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member of Sanlam group

Electrical Industry Kwa-Zulu Natal Pension Fund

Investment Policy Statement

March 2023

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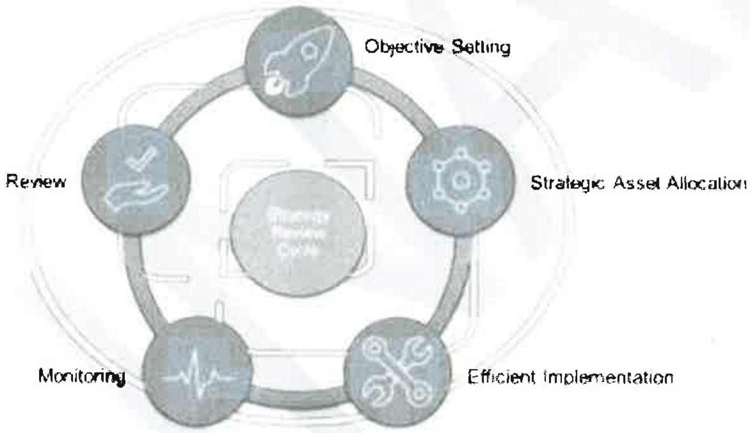
INTRODUCTION AND ADOPTION OF THE INVESTMENT POLICY STATEMENT FOR Electrical Industry Kwa-Zulu Natal Pension Fund

The Electrical Industry Kwa-Zulu Natal Pension Fund ("the Fund") is a defined contribution fund that is managed by a Board of Trustees ("the Board"). The Board has a fiduciary duty to invest the assets of the Fund in a responsible and long-term sustainable manner so that members of the Fund accumulate adequate retirement savings to purchase a reasonable pension (annuity) at retirement. A number of factors, including, contribution rates, the age at which a member retires, preservation of retirement savings, the period that the member contributes to the Fund and the type of annuity that the member chooses at retirement will also impact on the ability of the members to be able to purchase an adequate pension (annuity) at retirement.

This document represents the Investment Policy Statement ("the IPS") of the Fund. The document records the issues considered by the Board in establishing, implementing and monitoring the investment strategy of the Fund. The Board has considered the following investment strategy review cycle in formulating and reviewing the Fund's IPS:



The Board, together with the Investment Consultant, has applied its mind to the Regulation 28 of the Pension Funds Act, the guidelines in Annexure B to Circular PF 130, King IV and relevant guidance notices issued by the Financial Sector Conduct Authority ("the FSCA").

The IPS will be reviewed at least annually or when there are any changes in the Fund's investment circumstances.

This IPS has been adopted by the Board on 9 March 2023.

D.W. Alcock		
Name: **Mr. Dave Alcock**	Name: **Mr. Deon van Deventer**	Name: **Ms. Lizané van der Merwe**
Designation: **Chairperson (Board of Trustees)**	Designation: **(Chairperson – AAI Sub Committee)**	Designation: **Principal Officer**
22 March 2023	29 March 2023	22-Mar-2023
Date:	Date:	Date:

EXECUTIVE SUMMARY

1. The FUND is administered by **Sanlam Life Insurance Limited** and the National Bargaining Council for the Electrical Industry of South Africa ("NBCEISA")
2. The FUND's benefit consultants are **LvdM Consulting**
3. The FUND's Investment consultants are **Simeka Consultants and Actuaries**
4. The FUND's assets are invested in a pooled range of portfolios administered on the **Momentum Outcomes-Based** platform.
5. The range of portfolios utilised by the FUND and their specific long-term real return objectives are listed below:

Portfolio	Fund Objective	Measurement Period
Younger Members	CPI+5.5%	Rolling 5 years
Older Members	CPI+3.5%	Rolling 3 years
Unclaimed Benefits	CPI+3.5%	Rolling 3 years
Pensioner	CPI+3.5%	Rolling 3 years
Former Member*	Same as active members	Same as active members
Reserve Account**- Former Members	CPI+5.5%	Rolling 5 years
Reserve Account - Litigation	CPI+3.5%	Rolling 3 years
Pensioner Portfolio	CPI+3.5%	Rolling 3 years

Former Member *

The investment objective will be the same as though it was an active member. For example, Former Member's younger than 60 years will be invested in the Younger Member portfolio. If a Former Member is less than 60 months away and more than 12 months away from retirement, they will be transitioned on a monthly basis by moving 1/48th of the assets from the Younger Member portfolio to the Older member portfolio.

Reserve Accounts**

The Fund holds a Cost, Data and Proceed Reserves for both Former and Litigation Accounts. All reserves for former account will have the same primary objective as the Younger Member Portfolio. A real return of 5.5 % per annum over rolling 5-year periods after investment fees. All reserves for litigation account will have the same primary objective as the Older Member Portfolio. A real return of 3.5 % per annum over rolling 3-year periods after investment fees

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The Fund will make use of separate Pensioner and Active/Former members portfolios. The Fund will make use of the Lifestage model for members who are within 5 years of Normal Retirement Age (65).

- If a member is 60 months and further away from retirement, they will be 100% invested in the Younger Member portfolio
- If a member is less than 60 months away and more than 12 months away from retirement, they will be transitioned on a monthly basis by moving 1/48th of the assets from the Younger Member portfolio to the Older member portfolio.
- The member will be fully invested in the Older Member portfolio 1 year (12 months) away from retirement.

The portfolios will make use of a strategic asset allocation to achieve their investment objectives. A strategic asset allocation is the percentage of assets that should be invested in different asset classes.

The table below shows the strategic asset allocation together with the benchmark indices for performance measurement of each asset class in the respective portfolios.

Asset Class	Younger Member Portfolio	Older Member Portfolio	Pensioner Portfolio	Benchmark Index
Local Equity	38%	30%	30%	JSE Capped SWIX
Local Property	0%	0%	0%	SA Listed Property Index
Local Nominal Bonds	18%	25%	25%	BESA All Bond Index
Local Inflation Linked Bonds	0%	15%	15%	Barclays SA Government Inflation Linked Bond Index
Local Cash	5%	10%	10%	SteFI Composite
Offshore Equity	37%	18%	18%	MSCI World
Offshore Bonds	2%	2%	2%	Citigroup Government Bonds
Offshore Cash	0%	0%	0%	US Cash

The Fund's investment objective is to realise that a members' risk tolerance is mainly dependent on his/her Life-Stage Model.

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The Fund invests a member's contributions into a default Portfolio, based on the following Life-Stage Model

Time to Normal Retirement Age	Younger Member Portfolio	Monthly transitioning	Older Member Portfolio
More than 5 years (60 months and further away)	100%		
Next 48 months (less than 60 months away and more than 12 months)		Over the next 48 months: Moving 1/48th from Younger Member portfolio to Older member portfolio.	
12 months (1 year)			100%

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SECTION A: INVESTMENT BELIEFS AND GOVERNANCE BUDGET

1. INVESTMENT BELIEFS AND PHILOSOPHY

Investment beliefs guide the Board in setting an investment strategy for the Fund. The following statements summarise the investment beliefs and philosophy of the Board:

a. The most important driver of long term investment performance is setting an appropriate Strategic Asset Allocation (SAA). Manager selection and other market timing decisions are expected to have an incremental impact on long-term performance. The Fund will set a SAA benchmark, which will effectively be a passive alternative strategy, for each investment portfolio, that balances risk and return objectives. This benchmark will form the basis and starting point of portfolio construction and will be used as a benchmark to measure long-term performance against.
b. The Board believes that well-diversified portfolios are essential to reduce investment risk and to maximise expected long-term returns on a risk-adjusted basis. It is therefore optimal to construct investment portfolios that have a blend of active and passive investment strategies and are diversified across a number of managers.
c. Active manager skill is scarce and therefore a detailed and diligent quantitative and qualitative research process needs to be deployed to identify skilled active managers.
d. Sustainable investing, specifically environmental, social and governance (ESG) considerations, can affect the long-term performance of investment portfolios and forms a key part of the investment decisions taken by the Board.
e. The Board recognises that different investment conditions favour different investment strategies and these conditions can influence the performance of the Fund over short-term measurement periods.

2. INVESTMENT GOVERNANCE MODEL

The Board acknowledges that the external environment in which the Fund operates places significant (and increasing) demands on the Board. There is an increased focus on governance in general, together with heightened regulatory oversight. Added to this, investments have become more complex, with complexity set to increase.

The Board is expected to act with due care and diligence and with a level of expertise / skill that is greater than the standard of a reasonable person. The Pension Funds Act requires that the Board should seek advice from experts in the areas relating to the Fund where there is a lack of expertise in the Board.

The capacity of the Board, measured by expertise, time and available resources together with the needs and objectives of the employer have been considered to determine the investment governance model.

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The Board has decided to adopt a high governance model to overall strategy, however has agreed to a low-medium governance model with regards to implementation. This implies that:

a. In setting the investment strategy for the Fund, the Board will rely on advice and guidance from an Investment Consultant.
b. The Board will spend its time and resources (relating to the investment component of the Fund) on strategic matters such as setting return objectives, defining its risk tolerance, formulating, monitoring and reviewing the investment strategy;
c. The implementation of the investment decisions of the Fund will be outsourced to a diversified blend of single investment managers
d. The Board, with input from the Investment Consultant, will select, monitor and review investment manager(s)of the Fund; and
e. The implementation and the performance of the investment strategy will be monitored by the Investment Consultant and regular and timeous feedback will be presented to the Board.

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SECTION B: INVESTMENT STRATEGY

3. INVESTMENT OBJECTIVES

The Fund is a defined contribution fund where members are entitled to the value of their contributions made to the Fund over time, plus the investment growth on these contributions. Members bear the full investment risk.

The Fund's investment objectives are:

a. Capital accumulation

To invest the assets in such a way that it achieves a sufficient long-term return in excess of inflation (real return) to provide an adequate income to members when they retire. The Fund's real return objectives are outlined in Item 6 below.

In order to achieve the Fund's real return investment objectives, the Fund needs to invest in growth assets such as listed equities and listed property. The Board recognises that, because markets behave in an irrational manner, long-term growth assets tend to deliver volatile investment performance in the short term.

Although some volatility may be reduced through diversification, to achieve the long-term inflation beating return objective, it is necessary to assume an appropriate level of volatility and to remain invested through periods where growth assets deliver negative returns over rolling one- to five-year periods.

b. Capital protection

To invest the assets of members nearing retirement in a portfolio that controls volatility and has a low probability of producing a negative return over rolling one-year periods.

A member's time to retirement (investment horizon) determines the amount of volatility risk a member can take on to generate maximum returns and/or recover from any losses sustained.

c. Alignment to pension (annuity) strategy

To invest the assets of the Fund in such a way that members are able to convert their accumulated savings into an appropriate pension (annuity) after they retire, taking account of the individual circumstances and risk tolerance of each members.

The annuity or pension income that each member will be able to purchase at retirement will depend on a number of individual circumstances. Some of these circumstances are outside of the control of the Board. In formulating the IPS, the Board will focus on investment matters that are within its control.

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As a member approaches retirement, pension conversion risk becomes more important than inflation-risk. The ideal pre-retirement investment strategy is a portfolio that performs in line with the post-retirement strategy that the member chooses at retirement.

4. RISK PRINCIPLES

Investment risks differ for each member based on their life stage phase, their retirement strategy, their unique circumstances and the ability and willingness of a member to take on risk. The key risks considered in creating the investment strategy are summarised below:

Risk	Description
Inadequate savings	Investment returns and accumulated savings that are inadequate for a reasonable income at retirement.
Inflation risk	Investment returns that are lower than prevailing inflation and negatively impacts a member's purchasing power at retirement.
Market risk	Fluctuations in the Fund's investments value because of general market fluctuations. Volatility is typically caused by equity risk, currency risk, interest rate risk and credit risk.
Strategic asset allocation risk	Long-term asset class allocations do not meet the members' risk tolerance, time horizon and return objectives.
Tactical asset allocation risk	Active asset allocations decisions (away from the strategic asset allocation) do not lead to increased returns, lower risk or broader diversification.

5. RESPONSIBLE INVESTING

The Board believes that the integration of responsible and sustainable investment considerations into investment management processes can have an impact on the sustainable, long-term performance of an asset.

The integration of environmental, social and governance ("ESG") considerations and active ownership before investing, and whilst invested, in an asset are expected of the underlying investment managers managing the assets of the Fund.

Active ownership includes company engagements, proxy voting and participation at Annual General Meetings (AGM) of investee companies. Investment managers are also encouraged to engage with other investees and/or industry bodies on matters of concern.

The investment manager(s) appointed by the Fund are expected to comply with the various regulations and guidance notes issued on responsible investing, provide the Fund with their proxy voting policies and responsible investing policies (where applicable) and report back to the Fund on their progress.

The Fund expects the larger investment managers to subscribe to the Principles for Responsible Investment ("PRI") and expect the smaller managers to acknowledge and adopt the principles of the PRI as the Board acknowledges the cost of subscribing to the PRI. The investment managers are expected to adopt the principles of the Code for Responsible Investing in South Africa ("CRISA").

6. INVESTMENT STRATEGY

6.1 DEFAULT INVESTMENT STRATEGY

In line with the requirements outlined in the Final Default Regulations, the Fund offers a default investment strategy in which the retirement contributions of a member will be invested.

The default investment strategy of the Fund is based on the following lifestage model:

Time to Normal Retirement Age	Younger Member Portfolio	Transition	Older Member Portfolio
More than 5 years (60 months and further away)	100%		
Next 48 months (less than 60 months away and more than 12 months)		Over the next 48 months: Switch 1/48th from the Younger Member portfolio to the Older Member Portfolio	
12 months (1 year)			100%

The investment objectives of the underlying portfolios are:

Portfolio	Fund Objective	Measurement Period
Younger Members	CPI+5.5%	Rolling 5 years
Older Members	CPI+3.5%	Rolling 3 years
Unclaimed Benefits	CPI+3.5%	Rolling 3 years
Pensioner	CPI+3.5%	Rolling 3 years
Former Member	Same as active members	Same as active members
Reserve Account- Former Members	CPI+5.5%	Rolling 5 years
Reserve Account - Litigation	CPI+3.5%	Rolling 3 years
Pensioner Portfolio	CPI+3.5%	Rolling 3 years

(1) Real returns are returns over and above inflation (Inflation is measured using the Consumer Price Index). Real return objectives are net of investment management fees (total investment charges).

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6.2 MEMBER INVESTMENT CHOICE

There is no member investment choice available.

6.3 DEFAULT PRESERVATION AND PORTABILITY

When members retire or leave the service of the employer, these members will be made paid-up members of the Fund until the Fund is instructed by the member, in writing, to pay out the benefits due to the member.

The accumulated retirement savings of paid-up members will remain invested in the lifestage strategy.

6.4 ANNUITY STRATEGY

The rules of the Fund provide for an annuity strategy.

Regulation 39 requires that the boards of all pension, pension preservation and retirement annuity funds must establish an annuity strategy. i.e. an income in retirement. Also, where the rules of a provident fund provide for the member to elect an annuity on retirement, the board must establish an annuity strategy for the fund. This strategy may be offered by the fund or from an external provider.

The regulation prescribes various points that the board must consider when establishing the strategy to ensure that it is appropriate and suitable for the members who will make use of it. Boards must consider various types of annuities and will need to review the strategy at least annually.

As with the preservation provisions explained above, there is a strong focus on cost effectiveness and clear communication to members regarding the objective, composition and performance of the annuity, and transparency regarding the fees and charges.

Funds will be required to provide members with access to retirement counselling before their retirement date. Members will need to elect to make use of the fund's annuity strategy and will not automatically be defaulted into it.

The Fund has selected an in-Fund With-Profit Annuity as its annuity strategy in terms of Regulation 39.

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7. INVESTMENT STRATEGY IMPLEMENTATION

The implementation of the investment strategy is made and monitored against the principles of Regulation 28. The Fund's approach to the key principles are summarised below.

7.1 IMPLEMENTATION STRATEGIES

The table below summarises the key implementation strategies of the Fund.

Implementation strategy	**Fund approach**
Active versus passive investing	Combining active and passive investment approaches can maximise the risk and return profile of the investment strategy and reduce unnecessary costs. The Board will consider passive investment strategies where appropriate.
Specialist versus balanced approach	Combining balanced and specialist investment managers can maximise returns and minimise risk through a combination of asset allocation and stock selection decisions. The Board will consider both specialist and/or balanced investment strategies.
Pooled versus segregated portfolios	The Board will consider the merits of both segregated and/or pooled investments. Using a pooled funds ensures that the Fund invests alongside a diverse group of investors. The portfolios follow clear and detailed investment objectives and guidelines. Cost efficiencies, liquidity and scale are some of the benefits of this approach. The Board has agreed to utilise pooled mandates.

7.2 GENERAL ASSET CLASS LIMITS

Any and all limits prescribed by Regulation 28 of the Pensions Funds Act will hold at all times. The quarterly investment reports and Regulation 28 certificates issued by the Investment Managers of the Fund reflects compliance with the limits prescribed.

7.3 CONSTRAINTS

Liquidity	Investments will be made, considering the Fund's cash flow needs Investments will be made in such a manner that the Fund avoids having to liquidate short- or medium term investments to meet short-term liquidity objectives.

Derivatives	The selected investment managers may use derivative instruments without prior consent of the Board but must comply with the requirements of Regulation 28. Derivatives may only be used for efficient portfolio management and risk management. Derivatives may not be used for speculation and/or gearing.
Securities lending	The Fund will not pledge, borrow, or lend assets from the Fund. Regulation 28 also places limits on borrowing, and the Trustees will ensure that these are not breached, by ensuring that the Fund always has sufficient liquidity within the investment strategy. The Fund will not enter any securities lending agreement.
Borrowing	The Fund may not borrow money and/or cede a portion of its assets as collateral for default on a loan, as prescribed by the provisions of Regulation 28.

7.4 REBALANCING

The asset allocation (in the case of using specialist mandates) and investment manager allocations are monitored on a daily basis through the investment platform, Momentum Outcome-based Solutions, used by the Fund.

Momentum Outcome-based Solutions will not perform an automatic daily rebalancing of the Portfolio(s) as a 2% (two percent) under- or over-weight position at an asset class level could occur and is acceptable at any point in time. Should the overweight or underweight position exceed 2% (two percent) at an asset class level or 5% (five percent) within an asset class relative to the latest asset allocation target, the Portfolio(s) will be rebalanced to the target asset allocation specified in the resolution(s) as soon as is reasonably possible, with due consideration for available liquidity and trade instruction cycles of underlying portfolios applied in the portfolio construction(s). The tolerance limits or rebalance limit indicators are confirmed as follows: Building block level| asset class level rebalance when the 2% limit either way is exceeded Within an asset class| Investment manager level rebalance when the 5% limit either way is exceeded

8. INVESTMENT MANAGER SELECTION AND REVIEW

The Board will select investment managers according to the following criteria:

a. Organisational stability;
b. Broad-based black economic empowerment credentials;
c. Quality and stability of the investment team;
d. Clear and consistent investment philosophy;
e. Reasonable due diligence on the risks of investments (including, but not limited to, credit, market, currency, country, liquidity, and operational risk).

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f. Investment manager selection and review process (including the above and below criteria).
g. Disciplined decision-making and risk management processes; and
h. Long-term performance.

Significant changes to any of the above factors will lead to a review of the investment manager and could result in the termination of the investment manager.

Investment manager performance will also be reviewed on a quarterly basis. Should a manager underperformer over three consecutive quarters, the respective manager would be reviewed by the asset consultant and the manager to be advised that they are under review.

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SECTION C: MONITORING AND REVIEW

The on-going investment monitoring of the Fund and the underlying portfolios are the responsibility of the Board and must be a regular and disciplined process. Therefore, the investment performance monitoring of the Fund and the underlying portfolio will be reported to the Board every quarter on a formal basis. The portfolio will be monitored for compliance with Regulation 28. The investment managers' progress towards the implementation of CRISA will be monitored continuously.

9. INVESTMENT PERFORMANCE MONITORING

9.1 INVESTMENT OBJECTIVES

Each of the investment portfolios will be measured against a long-term investment objective, over a relevant measurement period as indicated below:

Portfolio	Fund Objective	Measurement Period
Younger Members	CPI+5.5%	Rolling 5 years
Older Members	CPI+3.5%	Rolling 3 years
Unclaimed Benefits	CPI+3.5%	Rolling 3 years
Pensioner	CPI+3.5%	Rolling 3 years
Former Member*	Same as active members	Same as active members
Reserve Account**- Former Members	CPI+5.5%	Rolling 5 years
Reserve Account - Litigation	CPI+3.5%	Rolling 3 years
Pensioner Portfolio	CPI+3.5%	Rolling 3 years

(1) Real returns are returns over and above inflation (Inflation is measured using the Consumer Price Index). Real return objectives are net of investment management fees (total investment charges).

9.2 STRATEGIC ASSET ALLOCATION (SAA) BENCHMARKS

An SAA represents a diversified, passive portfolio that is expected to meet the long-term objective of the Fund given a specific level of risk. The performance of the portfolio is measure against the SAA benchmark to establish the value added by tactical asset allocation decisions and/or active management. The SAA benchmarks for the portfolios are shown below:

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Asset Class	Younger Member Portfolio	Older Member Portfolio	Pensioner Portfolio	Benchmark Index
Local Equity	38%	30%	30%	JSE Capped SWIX
Local Property	0%	0%	0%	SA Listed Property Index
Local Nominal Bonds	18%	25%	25%	BESA All Bond Index
Local Inflation Linked Bonds	0%	15%	15%	Barclays SA Government Inflation Linked Bond Index
Local Cash	5%	10%	10%	SteFI Composite
Offshore Equity	37%	18%	18%	MSCI World
Offshore Bonds	2%	2%	2%	Citigroup Government Bonds
Offshore Cash	0%	0%	0%	US Cash

9.3 PEER GROUP COMPARISON

Peer group comparisons are used by the Board to assess whether a particular portfolio has done well or poorly against competitors with similar mandates over the same time period. The following peer groups are used for the respective portfolios:

Portfolio name	Peer group
Younger Member	Simeka Monitor: Wealth Creation Global (median)
Older Member	Simeka Monitor: Capital Preservation Global (median)

10. TOTAL INVESTMENT COST

The Board, through the Investment Consultant, will review and monitor the impact of investment charges on all of the portfolios of the Fund. Investment managers are expected to disclose all investment charges that are relevant to the portfolios in a timely and comprehensive manner.

The Board will monitor and disclose the following fees:

Total Expense Ratio (TER)	Represents the fee paid to the investment managers. The TER includes the annual service fee, bank charges, audit fees, taxes, custody fees, performance fees and the costs included in net priced assets. The Board will consider the appropriateness of performance fees and the fees underlying net priced assets (typically offshore assets).

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Transaction Costs (TC)	Represents the expenses arising from managing and administering the portfolios. The TC includes VAT, brokerage, securities transfer taxes and exchange costs.
Total Investment Cost (TIC)	The sum of the TER and the TC. It represents the total investment expenses deducted from the overall growth of the portfolios.

11. INVESTMENT STRATEGY MONITORING AND REVIEW

It is the responsibility of the Board to review the Fund's investment policy at least annually, in conjunction with the Investment Consultant or when there are any significant changes in any of the following:

a. The membership profile;
b. Benefit structure;
c. Asset and liability values of the Fund;
d. Any changes in regulations that are applicable to the Fund;
e. Any structural changes in the investment environment (specifically interest rates and/or inflation; and
f. Any significant change in the employer's covenant and/or approach to the Fund.

The review will include a reassessment of the Fund's return objectives and constraints to determine whether the investment strategy is still appropriate for the Fund. The Fund's IPS will be reviewed and updated at the same time as the strategy review is done.

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SUPPLEMENTARY INFORMATION

APPENDIX 1: ROLES AND RESPONSIBILITIES

The contributions paid to the Fund and the assets of the Fund are held in the Fund's name and are managed by the Trustees, supported by the Principal Officer in a sound manner and independently from the Employer in accordance with the Act and the Rules of the Fund. In accordance with the Act (Section 7C and 7D) and PF 130 the Trustees may obtain expert advice where they lack expertise in managing the affairs of the Fund and it is reasonable for the Trustees to engage professional accounting, actuarial, investment, legal and other experts and remunerate the professionals involved appropriately for the advice." The Trustees therefore appointed professional service providers which are regulated in terms of the FSCA and the Financial Advisory and Intermediary Services Act No 37 of 2002 ("FAIS Act") in terms of financial services providers.

The Trustees may delegate responsibility to various role players to exercise a specific oversight responsibility or to carry out any Trustees' delegated responsibility. The Trustees remain accountable (jointly and severally liable) for any actions and decisions taken and therefore any role player has no decision-making powers but may make recommendations to the Trustees for final approval. The Trustees must be advised on risks relating to any functions to be performed and the processes or controls necessary to mitigate the risks. The Trustees have delegated responsibilities to the various role players as set out below

TRUSTEES

The Trustees of the Fund are responsible for:

- Appointing the investment consultant, actuary, investment administrator, member administrator.
- Ensuring that the assets are suitable for the liabilities of the Fund.
- Establishing, approving and maintaining the Fund's IPS and disclosing the IPS to beneficiaries of the Fund.
- Investing Fund assets in accordance with the IPS and the Rules of the Fund.
- Determining and reviewing the Fund's investment strategy considering any factor that may materially impact on the sustainable long term performance of investments, in particular considering the impact of Environmental Social and Governance (ESG) aspects in the investment policy of the Fund.
- Selecting and appointing the appropriate investment manager(s) and vehicles based on a proper due diligence to implement the investment strategy of the Fund.
- Ensuring that all Trustees are educated on an ongoing basis to equip them to effectively carry out their functions as board members.
- May delegate functions to the Governance, Risk, Audit, and Investments Sub- Committee ("AAI").
- If the Trustees delegate any responsibility to a properly mandated AAI Sub-Committee of the Trustees, the Trustees retain responsibility for the execution of the functions hereafter ascribed to the AAI Sub-Committee.
- Review and note the minutes of AAI Sub-Committee meetings; and

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- Review and approve the investment related recommendations made by the AAI Sub-Committee.

AAI Sub-Committee:

The AAI Sub-Committee is responsible to:

- Draft, review and recommend an appropriate investment strategy for the Fund including a Default Investment Portfolio (refer to Annexure B).
- Record the Fund's investment strategy in an IPS.
- Recommend suitable Asset Managers and Financial Services Providers to execute the Fund's investment strategy.
- Ensure that the Fund's assets are invested according to the investment strategy as recorded in the IPS as approved by the Trustees.
- Review the Asset Managers appointed and Investment Portfolios at least annually and ensure that an appropriate selection of portfolios is offered to accommodate various member needs as approved by the Trustees.
- Understand the nature, benchmarks, mandate and inherent risk profiles of all the
- Fund's investment profiles.
- Regularly monitor and assess the performance and appropriateness of the investment strategy
- Fund's investment portfolios that are made available to members.
- Assess and make recommendations to the Trustees regarding mandate breaches; and
- Review and recommend a responsible investment framework as prepared by the Investment Consultant for consideration/adoption by the Trustees.

Investment Consultant

The investment consultant is responsible for:

- Assisting in drafting the IPS, considering the intended purpose and investment objectives of the Fund.
- Provision of guidance and advice in the formulation of the investment strategy.
- Assisting the Board of Management (BOM) and/or the AAI Committee in the implementation of the investment strategy in accordance with the investment policy statement.
- Provision of a monthly and quarterly investment report to facilitate investment performance monitoring in line with the guidelines detailed in the investment policy statement. The monthly and quarterly investment reports will provide full disclosure of all investment related fees.
- Assisting the BOM and/or the AAI Committee with the review of the IPS and investment strategy on an annual basis.
- Assisting the BOM and/or the AAI Committee in assessing investment managers in accordance with the criteria outlined in the document.
- Collaborating with investment managers and the BOM and/or the AAI Committee to promote acceptance and implementation of the principles of King IV, CRISA and other codes and standards applicable to institutional investors.
- Assisting BOM and/or the AAI Committee to incorporate ESG criteria in research and the manager selection process.
- The Board, through the Investment Consultant, will review and monitor the impact of investment charges on all of the portfolios of the Fund.

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Actuary

The actuary is responsible for:

- Determining whether the investment yield achieved on the assets of the Fund is reflected in the unit prices used under the Fund.
- Providing the Fund with an Actuarial Report on an annual basis.
- Determine if the existing assets of the Fund are adequate to cover the liabilities for providing benefits payable in terms of the Rules of the Fund.
- Determine if the asset composition of the Fund correspond with the profile of the liabilities of the Fund.

Investment Manager(s)

The investment manager(s) are responsible for:

- Making reasonable investment decisions consistent with the stated investment objectives of the Fund as outlined in Section 9.1 of the IPS.
- Complying with the Fund mandates in respect of any requirements or limitations regarding shareholder activism or the use of derivative instruments, hedge funds, structured products, security lending and unlisted instruments, or any other matter the BOM and/or the AAI Committee may negotiate with the manager.
- Incorporating sustainability (including ESG) considerations, in accordance with the Fund's Responsible Investing Policy, into their investment analysis and investment activities as part of the delivery of sustainable superior risk-adjusted returns.
- Disclosing the content of their ESG policies, how the ESG policies are implemented and how the Code for Responsible Investing in South Africa, 2011 (CRISA) is applied to enable stakeholders to make informed assessments.
- Complying with Regulation 28 at all times.
- Providing the BOM and/or the AAI Committee at their request with investment and other relevant feedback, including feedback on how they are executing on their duty to manage the Fund's assets in a responsible manner in accordance with the Responsible Investing Policy.
- Voting proxies in line with their Proxy Voting Policies and providing feedback at the request of the BOM and/or the AAI Committee

Investment Administrator

The investment administrator is responsible for:

- Maintaining and updating Fund accounts.
- Issuing investment and disinvestment instructions to the appointed investment managers.
- Rebalancing of portfolios according to the investment strategy.
- All reconciliations and unitization of the member portfolios.
- Compliance and transition management. Retain all investment records and allow access to Fund records by such persons as required in terms of PF 130 (i.e. The Trustees, Auditor, Actuary/Valuator,

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and Investment Consultant). Provide the Actuary/Valuator and Investment Consultant with accurate investment data. And Provide the AAI Sub-Committee and Trustees with the required Regulation 28 quarterly reports submitted to the South African Reserve Bank ("SARB") at each meeting.

Member Administrator

The member administrator is responsible for:

- Maintaining and updating the accountancy and individual member records as well as for cash flow management of assets pertaining to fund contributions and exits.
- Maintaining and updating individual member records as well as information regarding Fund contributions, withdrawals and distributions.
- Providing the actuaries and investment consultants with member data for analyses upon request.

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APPENDIX 2a: PRINCIPLES FOR RESPONSIBLE INVESTING (PRI)

https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment

The Principles for Responsible Investment ("PRI") were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

The Fund has a duty to act in the best long-term interests of members. In this fiduciary role, the Board believes that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios.

The PRI outlines six principles and recommended actions that the Board will adopt (where possible) and expect from their investment managers. The principles are summarised below.

Principles		Possible actions
1.	We will incorporate ESG issues into investment analysis and decision-making processes.	• Address ESG issues in investment policy statements. • Support development of ESG-related tools, metrics, and analyses. • Assess the capabilities of internal investment managers to incorporate ESG issues. • Assess the capabilities of external investment managers to incorporate ESG issues. • Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis. • Encourage academic and other research on this theme. • Advocate ESG training for investment professionals.
2.	We will be active owners and incorporate ESG issues into our ownership policies and practices.	• Develop and disclose an active ownership policy consistent with the Principles. • Exercise voting rights or monitor compliance with voting policy (if outsourced). • Develop an engagement capability (either directly or through outsourcing). • Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights). • File shareholder resolutions consistent with long-term ESG considerations. • Engage with companies on ESG issues. • Participate in collaborative engagement initiatives. • Ask investment managers to undertake and report on ESG-related engagement.
3.	We will seek appropriate disclosure on ESG issues by the entities in which we invest.	• Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative). • Ask for ESG issues to be integrated within annual financial reports. • Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact). • Support shareholder initiatives and resolutions promoting ESG disclosure.

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4.	We will promote acceptance and implementation of the Principles within the investment industry.	• Include Principles-related requirements in requests for proposals (RFPs). • Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate). • Communicate ESG expectations to investment service providers. • Revisit relationships with service providers that fail to meet ESG expectations. • Support the development of tools for benchmarking ESG integration. • Support regulatory or policy developments that enable implementation of the Principles.
5.	We will work together to enhance our effectiveness in implementing the Principles.	• Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning. • Collectively address relevant emerging issues. • Develop or support appropriate collaborative initiatives.
6.	We will each report on our activities and progress towards implementing the Principles.	• Disclose how ESG issues are integrated within investment practices. • Disclose active ownership activities (voting, engagement, and/or policy dialogue). • Disclose what is required from service providers in relation to the Principles. • Communicate with beneficiaries about ESG issues and the Principles. • Report on progress and/or achievements relating to the Principles using a comply-or-explain approach. • Seek to determine the impact of the Principles. • Make use of reporting to raise awareness among a broader group of stakeholders

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APPENDIX 2b: CODE FOR RESPONSIBLE INVESTING IN SOUTH AFRICA (CRISA)

https://www.iodsa.co.za/page/crisasummary

The Code for Responsible Investing in South Africa (CRISA) gives guidance on how the investment managers should execute investment analysis and investment activities and exercise rights so as to promote sound governance.

Principles		Guidance
1.	An institutional investor should incorporate sustainability considerations, including ESG, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.	The Code requires institutional investors to develop policies on how they incorporate sustainability considerations, including ESG, into investment analysis and activities. Institutional investors should ensure that this policy is implemented and establish processes to monitor compliance with the policy.
2.	An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.	The Code requires institutional investors to demonstrate a responsible approach to shareholding by, among others, implementing a policy, detailing mechanisms of intervention and engagement with companies when concerns have been identified, as well as the means of escalation if concerns raised cannot be resolved. The Code requires such a policy to also detail the approach to voting at shareholder meetings, including the criteria to be used in reaching voting decisions and public disclosure of full voting records.
3.	Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.	Institutional investors are encouraged to work with other shareholders, service providers, regulators, investee companies and ultimate beneficiaries to promote CRISA and sound governance.
4.	An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should pro-actively manage these when they occur.	Institutional investors are encouraged develop a policy on prevention and management of conflicts of interests and establish processes to monitor compliance with this policy.
5.	Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.	The Code requires institutional investors to fully and publicly disclose to stakeholders at least once a year to what extent the Code has been applied.

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APPENDIX 3: FINAL DEFAULT REGULATION

REGULATION 37

DEFAULT INVESTMENT PORTFOLIO

The board of a fund with a defined contribution category, to which members belong as a condition of employment, must include in its investment policy statement, the provision of one of more default investment portfolios.

The Board must ensure and be able to demonstrate that the default investment portfolio(s) comply with the following principles:

- Must be appropriate for members automatically enrolled in the portfolio(s);
- Must be reasonably priced and competitive;
- Members must be informed of asset mix and performance;
- Members must be informed of all fees and charges;
- Passive and active management must be considered;
- Must not have loyalty bonuses or complex fee structures;
- Members are not locked into the default portfolio(s); and
- The investment portfolio(s) must be reviewed regularly to ensure compliance.

REGULATION 38

DEFAULT PRESERVATION AND PORTABILITY

When members are enrolled into a retirement scheme as a condition of its employment, the rules of the fund must provide for members who leave the service of the employer before retirement, to become paid-up members. The following principles apply:

- When members leave the service of the employer, they must be made paid-up members of the fund, until instructed by a member to pay-out or transfer the assets due to the member in terms of the rules of the fund;
- Members must be presented with a paid-up member certificate within two calendars months of leaving the employer;
- Investment fees and/or charges may not differ on the basis of whether members are paid-up or still employed; and
- No initial, once-off fee may be charged.

The rules of a fund must also make provision to accept any amount(s) transferred to the fund, from another fund, for the benefit of a member, provided that such transfers comprise a defined contribution component.

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REGULATION 39

ANNUITY STRATEGY

Retirement funds must offer its members a default annuity strategy that complies with the following principles:

- Must be appropriate and suitable;
- For living annuities, members must be regularly informed of the objective, asset class composition and performance;
- Fees and charges must be reasonable and competitive;
- Members must be informed of all the fees and charges;
- Members should be given access to retirement benefits counselling; and
- The annuity strategy must be reviewed annually. Funds will be required to provide members with access to retirement counselling before their retirement date. Members will need to elect to make use of the fund's annuity strategy and will not automatically be defaulted into it.

- The Fund has selected an in-Fund With-Profit Annuity as its annuity strategy in terms of Regulation 39.

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APPENDIX 4: REGULATION 28 PRINCIPLES

Regulation 28 Principles

2(a) *A fund must at all times comply with the limits as set out in this regulation.*

The investment managers mandated to comply with Regulation 28 and this is being monitored by the Board on a quarterly basis.

2(b) *A fund must have an investment policy statement, which must be reviewed at least annually.*

This document represents the IPS of the Fund and states that the IPS will be reviewed at least annually or when significant changes occur (section 11).

2(c) *A fund and its board must at all times apply the following principles:-*

(i) *Promote the education of the board with respect to pension fund investment, governance and other related matters;*

The Board maintains a training register to ensure the all trustees complies with the regulatory training required. The Investment Consultant conducts investment-related training when new trustees join the fund, or more frequent, if necessary. The Investment Consultant also keeps the Board abreast of any regulatory and/or investment related changes.

(ii) *Monitor compliance with this regulation by its advisors and service providers;*

The service agreements with the Investment Consultant and the investment managers specify that the investment strategy adheres to the regulation. The investment managers are mandated to comply with the regulation, specifically the asset class limits in table 1 of Regulation 28. The Board monitors compliance to the asset class limits on a quarterly basis and expects investment managers to report all breaches timeously and to keep the Board abreast of the corrective actions taken (as required by Regulation 28).

(iii) *In contracting services to the fund or its board, consider the need to promote broad-based black economic empowerment (B-BBEE) of those providing services;*

The Board acknowledges the importance of transformation. The Board will consider the B-BBEE credentials of all service providers appointed by the Fund. Where service providers offer similar services at a similar price, the Board will select the service provider with stronger B-BBEE credentials. The Board will closely monitor the B-BBEE credentials of the underlying investment managers appointed to manage the assets of the Fund. In cases where a specific investment manager is superior to other investment managers in respect of investment management capabilities and/or price, but has weak B-BBEE credentials, the Board expects that definitive transformation milestones be agreed with the investment managers and that the Board be informed of the investment manager's progress in this regard. Failure to meet these objectives may result in the termination of an investment manager.

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(iv) *Ensure the fund's assets are appropriate for its liabilities;*

The Fund is a defined contribution fund where members bear all the investment risk. However, the Board will ensure that the investment strategy of the Fund is appropriate for the members that belong to the Fund and will review the investment strategy if there are significant changes amongst the membership of the Fund.

(v) *Before making a contractual commitment to invest in a third-party managed asset or investing directly in an asset, perform reasonable due diligence, considering risks relevant to the investment including, but not limited to credit, market, liquidity risks, as well as operational risk for assets not listed on an exchange;*

(vi) *In addition to (v), before making a contractual commitment to invest in a third-party managed foreign asset or investing directly in a foreign asset, perform reasonable due diligence considering risks relevant to a foreign asset including, but not limited to, currency and country risks;*

(vii) *In performing the due diligence referred to in (v) and (vi), a fund may take credit ratings into account, but such credit ratings should not be relied on in isolation for risk assessment or analysis of an asset, should not be to the exclusion of a fund's own due diligence, and the use of such credit ratings shall in no way relived a fund of its obligation to comply with all the principles set out in paragraph 2(c);*

The Board acknowledges the importance of continuous, reasonable due diligence on potential and/or current investments. The Fund expects the investment managers of the Fund to have robust due diligence processes and capabilities and expects the investment managers to highlight any risks that the Fund is exposed to.

(viii) *Understand the changing risk profile of assets of the fund over time, considering comprehensive risk analysis, including but not limited to credit, market, liquidity and operational risk, and currency, geographic and sovereign risk of foreign assets; and*

The Board expects to investment managers to have robust risk measurement and models in place and to report back to the Fund on any material risks that the Fund may be exposed to.

(ix) *Before making an investment and while invested in an asset, consider any factor which may materially affect the sustainable long-term performance of the asset including, but not limited to those of an environmental, social and governance character (ESG).*

The Board acknowledges its fiduciary duty to act in the best interest of members. The Board also acknowledges the retirement investing is for the long-term and the long-term sustainability of assets will affect current and future generations. The Fund expects all investment decisions to be made responsibly and the consider the ESG character of current and/or potential investments. The Fund's approach to and expectations regarding this responsibility is outlined in section 5

2(d) *with the appointment of third parties to perform functions which are required to be performed in order to comply with the principles in (c) above, the fund retains the responsibility for compliance with such principles.*

The Board acknowledges and accepts this responsibility. The board also expects that service providers appointed to the Fund will comply with the legal agreement reached between such service provider and the Fund.

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APPENDIX 5: REGULATION 28 (ASSET CLASS LIMITS)

Categories of assets				The maximum percentage of aggregate fair value of total assets of the fund.	
				Per issuer / entity	For all issuers / entities
1.	**CASH**				
1.1.	Notes and coins; any balance or deposit in an account held with a South African bank; A money market instrument issues by a South African bank including an Islamic liquidity management financial instrument; Any positive net balance in a margin account with an exchange; and Anu positive net balance in a settlement account with an exchange, operated for the buying and selling of assets.			25%	100%
1.2.	Any balance or deposit held with a foreign bank; A money market instrument issued by a foreign bank including an Islamic liquidity management financial instrument			5%	
2.	**DEBT INSTRUMENTS INCLUDING ISLAMIC DEBT INSTRUMEMENTS**				
2.1.	Inside the Republic and foreign assets				
	(a)	Debt instruments issued by, and loans to, the government of the Republic, or any debt or loan guaranteed by the Republic			100%
		Debt instruments issued or guaranteed by the government of a foreign country		10%	
	(b)	Debt instruments issued or guaranteed by South African bank			75%
		(i)	Listed on an exchange with an issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed	25%	
		(ii)	Listed on an exchange with an issuer market capitalisation of between R2 billon and R20 billion, or an amount or conditions as prescribed	15%	
		(iii)	Listed on an exchange with an issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed	10%	
		(iv)	Not listed on the exchange	5%	25%
	(c)	Debt instruments issued or guaranteed by an entity that has equity listed on an exchange, or debt instruments issued by or guaranteed by a public entity under the Public Finance Management Act, 1999 as prescribed:-			
		(i)	Listed on an exchange	10%	50%
		(ii)	Not listed on an exchange	5%	25%
	(d)	Other debt instruments:-			
		(i)	Listed on an exchange	5%	25%
		(ii)	Not listed on an exchange	5%	15%
3.	**EQUITIES**				
3.1.	Inside the Republic and foreign assets				
	(a)	Preference and ordinary shares in companies, excluding share in property companies, listed on an exchange:			75%
		(i)	Issuer market capitalisation of R20 billion or more, or an amount or conditions as prescribed	15%	

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		(ii)	Issuer market capitalisation of between R2 billon and R20 billion, or an amount or conditions as prescribed	10%	
		(iii)	Issuer market capitalisation of less than R2 billion, or an amount or conditions as prescribed	5%	
	(b)		Preference and ordinary shares in companies, excluding share in property companies, not listed on an exchange:	2.5%	10%
	(c)		Foreign/Offshore exposure		45%
4.	**IMMOVABLE PROPERTY**				
4.1.	Inside the Republic and foreign assets				
	(a)		Preference shares, ordinary shares and linked units comprising shares linked to debentures in property companies, ore units in a Collective Investment Scheme in property, listed on an exchange:-		25%
		(i)	Issuer market capitalisation of R10 billion or more, or an amount or conditions as prescribed	15%	
		(ii)	Issuer market capitalisation of between R3 billon and R10 billion, or an amount or conditions as prescribed	10%	
		(iii)	Issuer market capitalisation of less than R3 billion, or an amount or conditions as prescribed	5%	
	(b)		Preference shares, ordinary shares and linked units comprising shares linked to debentures in property companies, ore units in a Collective Investment Scheme in property, not listed on an exchange	5%	15%
5.	**COMMODITIES**				
5.1.	Inside the Republic and foreign assets				
	(a)		Kruger Rands and other commodity listed on an exchange, including exchange traded commodities:-		10%
		(i)	Gold	10%	
		(ii)	Other commodities	5%	
6.	**INVESTMENTS IN THE BUSINESS OF A PARTICIPATING EMPLOYER INSIDE THE REPUBLIC IN TERMS OF:-**				
	(a)		Section 19(4) of the Pension Funds Act		5%
	(b)		To the extent it has been allowed by an exemption in terms of section 19(4A) of the Pension Funds Act		10%
7.	**HOUSING LOANS GRANTED TO MEMBERS IN ACCORDANCE WITH THE PROVISIONS OF SECTION 19(5)**				**95%**
8.	**HEDGE FUNDS, PRIVATE EQUITY FUNDS AND ANY OTHER ASSET NOT REFERRED TO IN THIS SCHEDULE**				**15%**
8.1.	Inside the Republic and foreign assets				
	(a)		Hedge funds		10%
		(i)	Fund of hedge funds	5% per FoF	
		(ii)	Hedge funds	2.5% per fund	
	(b)		Private equity funds		10%
		(i)	Fund of private equity funds	5% per FoF	
		(ii)	Private equity funds	2.5% per fund	
	(c)		Other assets not referred to in this schedule and excluding a hedge fund or private equity fund		2.5%

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