, due to be implemented in March 2024, to members via a newsflash poster, its website and a hyperlink sent to members via SMS. Due to the complex nature of this topic, the Fund is currently creating a simple scribble video and a series of Facebook posts.

The FSCA's 2020 survey reports a downturn in financial literacy due to heightened financial stress and despondency under hard times in South Africa with 46% of respondents' income not covering their living costs.



As the TSRF believes saving is an integral part of financial literacy, the Fund raises members' awareness of key money management concepts, including the habit of balancing a household budget.

The Fund's stakeholder engagement strategy centres on the TSRF's Channel Model (below) and explains the various media used to reach members. Messages are duplicated across various media to ensure members have access to the information.





TRANSPORT
Sector Retirement Fund

Moving Towards A Better Future



INNOVATION

The Fund continuously strives to innovate and adapt the communication methods and channels to members. Through annual research and evaluation the Fund is able to offer the best solutions and outcomes for members.

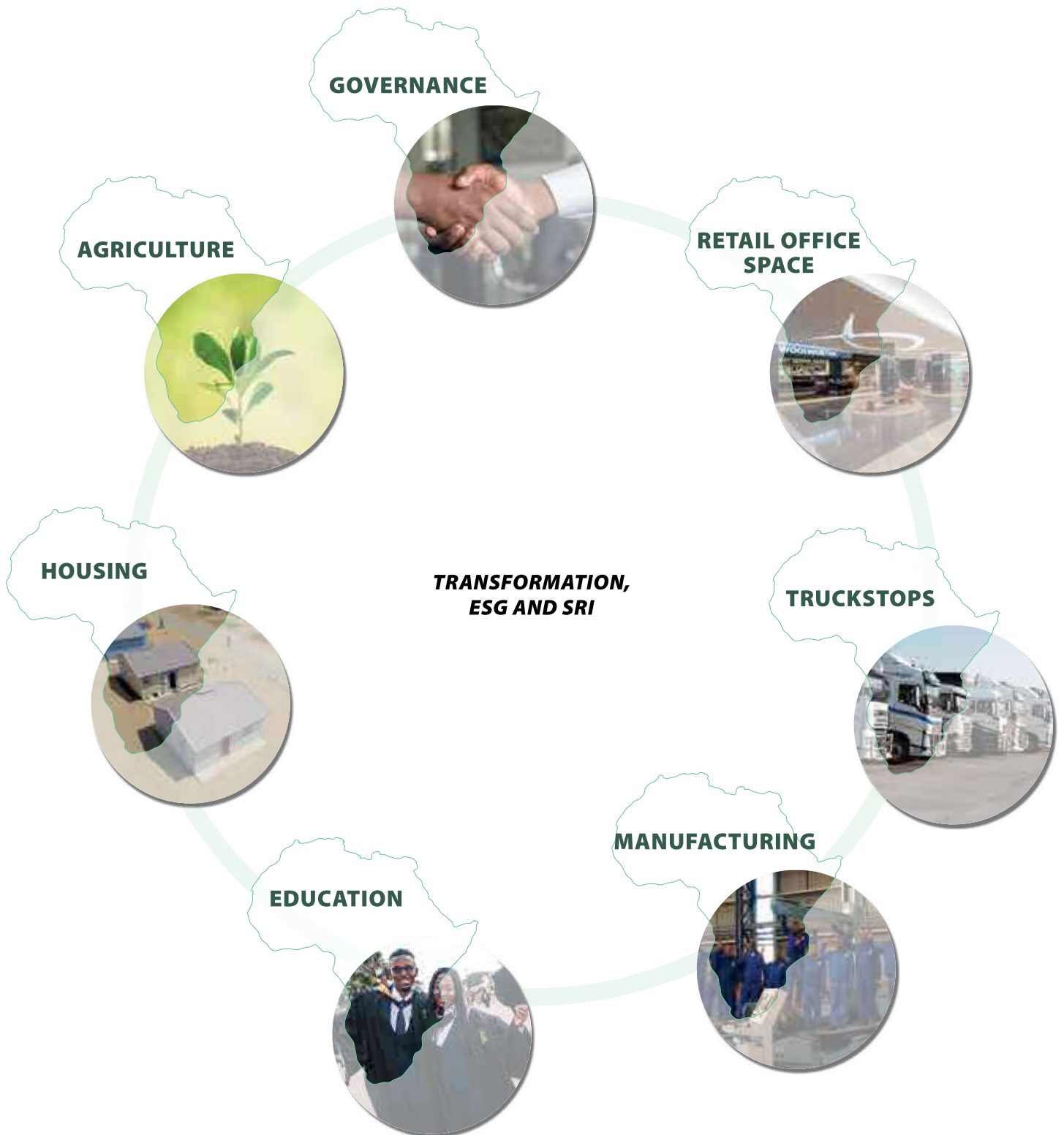
INFOGRAPHICS

With the use of infographics the Fund can visually explain and demonstrate more complex concepts. Member benefits, the claims process, retirement planning and investments are better understood with visual effects and the use of colour.

INFORMATION SHARING

The main goal of the TSRF is to ensure that members have all the tools and knowledge so they may retire comfortably and maintain their standard of living, after retirement. Through regular sharing of important information the Fund is able to engage and educate members on their benefits and other Fund information.

Infographics has an impact on greater comprehension and improves the communication offering overall.





Industry peers applaud the TSRF's transformative approach as pension fund industry mavericks changing the retirement industry landscape in South Africa for the better.

The Fund's transformative approach is based on three key principles:

- Broad-based economic empowerment
- Transforming society
- Transforming members' daily lives

The Board of Trustees committed to:

- Socio-economic consciousness
- Finding the right balance in its investment approach
- Moving its members and the country forward
- Creating a better future for all

For its transformation approach to be successful and sustainable, the Board is committed to:

- Upholding best business practice and good governance principles
- Being cooperative, resourceful and innovative
- Taking carefully calculated risks

To implement the Board's commitments, the Fund has set a target: 70% of the Fund's assets should be managed by black-owned investment firms. To date, 85% of the fund's assets are invested with black-owned managers. This approach extends to procurement of other services, including stockbrokers, auditing and catering.

Various initiatives ensure the sustainability of the Fund's transformation approach. For example, the playing fields for appointed asset managers were not necessarily conducive to maintaining success, especially against more well-resourced and established "traditional" asset managers. It is important for asset managers to understand that they share in the Fund's success.

After a meeting at the end of 2018, the Fund's appointed asset managers unanimously pledged to uphold best governance procedures and to cooperate in advancing the Fund's transformation agenda.

The TSRF is the key driving force behind the establishment of the Transformation Action Forum aimed at accelerating meaningful transformation across the investment industry and contributing to direct and indirect real and diversified sustainable growth.

The TSRF's transformation objectives are apparent in its approach to responsible impact investment. The Fund's investments assist with infrastructure development while directly meeting the occupational needs of its workforce members.

Although the Fund's investment approach includes all the usual listed asset classes, the Board of Trustees also focuses on various alternative and social impact investment options.

The TSRF's approach to investment is dynamic and consciously addresses ESG matters. Given this approach, the Fund's asset managers must be reputable and consistent in providing the probability of returns. The Board expects its asset managers to be aware of the environment in which the Fund operates and to be committed to transformation, including diversity and inclusivity and ESG principles. This investment strategy, which grows and protects members' assets throughout their life stages, affords the Fund's members monetary benefits and dignity.

The Truck Stop Fund, particularly development of the Highway Junction Truck Stop at Harrismith, provided returns of over 25% in the past 12 months and played a key role in job creation in the region. The Highway Junction Truck Stop is one of the largest employers in Harrismith (employing 200 residents). TSRF's members also benefit daily from access to a safe space where they can rest and recover with, among others, healthcare, banking and quality food facilities.

The TSRF's has unlocked various income streams with viable and competitive returns.

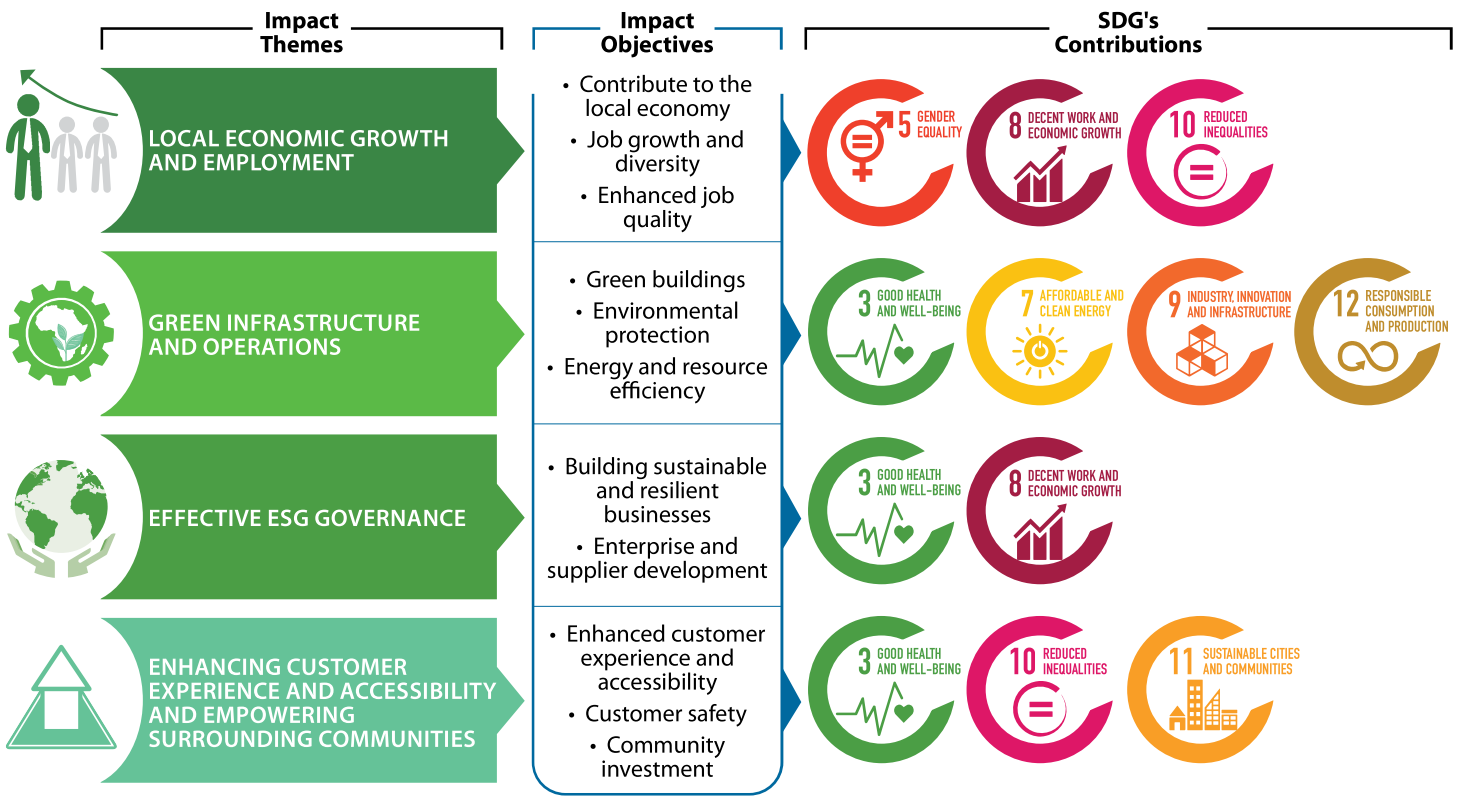
The Board's impact investment strategy extends to the delivery of broader returns such as the revival of economies, job creation and an improved GDP while addressing poor service delivery, healthcare and education.

As investments with social impact and job creation objectives outperform JSE shares, the TSRF believes this asset class is the right fit for the Fund.



SOCIAL RESPONSIBILITY INVESTMENTS

The NAPF intends to drive positive environmental and social change for internal and external stakeholders by designing, establishing and operating sustainable developments and social infrastructure as well as supporting sustained and inclusive economic growth, social and cultural development and environmental protection. It seeks investments with effective ESG, local economic growth and employment potential, green infrastructure and operations, enhanced customer experience and accessibility and community empowerment. It is well-positioned to contribute meaningfully to the SDGs (as illustrated below).



Truck stops

The TSRF, with 76,230 members from 3,000 employers, is aware that most members (70%) earn their income from transporting goods and people on South Africa's roads.

The Fund aims to preserve the livelihoods of members and their families through their retirement funds and death and disability cover. It is also committed to helping ensure their comfort and safety while actively employed.

Truck crashes cost the transport industry up to R18 billion annually and have a devastating effect on people, their families, transport operators, aligned industries and the country.

The Fund continually seeks ways to improve members' lives through a responsible investment strategy that is building more truck stops to improve the safety and standard of overnight parking facilities for truck drivers. Its aim is to create transport hubs along major routes where transporters can easily access quality restaurants, primary healthcare, refuelling and auxiliary services.

South Africa needs more truck stops and an established truck stop brand providing adequate rest and security facilities. TSRF's truck stop investment strategy aligns with the Council for Scientific and Industrial Research's findings and recommendations to increase adequate rest areas and facilities for regular safety checks and improve integration of road safety and fleet management systems and regulation.

The TSRF views truck stops as the missing link in the country's road transport and safety strategy. By developing a national truck stop brand, the TSRF will create a strong, recognisable endorsement of standards and regulations supporting the transport and logistics industry.

The Harrismith Highway Junction Truck Stop on the N3 corridor is the first multi-brand facility of its kind in South Africa and one of the biggest and busiest truck stops in Africa.

Almost 70% of truck drivers passing through the N3 corridor use this stopover and over 1,500 vehicles pass through this facility daily.

As a first mover, believing truck stops will support the creation of efficient transport hubs, the TSRF, through its Truck Stop Fund, has earmarked sites in Cape Town, East London, Colesberg and Musina for development.

Infrastructure development investment – impact Investing

The Fund's careful investment of R9.3 billion to grow members' retirement assets aims for the best return and long-term financial security. This approach includes infrastructure development as an important asset class, which provides direct benefits to members and helps drive economic development and job creation.

This investment strategy aligns with the country's National Infrastructure Plan, which focuses on, among others, spatial and transport development initiatives.

The TSRF champions the following projects in various sectors of the economy:

- **Housing:** Sagole Housing Fund
- **Retail and office space properties:** Cubisol
- **Agriculture:** Sampada/Tats Greenery
- **Truck stops:** Truck Stop Fund
- **Manufacturing:** Heritage Capital
- **Africa retail and office:** Novare Equity Partners

Some of the Fund's other infrastructure development partnerships include The Junxion shopping mall in Philippi, near Cape Town, and two mixed-use property developments – one near Sebokeng in the Vaal Triangle and the other in Simon's Town in the Western Cape.

The mixed-use developments create urban villages that speed up housing delivery and key lifestyle services such as clinics, schools, offices, shopping centres, parks and gyms. These spatial development projects play a major role in poverty alleviation, ensuring access to property for all, as a wealth-creation and empowerment asset.

Sagole Housing Fund

South Africa needs almost two million decent, low-cost houses for low-income citizens. To address these shortages in the affordable housing market, government provides grants and housing subsidies. Investors in these real assets will receive risk-adjusted returns.

The Sagole Housing Fund aims to build sustainable communities as an en-commandite partnership structure with a mandate to manage a well-diversified property investment portfolio. This includes immovable property with emphasis on affordable housing developments with high social impact and attractive risk-adjusted returns for investors.

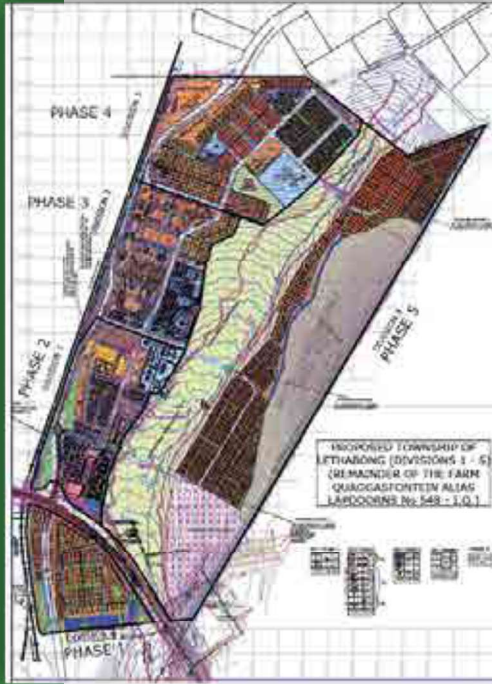
CASE STUDY:

Lethabong mixed-use development

The Lethabong housing development in Sebokeng is part of the Sagole Housing Fund portfolio. This 236ha mixed-use development intends to provide 5,715 affordable houses with a target return of 22% – 25% and a measurable social impact. It will include a shopping centre, light industrial and transport nodes, schools, churches, a 300-bed hospital and clinic.

With ESG factors at heart, the Sagole Housing Fund encourages responsible investing in line with the Code for Responsible Investing in South Africa and the UN's Principles for Responsible Investing among other socially responsible investment initiatives.

Since breaking ground, the Lethabong housing development has created 4,716 jobs within the Sebokeng community.



“DECENT, AFFORDABLE HOUSING SHOULD BE A BASIC RIGHT FOR EVERYBODY IN THIS COUNTRY. THE REASON IS SIMPLE: WITHOUT STABLE SHELTER, EVERYTHING ELSE FALLS APART.”

- Matthew Desmond, Princeton University

ENVIRONMENTAL

- Quality of life and environment
- Living in good-quality houses
- Better hygiene and quality water
- Climate preservation due to quality energy use

SOCIAL

High Social Impact:

- Availability of Water and sanitation
 - Affordable Housing
 - Health and education
 - Justice and security
 - Employment

GOVERNANCE

- Accountability
- Integrity
- Transparency



The Fund has strategically aligned its ESG philosophy with the UN's Sustainable Development Goals (SDGs):



- **Environmental**

Quality of Life and the environment

Aligned with the UN's SDGs (good health and environment), the Fund strives to provide a quality environment for the community with the goal of improving quality of lives.

Better hygiene and quality water

The housing development aims to provide the community with clean, quality drinking water and better hygiene.

Living in good-quality houses

The houses are structurally sound and built to last with the best materials because of the value placed on the residents' lives.

Climate preservation due to quality energy use

Preventing dangerous incidents, such as shack fires in informal settlements, the Fund has provided quality homes to avoid the use of flammable gas and other dangerous energy sources. The houses will have solar installations for safety and to promote energy efficiency.

- **Social**

Availability of water and sanitation

We have ensured that the community has access to quality water and sanitation systems.

Affordable housing

The Sagole Housing Fund provides residents of the Lethabong housing development with access to affordable housing.

Health and education

The development, in collaboration with the departments of Education and Health, will provide the community with quality schools and a new hospital to alleviate the strain on Sebokeng Hospital.

Justice and security

To ensure safety for the community, especially vulnerable women and children, the Fund's mandate is to build safe houses and a satellite police station to address crime within the development and surroundings areas.

Employment

Employment is expected to increase with the development of retail, educational, health and business facilities.

- **Governance**

Accountability

Remaining accountable to our stakeholders is vitally important as we believe this promotes mutual trust between the Fund and stakeholders.

Integrity

With every business interaction, we consistently lead with integrity to maintain mutual trust among stakeholders.

Transparency

We value honesty and transparency in our communities and ensure we incorporate these values in every stages of the value chain.







Human Capital Demographics

The Lethabong housing development is within the Emfuleni district municipality, which struggles with high unemployment, education and skills shortages and health challenges. In addition, the low tax base and overall lack of strategic economic impact exacerbate the social challenges.

Emfuleni's Integrated Development Plan 2020/2021 indicates the population is young and mostly female. This is in line with the Fund's socio-economic and skills development beneficiation strategies and objectives in the area, focusing on women and youth.

The Fund's Integrated Skills Capacitation model promotes broad-based economic growth and improves social welfare through social networking partnerships between the private and public sectors and civil society developing skills and creating job opportunities.

Skills Capacitation



Skills capacitation focuses on developing new skills and strengthening existing skills to ensure meaningful impact on the community and people around the Lethabong development. Interventions are not restricted to construction-related skills but include:

- Programmes addressing social challenges within targeted communities
- Improving youth employability within the construction industry
- Small, medium and micro enterprise (SMME) capacitation to enable entrepreneurs and new entrants into the market to actively participate in commercial activities created by the development

The implementation model centres on establishing a recruitment, employment and skills pipeline, sourced from the local community and linked to the Lethabong development, to support construction and to create economic opportunities through enterprise development.

Strategic partnerships and collaboration with sector education and training authorities, industry bodies, government and non-governmental organisations support the integrated public-private partnership approach. The recruitment, employment and skills pipeline model focus areas are:

- Social challenges – Improving employability, access to gainful employment and further occupational education through adult education interventions for women and recognition of prior learning for skilled artisans who have experience without qualifications
- Employability and workplace experience – Providing employment and workplace experience through interventions focusing on improving unskilled, semi-skilled and skilled workers' technical skills and employability with formal national qualifications and on-the-job training
- SMME capacitation – Local construction SMMEs are trained to grow and improve their business prospects through a mentorship programme (including training in compliance and management as well as construction skills)

Labour force

Community Liaison Officers in the local labour office ensures general labour is sourced from local communities. This function facilitates communication between contractors, professionals and local communities.

The office maintains a database of semi-skilled and general labourers and requires contractors and SMME sub-contractors to source labour from this database to provide employment to local unemployed people. The main contractor limits staff to key personnel.



Persons with disabilities and women

The Fund is committed to promoting the inclusion of persons with disabilities and women in construction developments.

Eight female-owned SMME sub-contractors and one disable person (an SMME sub-contractor) currently work in the housing development.

Department of Human Settlements – beneficiary allocations

While 370 beneficiaries moved into their new houses, at least another 104 units were being prepared for occupation before year end.



The initiatives reflect the Fund's belief that this project should remain relevant and forward-thinking by collaborating with local communities to identify and address their real needs. Strong partnerships and collaborative relationships are forged with diverse stakeholders who have common goals and a "shared value" vision for the region.

This is the foundation of sustainability, which will ensure host communities thrive after completion of the project. We are thus able to address business and social challenges while remaining relevant and improving experiences and innovative offerings in our developments.

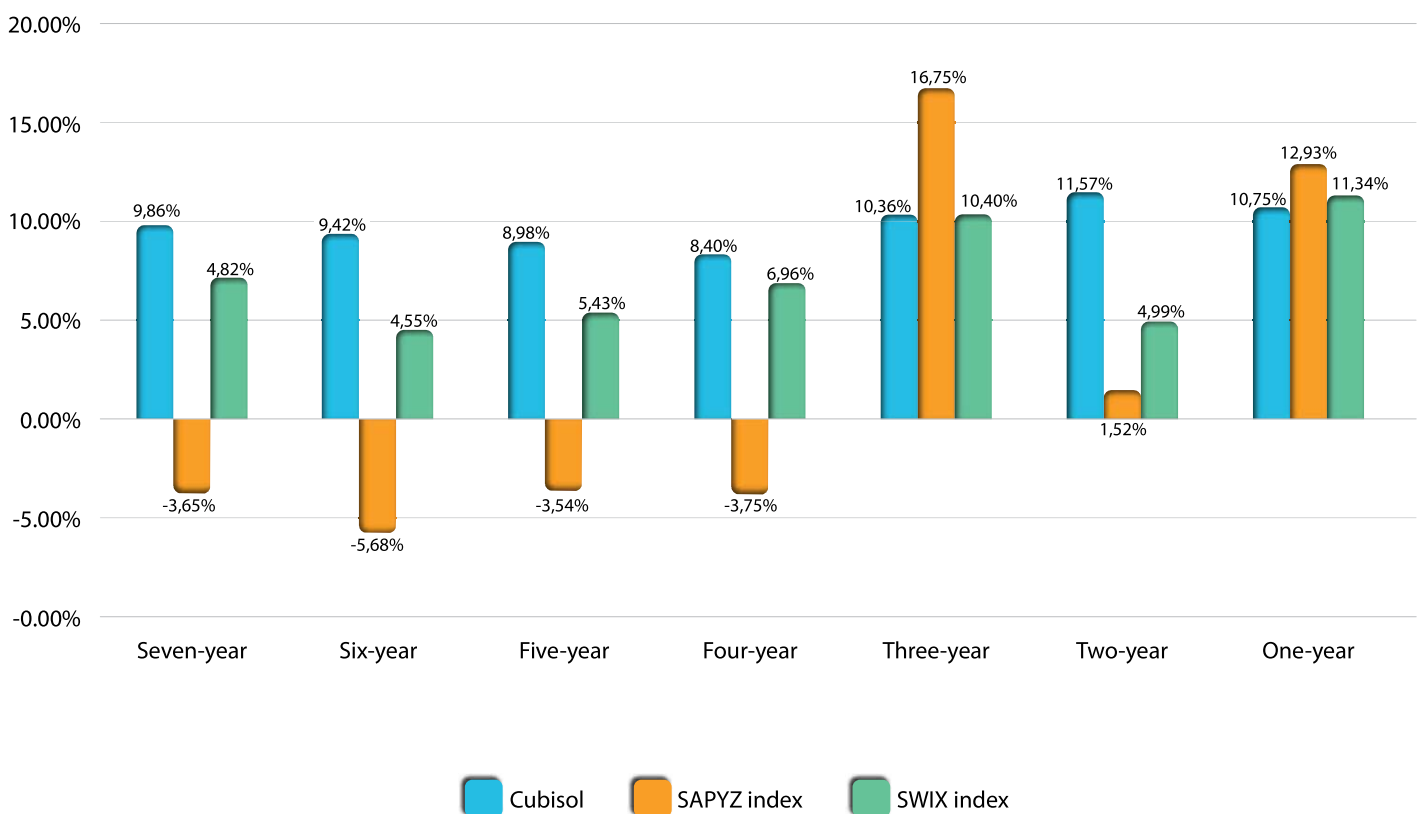
Cubisol Property Fund

Cubisol Property Fund continues to deliver strong investor returns and stable, positive cash collections from all retail assets despite declining JSE-listed fund share prices and disposable consumer income due to enduring economic challenges such as loadshedding, elevated interest rates, rising operating costs and poor municipal service delivery in South Africa. However, retailer confidence improved in 2023 with a solid recovery in overall employment, particularly in the apparel and footwear sectors.

Overall portfolio occupancy increased between August and September 2023 – boosted by the introduction of new strong national brands.

Cubisol's portfolio includes the Bel Air, Lonehill and Mountainview shopping centres, Carlswald Lifestyle Centre, Harbour Bay, Hibiscus and Scottburgh malls, The Walk, The Junxion, Soshanguve Plaza and Mayfield Square.

Cubisol versus JSE listed Indices





Geographical split and number of assets



GAUTENG
Retail: 5
Commercial: 1
Zoned land: 2
% Portfolio value: 62.4%
GLA: 108,855m²

FREE STATE
Retail: 1
Commercial: 1
% Portfolio value: 3.5%
GLA: 6,115m²



KWAZULU-NATAL
Retail: 2
% Portfolio value: 13.3%
GLA: 25,970m²



WESTERN CAPE
Retail: 2
% Portfolio value: 20.7%
GLA: 34,637m²





General Profiling

Heritage Capital Fund, managed by a black female-owned private equity fund manager, owns 30% of General Profiling (GP), one of South Africa's largest independent steel service centres. GP stocks and processes steel grades using laser and plasma cutting and waterjet machines.

GP provides value-added steel services (cutting, bending, rolling, machining and fabrication) to 1 500 customers, primarily in Gauteng and surrounds, serving major industries in Africa and the Middle East.

The company started as a family business in 1971 and today employs over 300 people, mostly black South African semi-skilled technicians, machine operators and artisans.

The Fund invested in GP in October 2018. The business achieved good revenue and profits until the COVID-19 lockdown when it could not trade. It paid employees through the Unemployment Insurance Fund Temporary Employer-Employee Relief Scheme and avoided large-scale retrenchments. When employees returned to work, GP had a sizeable order book and recovered from the effects of the lockdown.

The company's performance continued to improve, boosted by increasing demand in the mining and agriculture sectors, with the commodity price boom as COVID-19 vaccinations became available and economies opened in 2020. GP's diverse customer base, with strong demand for equipment in the agriculture and power sectors, supported its growth when mining demand declined. Over the past three years, GP has been valued at 14% above investment cost based on its fair value and dividends paid back to the investor.

The investors aim to improve working conditions and create sustainable jobs through initiatives such as a pension scheme and a skills development programme for all employees.

GP has a Level 4 BEE rating with two black female non-executive directors representing the Fund and a black female Financial Director.

Key ESG improvements introduced by the Fund include:

- Improved health and safety policies and procedures, including a health and safety committee (comprising employee representatives) meeting quarterly to enhance safety measures and systems
- Procedures to keep approvals and certifications of gas, fire and electrical installations up to date
- Stringent record-keeping of machine breakdowns, repairs and scheduled maintenance to prevent injuries
- Workshop upgrades to avoid diesel and oil spillage and contamination

Besides annual contributions to the Teddy Bear Clinic, the business supports an orphanage in Soweto where most employees live, which motivates employees to participate in social initiatives.

GP is governed by a board and remuneration, audit and risk committees with respective charters. The governance framework includes monthly management meetings, quarterly board meetings and an annual strategy session.

Employees did not immediately accept the transition from a family-owned business to a new management team and style. During this transition phase, management identified gaps through an employee climate survey, which provided insight into the culture. Employees and management are filling the gaps by improving communication through interventions such as weekly toolbox talks.





We believe our infrastructure development projects will boost economic growth and maximise investment returns. Within our diversified investment portfolio, the TSRF's infrastructure development projects are offering good returns.

Heritage Capital

The TSRF was the first institutional investor in Heritage Capital, a 100% black women-owned and managed private equity firm established in 2015 with R350 million in assets under management.

In 2017, the TSRF committed R100 million to Heritage Capital's maiden fund as an initial investment. An additional R50 million was later committed in 2019 to increase the investment to R150 million.

Heritage Capital has a portfolio of five companies across various sectors with a presence in South Africa. The company has shares in SSEM Mthembu Medical (38%), GP (30%), Aria Technologies (20%), Avis Forklift Centre (82.3%) and Tailifts SA (82.3%).

It continues to seek investment opportunities, mainly in the consumer goods and services sectors, and create value for investors with a positive impact on communities.

Heritage Capital invests in companies with minimum earnings of R15 million before interest, tax, depreciation and amortisation as well as strong growth potential and management teams.

The TSRF is an example of an impact investing fund that fulfils various criteria. The Fund invests in businesses that aim to deliver meaningful and positive change in southern Africa.

Novare Africa Property Fund

The Novare Africa Property Fund (NAPF) is among the TSRF's investments. This private equity fund focuses on the real estate sector with a primary mandate to invest in retail and commercial properties across sub-Saharan Africa, excluding South Africa.

The NAPF typically invests in entities that own or acquire land identified, rezoned (where necessary) and developed by the Fund as commercial and/or retail properties. In 2020, the NAPF invested in the following properties:

- Gateway, Central and Lekki malls in Abuja, Nigeria
- Twin Palms, Pinnacle and Great North malls in Lusaka, Zambia
- Standard Chartered head office in Lusaka, Zambia
- Matola Mall in Maputo, Mozambique

The NAPF is domiciled and listed in Mauritius, administered by Maitland (Mauritius) Ltd and sub-advised by South African-based Novare Equity Partners, which advises the NAPF board on investments.



FINANCIAL STATEMENTS

Approval of the financial statements

The annual financial statements of the TSRF are the responsibility of the Board of Trustees. The Board fulfils this responsibility by ensuring the implementation and maintenance of accounting systems and practices is adequately supported by internal financial controls. These controls, which are implemented and executed by the Fund and/or its benefit administrators, provide reasonable assurance that:

- The Fund's assets are safeguarded
- Transactions are properly authorised and executed
- Financial records are dependable

The annual financial statements set out on pages 11 to 41 have been prepared for regulatory purposes under the Regulatory Reporting Requirements for Retirement Funds in South Africa, the Fund rules and the Pension Funds Act.

These financial statements have been reported on by the independent auditors, Mazars, who had unrestricted access to all financial records and related data, including the minutes of all relevant meetings. The Board of Trustees considers all representations to the independent auditors (in the management representation letter during the audit) to be valid and appropriate. The presented report of the independent auditors is found from pages 8 to 10.

These financial statements:

- Were approved by the Board of Trustees of the Fund on 25 August 2023
- Are, to the best of the Board members' knowledge and belief, confirmed to be complete and correct
- Fairly represent the nett assets of the Fund as at 28 February 2023 as well as the results of its activities for the period under review
- Are signed on behalf of the Board of Trustees of the Fund



FINANCIAL STATEMENTS

THE TRANSPORT SECTOR RETIREMENT FUND

SCHEDULE G

STATEMENT OF CHANGES IN NETT ASSETS AND FUNDS FOR THE PERIOD ENDED 28 FEBRUARY 2023

	Member's individual accounts & amounts to be allocated	Reserve accounts	Current period	Previous period
	R	R	R	R
Contributions received and accrued	1,201,842,971	1,234,468,082	1,436,311,053	1,400,791,625
Reinsurance proceeds	190,446,813	(190,446,812)	-	-
Net investment income	440,159,099	65,114,546	505,273,645	940,490,814
Other income	-	-	-	40,099
Less:				
Administration expenses	(38,899,544)	(63,403,724)	(102,303,268)	(100,805,278)
Net income before transfers and benefits	1,793,549,338	45,732,092	1,839,281,430	2,240,517,260
Transfers and Benefits	(1,391,276,141)	-	(1,391,276,141)	(1,453,274,637)
Transfer from other funds	2,579,908	-	2,579,908	9,205,665
Transfer to other funds	(36,824,890)	-	(36,824,890)	(20,206,906)
Benefits	(1,357,031,159)	-	(1,357,031,159)	(1,442,273,396)
Net income after transfers and benefits	402,273,197	45,732,092	448,005,289	787,242,623
Funds and reserves				
Balance at the beginning of the period	7,665,799,259	1,109,171,314	8,774,970,573	7,987,727,950
Transfers between reserve accounts	(27,300,850)	27,300,850	-	-
Balance at the end of the period	8,040,771,606	1,182,204,256	9,222,975,862	8,774,970,573



"THE FUTURE IS NOT SOMETHING
TO PREDICT. THE FUTURE IS
SOMETHING TO BUILD."

- Franco Ongaro



ANCILLARY INFORMATION

EXTERNAL SERVICE PROVIDERS

The following appointments assisted the Trustees with management and control of the Fund during the year under review:

- Administrators
 - o Front Office: Sanlam Employee Benefits

 - o Back Office: SALT Employee Benefits

- Auditors: Mazars
- Actuary: Garth M Barnard
(Moruba Consultants and Actuaries)
- Investment Advisor: Novare Actuaries and Consultants
Rand Merchant Bank
- Funeral Insurer: Guardrisk Life Limited

NOMINATION OF BENEFICIARIES

The Board of Trustees must ensure members' lump sum death benefits are paid equitably and allocated to all known dependants. Although the nomination form is not binding on Trustees, it is an important guide in the event of a member's death.

The Trustees urge all members to complete and regularly update their beneficiary nomination forms to accurately reflect each dependant and/or nominee's status.

The form is distributed with annual benefit statements or it is available at the nearest Sanlam walk-in centre and the Fund's website: www.transportsectorfund.co.za. Completed forms are kept on file by the member's employer and copies should be submitted to the Fund's administrator.

NOMINATION FORM FOR FUNERAL BENEFITS

Members are required by law to complete the funeral beneficiary nomination form. In the event of a member's death, the funeral benefit will be paid to the nominated beneficiary.

Please ensure the nominated beneficiary is over the age of 18 and could organise the funeral. If a member has not completed a nomination form, the benefit will be paid into an estate, which may take up to 12 months to open, and the family will not have the money for a funeral.

PRESERVATION OF BENEFITS

When a member withdraws from the Fund, the TSRF encourages the preservation of retirement savings as the first consideration.

Preservation refers to saving money in another similar retirement savings vehicle without incurring taxes or penalties when changing jobs.

For the average worker, retirement savings are the single largest source of income after retirement. However, preservation rates are low. Cashing out accumulated retirement savings prematurely erodes financial security in old age, undermines poverty alleviation and increases reliance on other people.

As of 1 March 2019, members who resign become paid-up members of the Fund and their money remains invested in the Fund unless they choose to withdraw their retirement investment.

Members can also preserve Fund benefits in the retirement funding system by placing the benefit in a retirement annuity or transferring it to a new employer's fund or a preservation fund.

SECTION 13A COMPLIANCE

Employers are responsible for providing detailed contribution schedules to the TSRF and paying contributions regularly and on time. A non-compliant employer faces serious consequences.

The Pension Funds Act places two obligations on participating employers:

- Pay contributions in terms of the Fund rules into the Fund's bank account not later than 20 days after the end of the month in which contributions are payable
- Provide contribution schedules to the Fund not later than 20 days after the end of the month in which the payment was made to ensure contributions are allocated to the correct members

Types of non-compliance by employers include:

- Not deducting contributions from employees
- Deducting contributions from employees but not paying them to the Fund
- Not submitting schedules with payment so the Fund cannot allocate contributions to members
- Under-declaring

Members can apply for a warrant of execution against employers from the PFA for non-compliance with section 13A of the Pension Funds Act and non-payment of contributions in terms of the Fund rules.

In terms of PF Circular 110, the Fund must report non-compliance to the FSCA, NPA and SAPS. A criminal docket is opened against the non-compliant employer who, if found guilty, will be sentenced to pay a fine not exceeding R10 million, imprisonment for a period not exceeding 10 years or both.

The Fund thanks employers who diligently pay their contributions to the Fund on time under challenging circumstances.

COMPLAINTS AND DISPUTES

Dissatisfied members can send a formal written complaint to the Principal Officer of the TSRF. The Principal Officer may address the complaint immediately, institute an investigation or refer the complaint to the Board of Trustees.

If the Fund's response is unsatisfactory or does not address the complaint, the member may refer the case to the PFA at no cost:

PO Box 651826, Menlyn, 0063

E-mail: enquiries@pfa.org.za

Telephone: 012 346 1738 or 012 748 4000

Fax: 086 693 7472

ONLINE BENEFIT COUNSELLING TOOL

The Fund's comprehensive retirement planning tool for members of all ages provides retirement benefits counselling via an online cloud-based platform. The solution complies with default regulations under section 36 of the South African Pension Funds Act and provides for retirement, resignation, retrenchment and dismissal.

All members can access the tool on any internet platform (including WhatsApp) to view savings balances, plan for the future and receive counselling in real-time.

The Pension Funds Act stipulates that retirement fund members must have access to retirement benefits counselling before receiving withdrawal benefits or transferring to another fund at least three months before usual retirement age.



FUND OFFICES

The Fund's main offices are in Wellington Road, Parktown, Johannesburg.

Client contact/walk-in centres

The Fund has client contact/walk-in centres for members in the following cities:

JOHANNESBURG	CAPE TOWN (BELLVILLE)	DURBAN
Samro Place 8th floor 20 De Korte Street Braamfontein	Suite 2 Edward Building 1 116 Edward Street Oakdale Bellville	The Marine No 1 Dorothy Nyembe Street Durban Central

YOU CANNOT KNOW THE
GOOD WITHIN
YOURSELF IF YOU CANNOT
SEE IT IN OTHERS

- Zulu Proverb



*"THE FOUNDATIONS OF OUR DEMOCRACY ARE BASED
ON THE WILL OF THE PEOPLE.*

SOUTH AFRICANS HAVE DEMONSTRATED TO THE WORLD THAT WE ARE COMMITTED TO A DEMOCRATIC GOVERNMENT, THAT WE OPPOSE VIOLENCE AND CRIMINALITY, AND THAT WE WILL STAND UP TO ANYONE WHO SEEKS TO DESTABILISE OUR COUNTRY.

IT IS OUR COLLECTIVE DUTY AS SOUTH AFRICANS TO WORK TOGETHER TO BUILD A UNITED AND DEMOCRATIC SOUTH AFRICA ABLE TO TAKE ITS RIGHTFUL PLACE AS A SOVEREIGN STATE IN THE FAMILY OF NATIONS.

*"LET US ALL JOIN HANDS TO CONTINUE BUILDING THE SOUTH AFRICA
OF OUR DREAMS DESPITE THE MANY CHALLENGES WE FACE."*

-President Cyril Ramaphosa



