Investments

Investment Policy Statement

AF Access Retirement Fund: Pension Section
AF Access Retirement Fund: Provident Section

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1. INTRODUCTION

This investment policy has been prepared to record the decision-making process of the Board of Trustees ("the Board") of the AF Access Retirement Fund (Pension and Provident Sections) ("the fund") in establishing an appropriate investment strategy for the fund.

The documented investment strategy endeavours to comply with all the relevant legislation and regulations, as issued by the Financial Sector Conduct Authority (FSCA) – previously the Financial Services Board. Legislation and guidance that may specifically impact the implementation of the investment strategy include:

- Pension Fund Circular 130 and its Annexures ("PF130")
- Regulation 28 of the Pension Funds Act, 1956 ("the Act").
- Regulations 37 to 39 of the Act.
- Various guidance and agreements on Environmental, Social and Governance (ESG) factors, as referenced in Appendix 1.
- FSCA Guidance Note 1 of 2019.

Regulation 28 states that "investment policy statement" means a document which, at least:

- Describes a fund's general investment philosophy and objectives as determined by its liability profile and risk appetite;
- Addresses the principles referred to in sub-regulation (2)(c); and
- Complies with conditions as may be prescribed.

This investment policy statement was developed by the Board together with their appointed fund asset consultant and the fund's actuary.

The Fund is a defined contribution arrangement where the members' fund credits accumulated within the fund are expected to form the major part of members' wealth that they accumulate for retirement. The Board therefore realises the tremendous importance that future investment returns will have on the benefits of members.

This document endeavours to encapsulate all relevant legislative requirements in as far as they relate to retirement funds and their investments.

In preparing this Investment Policy Statement, the Board has considered the Treating Customers Fairly (TCF) outcomes to ensure members experience the six fairness outcomes:

- Members and beneficiaries are confident that they belong to a retirement fund where the fair treatment of members and beneficiaries is central to the retirement fund's culture. Retirement fund benefits are designed to meet the needs of members, participating employers and beneficiaries. Where applicable, benefits are marketed in a manner appropriate to the members and beneficiaries concerned. Members and beneficiaries receive clear and appropriate information regarding the retirement fund and its benefits and operations before joining (where applicable), on joining, regularly during their membership of the retirement fund and when important events or changes take place. Where boards and/or members of retirement funds receive advice, the advice is suitable takes account of their respective circumstances. Members have been provided with services and benefits that meet their needs and are in line with what they have been led to expect. The service provided to members by the fund, or by the service providers on its behalf, is of an acceptable standard and in line with what members have been led to expect.. Members do not face unreasonable barriers to change product, switch provider, submit a claim or make a complaint.

The fund's investment policy is described using a three-pillar framework.

- Pillar 1 – Describes the parties' involved with the fund's investments, role and responsibilities, governance principles and liabilities.

- Pillar 2 – Sets out the fund's investment objectives, risks and strategies.

- Pillar 3 – Sets out the monitoring and evaluation of the fund's investments, the fund's communication with stakeholders about investments, and the review of the investment strategy.

This investment policy statement will be updated from time to time, as circumstances dictate, but it is reviewed at least annually as required by Regulation 28. All material changes and updates will be captured in this policy document.

This current version is dated February 2025.

2. PILLAR 1: PARTIES INVOLVED WITH THE FUND'S INVESTMENTS, ROLE AND RESPONSIBILITIES, GOVERNANCE PRINCIPLES AND LIABILITIES

2.1 Description of parties involved with the fund's investments

The Board makes decisions about which portfolios can be made available to members. The Board cannot relinquish or cede these responsibilities. The Board can delegate some actions and activities related to the management of the fund's assets.

The Board is aware that it is in a position of trust, looking after money that belongs to fund members, and these members can reasonably expect the Board to act prudently. When the Board makes decisions, it should always be in the interest of the members rather than any third parties or Board members themselves.

In some cases, the Board will not be fully conversant with the complexity of investment matters. In this situation, PF130 recommends that the Board obtain expert advice from, for example, the fund asset consultant and the fund's actuary. The Board should critically evaluate this advice before making any decision.

The fund has entered into a long-term policy of investment with Alexander Forbes Investments Limited (henceforth referred to as "Alexander Forbes Investments"). Alexander Forbes Financial Services is referred to as the *administrator* in this document. The fund has appointed Alexander Forbes Financial Services ("AFSS") to provide investment advice.

Alexander Forbes Investments contracts with various investment managers to invest according to the mandates agreed between the fund and Alexander Forbes Investments as a multi-manager.

Each participating employer group within the fund has established a management committee representing the employer/s and members.

2.2 Roles and responsibilities

The roles and responsibilities of the different parties involved in establishing an investment policy and implementing the investment strategy are set out below.

2.2.1 Board

The Board establishes an appropriate investment policy statement with the assistance of specialists where necessary. They put in place a fund-specific investment strategy and decide on the portfolios to be offered to members. The investment strategy can be changed when necessary. The portfolios offered to members can also be changed from time to time.

The Board reviews the investment policy annually in terms of an overall strategy review.

The Board monitors compliance of the portfolios with the legislative limits. They also monitor performance of the portfolios on a regular basis.

2.2.2 Management committee

Each participating employer who participates in the Fund has its own management committee. The Board enables each management committee to exercise some investment choice, with varying levels of flexibility, for the membership group they represent.

The management committee can influence the investment strategy to be more appropriate for the membership of their particular member group.

The management committee decides what investment strategy/portfolios will be applied to its member group based on the options made available by the Board. The management committee in consultation with their Independent Financial Adviser ("IFA") review the investment strategy once a year to validate its appropriateness for the member group. If a default investment strategy is implemented by the management committee, it is reviewed for appropriateness on an annual basis by the Board. The management committee are also required to ensure that all fund communication is distributed to members.

2.2.3 Fund asset consultant

The Fund asset consultant provides investment advice to the Board and assist the Board in the review of the investment policy and strategy (at fund and participating employer level). The Fund asset consultant also assists with the monitoring of investment performance and other aspects of the investment strategy. They also review the multi-manager relative to alternative multi-managers and provide recommendations to the Board in respect of portfolios to be offered to fund participants. The Fund asset consultant is able to assist the Board with the implementation of investment decisions.

2.2.4 Independent Financial Adviser (IFA)

The management committee IFA's (as appointed by the participating employer) assist the management committees with the selection of the most appropriate investment strategy for their group of members.

2.2.5 Actuary

The actuary approves that the investment policy is appropriate considering the objectives of participating employers and members of the fund.

2.2.6 Multi-managers and single managers

The multi-managers and single managers, manage assets within legislative requirements and according to the stated mandates agreed with the fund and Alexander Forbes Investments.

2.2.7 Oversight body

The Alexander Forbes Investment Consulting Committee (AFICC) provides oversight on all investment advice and implementation across the Alexander Forbes Group. AFICC plays an important role as an investment governance body within the Group. AFICC is responsible for vetting strategic changes to portfolios used as part of Group solutions e.g. the Alexander Forbes Goals-based Life Stage solution for retirement funds.

Alexander Forbes Investments designs, implements and manages some portfolios available for investment. Alexander Forbes Investments monitors the multi-manager and the single manager portfolios.

2.3 Governance principles

Good standards of governance should ensure that the Fund's investments are managed appropriately and will collectively reduce the risk of material failure of an investment strategy. Governance principles define the framework of an investment policy.

The Fund is governed by the Pension Funds Act, 1956. Regulation 28 of the Act is concerned with pension fund investments. By law, the fund must adhere to Regulation 28.

The Board has taken note of various Directives and Circulars, such as PF Circular 130 issued by the Financial Sector Conduct Authority (FSCA) - previously the Financial Services Board- ("PF130"). Whilst FSCA circulars are not legally binding on retirement funds, the Board recognises these as "recommended practice" and aim to adhere to PF130 as far as it is deemed appropriate to do so.

A number of principles of good governance that specifically relate to investments have been identified by the Board. Many of these are contained in Annexure B of PF130.

The Boards' views and actions pertaining to each of these governance principles are summarised below, together with extracts from PF130 (where applicable). The principles are split between those over which the Board has a direct influence, and those that are delegated to the asset managers appointed to manage the fund's assets. For the latter, the Board will review the principles applied by the asset managers. Where these principles are not aligned with the principles that the Board would wish to have applied, the Board will consider changing the Fund's investments to those that are more likely to meet the principles that the Board would wish to have applied.

The governance principles set out in this section will be used as a checklist when considering and evaluating any new and existing investment portfolios. Other principles may be added to the list over time, as and when such issues become appropriate.

2.3.1 Matters over which the Board have direct influence

2.3.1.1 Investment policy statements

PF 130 states that "every fund should have an investment policy statement."

This document forms the investment policy statement for the Fund and also records the investment strategy that the Fund has implemented in accordance with the policy.

2.3.1.2 Default Regulations

Regulations 37 to 39 under Section 6 of the Pension Funds Act, 1956 came into effect on 1 March 2019. This document records the investment decisions taken to comply with these Regulations.

Regulation 37 requires the Board to offer a default investment portfolio(s) to contributing members who do not exercise any choice regarding how their contributions should be invested.

The investment defaults should be relatively simple, cost-effective and transparent. The regulations require that boards assist members to invest appropriately during the accumulation and retirement phases.

The Board has formulated an investment strategy such that the fund offers a choice of a standard offering or customised offering to management committees of the participating employers. The Fund's investment offerings make provision for the management committee to select a default investment strategy depending on the offering selected.

The Fund has selected the Alexander Forbes Active Balanced Life Stage solution as the default investment strategy under Regulation 37.

2.3.1.3 Conflicts of interest

PF 130 states that "the Board should distinguish between conflicts of interest which may be structural, and therefore unavoidable, and those conflicts that can be avoided or, if this does not compromise the credibility of the governance arrangements, managed appropriately."

The Board agree that conflicts of interest should be avoided where possible. However, the Board realise that not all conflicts can be avoided, and that certain unavoidable conflicts will thus need to be managed. Further, the Board is of the opinion that the benefits to be gained from completely avoiding certain conflicts of interest can be overshadowed by the resulting costs or complexities.

Each conflict situation should thus be considered independently. The Board will require all service providers to highlight any areas where there is a conflict of interest in their operations, as far as it relates to the fund.

Similarly, the Board will be expected to disclose where they have conflicts of interest so that these conflicts can be managed appropriately.

2.3.1.4 Pooled or segregated investment portfolios

PF130 states that "the investment policy statement should (state) whether the investments of the Fund are in the form of an insurance policy or a segregated mandate, and the reasons therefore."

The Fund is an underwritten Fund and therefore the assets of the Fund are invested in policies of insurance. The Board choose to invest in pooled portfolios due to the liquidity requirements associated with an open umbrella fund in which unrelated participating employers participate.

2.3.1.5 Pledging and borrowing of assets, and lending against the fund

Pledging and borrowing of assets; and lending against the Fund are envisaged by PF130. The circular states in both instances that “extreme care and caution should be taken when considering the possibility of such activities.”

There are few circumstances when such actions might be appropriate or indeed desirable for the Fund. One such circumstance envisaged is the pledging of the fund assets under pension-backed lending arrangements for housing purposes.

In addition, the Fund may engage in securities lending practices for the purpose of enhancing returns for the members after fees; but subject to all the conditions prescribed under Regulation 28 (3) of the Pension Funds Act. The practice of scrip lending is managed on behalf of the Fund by the multimanager and is monitored at each of the quarterly Investment Sub-Committee meetings.

The Board, with the guidance of the asset consultants, will review the securities lending policy of the multi-manager on an annual basis.

2.3.1.6 Expert skills

PF 130 states that “Board members are not obliged to have all the expert skills necessary ... It is reasonable for the board to engage professional accounting, actuarial, investment, legal and other experts... and pay the professionals involved appropriately for that advice.”

The Board recognises that investment matters require skill, experience and time. The Board has contracted with AFFS to provide asset consulting services to the fund and management committees where applicable. These services are provided by the asset consultant.

The Board with the guidance of the asset consultants have appointed professional multi-managers that construct investment portfolios and appoint underlying asset managers for the different portfolios. The multi-managers are responsible for the ongoing monitoring of the appointed asset managers and are required to make changes to the portfolios as and when circumstances dictate. The Board is aware that the multi-managers have been awarded full discretionary mandates and are responsible for the management of the portfolios. The multi-managers are responsible for the asset allocation of the portfolios they manage on behalf of the fund and can therefore introduce new asset classes (e.g. Hedge funds) in their solutions whilst the Board will monitor the exposure to these asset classes and impact of inclusion/removal.

The Board has also selected a range of highly regarded single asset manager portfolios to provide additional options under the Full Access option.

The Fund’s assets are invested in pooled portfolios managed by the selected multi-managers and single managers.

2.3.1.7 Member investment choice

PF 130 states that “where a fund has member investment choice, the Board is responsible for ensuring that the investment portfolios from which members may make their selection is appropriate for the profile of the fund membership. If there is a default portfolio, it must be reviewed regularly for appropriateness in relation to the membership profile of the fund.”

Limited investment choice is available to members where the management committee has selected the Select Access option.

Full Member Investment Choice is available to members where the management committee has selected the Full Access option. A selection of portfolios is made by members from the list of portfolio options made available by the Board, with different risk and return profiles, appropriate to members with different investment time horizons and risk appetites.

The Alexander Forbes Goals-based Life Stage solution and underlying portfolios, as well as the additional portfolios offered to fund members are reviewed by the Board at least annually in terms of an overall strategy review, as well as triennially on an in-depth basis.

2.3.1.8 Certification by fund's actuary

The Pension Funds Act requires that the fund's actuary must certify that he or she is satisfied that the fund's investment policy is consistent with the objectives of the fund and the management of the risks to which the fund is exposed, and that the chosen investment strategy will result in an appropriate relationship between the assets and the liabilities of the fund.

The Board has appointed an actuary to provide this certification.

2.3.1.9 Existing investment portfolios

PF 130 states that "consideration must be given to existing investment portfolios when formulating the investment policy statement."

The Board interprets this section of PF130 to imply that any proposed change to the investment policy or strategy must be considered in conjunction with the current investment portfolios.

2.3.2 Matters over which the Board have indirect influence

2.3.2.1 Socially responsible investments

PF 130 states that "the investment policy statement should confirm whether the fund has a socially responsible investment policy, and its definition of such investment type" and "the primary obligation of funds is to provide optimum returns for its beneficiaries. However, once these returns have been met, funds should consider socially responsible investments."

The Board has applied their minds to the matter of socially responsible investments, and realise the importance of targeted investments, socially responsible investing and black economic empowerment investing.

The Board's objectives regarding environmental, social and governance issues are set out in Appendix 1 of this document.

2.3.2.2 Shareholder activism and voting rights

PF130 states that "... the voting rights attached to shares of the companies in which funds are invested should be considered an asset of the fund. Accordingly, the board of the fund would be expected to apply the same fiduciary care and consideration to this asset as it does to the financial investments it makes. The board should formulate and develop appropriate voting policies and incorporate these into their mandates to the investment managers including monitoring and reporting of the same."

To the extent that the fund invests in pooled investment portfolios, the Board realises that they cannot directly influence the voting policies of the underlying investment managers, as these assets are not legally held in the name of the fund. The environmental, social and governance objectives are included in Appendix 1 of this document, and set out the Board's approach to proxy voting.

In addition, FSCA Guidance Note 1 of 2019 discusses the responsibilities of Board with respect to active ownership. Appendix 1 outlines the responsible investing and active ownership objectives of the funds.

2.3.2.3 Liquidity risk / termination conditions

PF 130 states that "investments should be made taking into account the cash flow needs of the fund for the coming year.... it might not be necessary for a portfolio to hold unnecessary amounts of cash or low yielding liquid assets."

Certain investment products such as structured products and insurance company smoothed bonus policies include termination conditions in their contracts, which might result in lower values being paid when fund participants wish to realise their investments. The Board does not therefore believe that these portfolios should be available except where returns are declared monthly, and any bonuses are fully vesting.

The Board does not believe it is appropriate for the fund to be tied to portfolios for an extended period of time after a decision is taken to replace such a portfolio. The Fund will generally request notice periods of no more than 30 days when including portfolios in the range to be made available. It is recognised that longer termination periods may apply to alternative assets which may be less liquid. Some alternative assets, e.g. private equity, are long term in nature and are suited to match the long-term liability of the fund.

2.3.2.4 Strategic investments

This is not a governance principle discussed specifically in PF130, or in Regulation 28. Strategic investments can be defined as any investments held for strategic purposes, in other words not held solely with the intention to generate investment performance.

The Fund will not hold any direct strategic investments. As the Fund only invests in pooled portfolios, the investment managers have full discretion as to when they buy, hold or sell any investments.

2.3.2.5 Derivative instruments

PF130 states that "... investment in derivatives by investment managers should be clearly and properly regulated. Should they decide to permit this form of investment, the Board should have a clear understanding of the use and risks of derivatives and how they will be measured."

The Board believes that the responsible use of derivative instruments has become a necessity to ensure the optimal implementation and management of investment portfolios. Derivatives are also highly efficient instruments to reduce investment risk in portfolios. The Board therefore allows the responsible use of derivative instruments by investment managers, such as to reduce risk and change the tactical asset allocation, within limitations set out in Regulation 28 of the Pension Funds Act.

The Board recognises that hedge funds, which are classified as a separate asset class under Regulation 28, and alternative assets may make extensive use of derivatives, leveraging and short selling. Where hedge funds and alternative assets are included in the investment portfolios offered through the fund, this is through the discretion and expertise of the multimanager, with disclosure of the underlying risk and exposure to the fund.

The Funds policy on the use of derivatives is included in Appendix 5

2.3.2.6 Custodians

PF130 states that "the appointment of the custodian of the fund investments should be made directly by the fund to enable the Board to have direct access to the custodian information about the fund investments."

As the fund is invested in pooled portfolios via an insurance policy, the custodian is appointed by the respective underlying provider.

2.3.2.7 Investment management fees

PF 130 states that "the Board must decide between active and passive investment management and determine whether the concomitant fees of investment management are justified by the returns achieved."

The Board recognizes that active and passive investment strategies have different costs. The Board allows both management committees and members to choose which investment philosophy they prefer, and have therefore provided both balanced active and passive Life Stage solutions under the Select access and Full access options. The Board will monitor the investment fees relevant to other portfolios available in the market.

2.3.2.8 Member defaults

The regulations require boards to offer:

- a default preservation arrangement to members who leave the service of the participating employer before retirement and require guidance on preservation or do not exercise their choice of payment options;
- a default investment portfolio for contributing members who do not exercise any choice regarding how their savings should be invested; and
- for retiring members, an annuity strategy with annuity options, either in-fund or out-of-fund.

Member defaults should be relatively simple, cost-effective and transparent. The regulations require that boards assist members by making the most appropriate options available during the accumulation and retirement phases. The Board believes that the current default preservation strategy, default investment portfolio, and annuity strategy meet the criteria set out in the regulations.

2.3.3 Regulation 28 principles

Regulation 28 contains a number of principles that pension funds are required to address and document such principles in their Investment Policy Statement.

2.3.3.1 Compliance with Regulation 28

The Board of the fund will comply fully with Regulation 28.

The Board will monitor compliance by obtaining quarterly reports from the administrator confirming compliance or lack thereof with Regulation 28. Compliance is monitored and reviewed by the investment manager, administrator and asset consultants and the fund is alerted of instances of non-compliance, which are subsequently submitted to the FSCA.

2.3.3.2 A fund must have an investment policy statement, which must be reviewed at least annually

The Board will review this policy at least annually.

2.3.3.3 A fund and its Board must at all times apply the following principles:

Education of the Board

The Board recognises the importance education in all matters related to the management of the fund, but specifically, investments, governance and other related matters.

The fund appoints professional Trustees to contribute specific skills and experience required by the Board.

Investment issues are covered at each quarterly Investment Sub-Committee meeting. The Sub-Committee has no decision-making powers and all matters for decision are recommended to the Board.

Compliance monitoring

The Board recognises the importance of implementing a framework that will assist the Board to govern the Fund. They also recognise that it is important to ensure that their advisors and service providers be monitored as these parties are relied on by the Board. Specifically, the Board requires their service providers to initially provide a detailed account of how compliance with the regulation is undertaken. The Board also requires a regular report from their service providers regarding ongoing compliance. Any hard breaches of compliance with the regulation are reported to the Board in detail immediately, and a summary of all compliance breaches are included in a report to the Board on a quarterly basis.

Promote broad-based black economic empowerment

The Board recognises the importance of promoting broad-based black economic empowerment and the fund’s ability to assist in this initiative. The fund has a limited number of appointees and broad-based black economic empowerment is taken into account when making/reviewing these appointments. In addition, the fund has established a procurement policy in terms of which broad-based black economic empowerment principles are taken into consideration when service providers to the fund are appointed.

Assets appropriate for the liabilities

The Board recognises the importance of the fund's liabilities in designing an investment strategy taking into account the interactions between the assets and the liabilities with respect to nature (whether real or nominal), term (from short-term, to long-term), currency (rand or foreign exchange), and certainty (with respect to timing and amount of receipts and payments).

The investment offering of the Fund is structured to provide a wide range of options to allow management committees and members the opportunity to align an appropriate investment strategy with their liabilities.

The Fund is valuation exempt and is therefore not reviewed by the Actuary on an annual basis. The Board, however, monitors the Fund's assets and liabilities are on a quarterly basis. The Board allow for a tolerance level set by the administrator of between 100.00% and 100.50% at Fund Level as well as portfolio level.

Due diligence of risks

The Board believes it is necessary to assess the systems, processes and methodologies used by the multi-manager as well as understand their approach to the investment risks as outlined in this document. They are assisted in this aspect by the asset consultants who provide an assessment of both the solutions and the underlying investment managers available through the investment framework.

Regular reporting of changes in any of the above are required from the investment service providers. If the Board is uncomfortable with any aspect of their investment service providers' due diligence capabilities, this will be addressed with the administrator.

Foreign asset risk assessment

The Board recognises the additional importance of assessing country and currency risks, when deciding to invest in foreign assets. Currency risk is especially important in the context of a pension fund's liabilities which are denominated in South African Rand.

The Board assess' the systems, processes and methodologies used by the multi-manager as well as understand their approach to the investment risks as outlined in this document.

Credit ratings

The Board of the fund recognises that credit rating agencies may be somewhat useful but also recognise that there are major weaknesses in relying on these ratings in isolation. The Board will again delegate the responsibility to perform due diligence on assets to their multi-manager who in turn will review the underlying asset managers' credit processes, to ensure that they have the required skills, systems and processes to assess credit risk and not rely solely on credit ratings agencies.

Changing risk profile

The Board recognises that the risk profile of individual securities, groups of securities and whole asset classes change over time, as do the liabilities of pension funds.

The Board therefore recognises that the investment process is a continuous process requiring constant and continual reassessment of the risks of assets and their appropriateness in isolation and in combination with all the other assets and the liabilities of the fund.

The Board requires ongoing education, information on markets and ongoing evaluation of the changing risk profile of the assets invested in the multi-manager.

Sustainable long-term performance

The Board recognises the importance of environmental, social and governance factors in investments by the fund.

The Board has formulated environmental, social and governance objectives as set out in Appendix 1.

Appointment of third parties

The Board recognises that they retain the responsibility for compliance with Regulation 28 principles, even when appointing third parties.

The Board will therefore require third parties to take into account the fund's policies and report quarterly on compliance or any breaches that may have occurred.

2.4 Liabilities of the Fund

When deciding on appropriate portfolios to be offered, the objectives of the members of the fund need to be considered.

The Fund is a defined contribution fund. The members' benefit in the fund includes any amount transferred from other approved funds, the contribution remaining after the deduction of costs, together with the investment return (after costs). The fund's liabilities are mostly the members' fund credits which are linked to investment performance.

The Fund passes investment returns earned directly onto members. The individual members assume the investment risk.

The main purpose of the Fund is to provide retirement benefits. The investment time horizon for most members will be long term and the investment strategy will generally focus on the long term.

The Board considers the requirements of members who might have a shorter investment time horizon and different risk appetite. Members do not necessarily all retire at their normal retirement age. Some members will leave service prior to retirement and be entitled to withdrawal benefits.

The membership is diverse with varying income, knowledge levels and risk profiles.

Suitable communication and education is critical to enable members to understand the volatility of investment market performance.

The management committee makes decisions about the investment portfolios to be made available to their members. Management committees must therefore receive suitable communication and education to assist in making the correct decision.

3. PILLAR 2: INVESTMENT OBJECTIVES, RISKS AND STRATEGY

3.1 Investment objectives

3.1.1 Board's duties

The Board has a statutory and fiduciary duty to invest the fund's assets for the benefit of members in a responsible and prudent manner.

3.1.2 Board's objectives

The Board aim's to:

- Provide members with the greatest likelihood of securing a reasonable pension at retirement, by providing acceptable investment returns, at acceptable risk.
- Provide the member with less volatile returns particularly close to retirement, with particular focus to broadly match the cost of an annuity purchase.

The Board's objectives are taken into account in the investment strategy of the fund.

3.2 Investment risks

In arriving at the investment strategy, the Board has considered the following specific risks:

3.2.1 Negative real returns

If the net return is below the rate of inflation, the real value of assets declines over time. This risk is reduced over the long term by investing in assets that are assumed to provide net returns above inflation over the long term. Due to the volatility of returns on most of these asset classes, for example shares, this risk may not be reduced over the short term.

3.2.2 Capital loss

This risk can be avoided in the short term by investing in cash and fixed interest, where the future capital value is largely certain. The long term returns on these assets are expected to be materially lower.

Negative annual returns may occur in the market-related portfolios offered. The danger of switching into a portfolio that offers capital protection too soon before retirement is that a member's expected replacement ratio will be reduced, potentially delaying the members retirement.

3.2.3 Volatility

Different asset classes experience different volatilities of return. This risk is reduced by ensuring that the portfolios have diverse allocation of assets between asset classes, including investment of a portion of assets into assets typically displaying lower volatility, such as cash and fixed interest.

3.2.4 Liquidity

Liquidity risk involves not having liquid assets to meet liabilities as they fall due or being unable to realise assets on a reasonable basis when cash is required. This risk has been avoided by only making pooled investment portfolios available.

3.2.5 Asset failure

The risk of asset failure is reduced by ensuring that portfolios offered are well diversified.

3.2.6 Market timing

Market timing is where the investor seeks to improve returns by correctly anticipating moves in asset class prices. The risk is that the investor may get the timing of the investment wrong, incur a relative loss as a result and incur costs for implementing a mis-timed investment decision. Market timing risk is mitigated by taking a long-term view of asset classes, deployed for the asset class characteristics in a diversified portfolio.

3.2.7 Tactical asset allocation

Tactical asset allocation is a portfolio management technique where assets are moved between asset classes to take advantage of moves in asset class pricing. Tactical asset allocation by competent investment managers can be expected to enhance returns in the long term, but in the short term the possibility exists that a degree of additional risk can be introduced.

3.2.8 Investment manager risk

The risk exists that a particular investment manager could underperform its peers. There is also a risk that the manager undergoes changes affecting the people, process and philosophy of the manager. This risk is reduced by investing in more than one investment manager or a multi-manager that uses a range of underlying investment managers.

Investment managers often display a style bias (growth versus value, or small cap versus large cap). The different investment styles go through periods when they are rewarded or penalised by investment markets.

3.2.9 Benchmark risk

The performance of a fund's investment managers must be measured against a suitable benchmark in order to determine whether they are performing their function adequately. It is important that the benchmark itself is suitably constructed for the risk / return profile being targeted.

Investment managers are often cognisant of their benchmarks, even if they are not given tracking error restrictions. The choice of benchmark is therefore very important.

3.2.10 Exchange rate volatility

Investors seek to reduce volatility of returns and dependence on the South African economy by investing a portion of their assets in foreign investments. The great majority of the members' liabilities are however denominated in South African currency. Investing in foreign investments therefore introduces currency-mismatch risk.

The volatility risk associated with foreign investments is reduced when only a limited portion of a portfolio's assets is invested offshore.

3.2.11 Administrator risk

As the fund's investments are via a policy of insurance with the administrator, the Board recognises a potential further risk to the fund if the administrator's balance sheet is impaired in any way.

This risk is managed by confirmation to the Board of the risk measures put in place by the administrator.

3.2.12 Legislative environment risk

Changes in the legislative environment can impact on investment decisions. The implications of any changes in legislation will be reviewed and where necessary, the appropriate changes will be made.

3.2.13 Life License Risk

The investment of the fund's portfolios via life licenses introduces a potential further layer of risk to the fund. This risk is managed by confirmation by the Board of the risk measures put in place by the life companies in question.

3.3 Fund's investment strategy

Taking into account the governance principles set out in this document, the liabilities and nature of the fund as well as the investment objectives and risks, the Board has formulated an investment strategy for the fund.

3.3.1 Standard investment offering

3.3.1.1 Trustee default investment strategy

Under Regulation 37, the Board of the Fund is required to consider a default investment strategy for all members, where:

- The member directly; or
- The management committee, on the members' behalf does not make an active decision to choose an investment portfolio. The Default Regulations were promulgated on 1 September 2017, with an 18-month implementation period. The effective date for implementing the default strategy was 1 March 2019.

The Fund has selected the Alexander Forbes Goals-based Lifestage solution as the default investment strategy under Regulation 37.

Alexander Forbes Goals-based Life Stage solution is a framework that links the pre- and post-retirement phases for a member by providing an annuity targeting model with channel selection. It utilises asset allocations that aim to broadly match the annuity the member wants to target as their post-retirement product.

The Trustee default investment strategy is reviewed annually.

3.3.1.2 Management committee investment strategy

The Board allows all management committees the option to select an investment strategy for the members of the participating employer they represent. These options are discussed under item 3.3.3 below.

3.3.1.3 Options available to members

3.3.1.3.1 Select a Life Stage model

Members can choose to invest in the Alexander Forbes Goals-based Life Stage model invested in either specialist, balanced or passive investment portfolios regardless of the default investment strategy chosen by the management committee.

3.3.1.3.2 Alexander Forbes Investments Clarity ™

Alexander Forbes Investments Clarity™ is a liability driven investment strategy that allocates assets between a growth portfolio and an interest rate portfolio every quarter. It aims to increase the probability of an investor reaching a retirement income target.

3.3.1.3.3 Portfolios offered for member choice

Members can choose to invest in one of more of the portfolios in the range of other portfolios made available for investment by the Board.

3.3.1.4 Annuity strategy

Regulation 39 requires that a fund must have an annuity strategy with annuity options, either an in-fund or out-of-fund annuity or annuities.

The Board is aware of the following responsibilities with regard to the annuity strategy:

- The annuity options should be appropriate and suitable for the specific classes of members who enrol into them. The annuity options should be well communicated to members as well as retirement benefit counselling, which is provided to members at least three months before retirement.
- The Board must ensure that fees and charges are reasonable and competitive.

Furthermore, the Board has investigated various options and has considered the following factors in selecting an appropriate annuity strategy:

- the level of income payable to retiring members;
- the investment, inflation and other risks in the annuity; and
- the level of income payable to beneficiaries in the event of the death of a member enrolled into the annuity

The Board has selected the Alexander Forbes Retirement Income Solution (AFRIS) as the annuity strategy for retirees. AFRIS provides a living annuity option and Regulation 39 requires that no more than 4 investment portfolios are provided as options in the annuity strategy.

The following investment portfolios were selected as the Regulation 39 living annuity options.

- Alexander Forbes Performer – a portfolio that replicates the strategy of the Active Balanced High Growth portfolio used in the Regulation 37 Investment Default strategy.
- Alexander Forbes Houseview Income Target - a specialist investment strategy that is designed to protect the expected income replacement value of member's accumulated retirement savings in relation to with-profit annuity.
- Alexander Forbes Passive Bold – a strategy that provides a passive alternative to achieve a similar long-term growth target as Active Balance High Growth. While Active Balanced High Growth has outperformed Passive Bold on a net of charges bases over different periods:

    - There is no guarantee that this is always the case.
    - Passive Bold provides an option for members who are more cost sensitive.

- Alexander Forbes Passive Houseview Income Target – a strategy that provides a passive alternative to achieve a similar protection objective as the AF Houseview Income Target portfolio.

This strategy considered the following:

- The Regulation 37 Default Strategy for the long-term growth investment portfolio.
- A passive low-cost alternative for cost-sensitive investors.
- A medium-term moderate growth portfolio that is less volatile than the long-term growth option.

In addition, this is consistent with the advice that AFRIS investors receive at retirement. The Fund considers investor needs in 3 'buckets':

- Short-term liquidity – the suggested investment portfolios provide adequate liquidity;
- Medium-term moderate growth – 3-to-5-year term. The suggested portfolio is a moderate growth with moderate volatility; and
- Long-term growth – 5 years or longer. The suggested portfolio is a high growth portfolio that has a higher volatility of returns than the moderate growth portfolio.

The AFRIS portfolios comply with Regulation 28.

In addition to a living annuity, AFRIS provides a guaranteed life annuity option that members can select. The guaranteed life annuity is underwritten by a life insurance company and this document does not specifically influence the investment strategy of the underlying investments within that annuity. The guaranteed annuity is a with profit annuity that is underwritten by Just (the insurer). It uses the Performer portfolio to generate investment profits that may be used to grant pension increases.

3.3.1.5 Preservation and portability strategy

Regulation 38 requires that the Board offers a default preservation arrangement to members who leave the service of the participating employer before retirement. The Board agreed that the most appropriate preservation strategy would be for members to retain their benefit in the fund. Such a member becomes a paid-up member of the fund. Members have the right to opt out of the fund and withdraw their fund credit in cash or to transfer to another fund for which they are eligible.

Any member of the fund who becomes a paid-up member as a result of default in-fund preservation, will remain invested in the portfolio where they were invested immediately prior to becoming a paid-up member. If the portfolio is not available within the In-fund member category (ie: the old AF Lifestage model or bespoke portfolio offerings), members will have the option to switch to another portfolio or will be defaulted into the Boards default investment portfolio.

The Board is aware of the following responsibilities with regard to the preservation strategy:

- Investment fees for default portfolios must be the same or less for paid-up members and active members.
- The Fund’s administrator must comply with all administration requirements.
- Retirement benefits counselling must be provided to paid-up members before withdrawal benefits are processed.

3.3.2 Asset manager selection

3.3.2.1 Multi-managers

After due consideration, the Board has appointed the following multi-manager:

- Alexander Forbes Investments Limited, a subsidiary of Alexander Forbes Group; and

In addition, the Board have approved the use of certain portfolios from the following multi-managers to fulfil bespoke client solutions:

- Sygnia Asset Management (Pty) Limited (“Sygnia”).
- Mentenova Investment Company

Investments are managed in pooled portfolios with Alexander Forbes Investments, Sygnia and Mentenova.

The fund’s life stage portfolios and additional multi-manager portfolio options are hosted on the Alexander Forbes Investments platform.

The client-specific Bay Union portfolios are hosted on the Sygnia platform, while the client specific Mentenova portfolios are hosted on the Alexander Forbes Investments platform.

3.3.2.2 Single managers

The Board has decided to provide single manager portfolios from the following asset managers:

- Allan Gray Proprietary Limited (“Allan Gray”);
- Coronation Asset Management (Pty) Ltd (“Coronation”);
- Foord Asset Management (Pty) Ltd (“Foord”);
- Ninety One Fund Managers SA (Pty) Ltd (“Ninety One”);
- Oasis Asset Management Limited (“Oasis”); and

- M&G Investment Managers (South Africa) (Pty) Ltd ("M&G").

The assets of the single managers are invested in pooled portfolios hosted on the Alexander Forbes Investments platform.

Oasis is closed for new investments. However, there may be assets that remain invested with Oasis from when Oasis was available for investment.

3.3.2.3 Full Access Bespoke single managers

The Board have approved the use of the following single manager portfolios to fulfil bespoke client solutions only:

- Abax Investments
- Aluwani Capital Partners
- Camissa Asset Management
- Corion Capital
- Laurium Capital
- Perpetua Investment Managers
- Prescient Investment Management
- Taquanta Asset Managers

3.3.2.4 Board's alternative portfolio

If at any stage the Board is required to close a single manager portfolio option, the assets will be transferred to an alternative portfolio specified by the Board.

The current alternative portfolio specified by the Board is the **Performer** portfolio.

3.3.3 Portfolio Structure

The fund offers a choice of a **Base Access**, **Select Access** or **Full Access options** to management committees. Each option varies by way of the number of portfolios which are made available for investment, with the Full Access providing the most flexibility.

3.3.3.1 Base Access Option

The Board has set up Base Access as a low-cost option to allow members access to retirement savings and risk benefits at competitive prices, which will consist of a single low volatility investment portfolio. The Board selected Alexander Forbes Retirement Navigator as the investment portfolio for Base Access Option members from 1 April 2022. The Alexander Forbes Retirement Navigator portfolio provides an opportunity to investors who seek longer term growth but also desire more stability of returns in the short term.

If a management committee selects Base Access Option for a membership group, the management committee is selecting an option that sets the investment strategy for that membership group.

3.3.3.2 Select Access Option

A medium-flexible option that offers a Goals-Based Life Stage solution consisting of a growth portfolio and a more conservative portfolio that targets an income benefit in retirement. Participating employer groups have the choice of three portfolios in the growth phase using a balanced, specialist or passive strategy and two portfolios in the more conservative portfolio using a specialist or passive strategy

The management committee is able to select an investment strategy that will apply for the members of that specific member group.

3.3.3.2.1 Goals Based Life Stage Strategy

The pre-retirement phase of the solution is designed as a two-phase approach, i.e.– accumulation and targeting phases.

Within the accumulation phase, three growth portfolios are offered to a fund namely specialist, passive and balanced. The fund must select which growth portfolio they wish to use as their default accumulation portfolio. Once a member nears the end of the accumulation phase, they have the option to choose their preferred targeting pre-retirement portfolio, which is structured to align to various post-retirement products.

This results in a two-phase pathway design with a three-channel approach offered in the targeting phase. 5 years before normal retirement age the model begins with a portfolio transitioning period over 3 years. During these 3 years approximately 7.7% is switched out of the accumulation portfolio and into the targeting portfolio each quarter. Once the transitioning period has been completed, the member is then invested 100% in the chosen targeting

The accumulation phase of the Alexander Forbes Goals-Based Life Stage solution allows the following Growth portfolios:

- AF Balanced High Growth (balanced high growth option)
- AF High Growth (specialist active high growth option)
- AF Passive Bold (specialist passive high growth option)

The targeting phase of the Goals-Based Life Stage consists of the following portfolios:

- AF Inflation Income Target
- AF Flexible Income Target
- AF Houseview Income Target

Within the targeting phase, members are given the option to select from three targeting channels, each of which is modelled on the asset allocation that is predominantly found in a particular annuity category. The three annuity categories that have been chosen to model targeting portfolios are:

- Inflation-linked annuities (proxy for the guaranteed annuity market)
- Living annuities
- With-profit annuities

Each targeting channel has an allocation towards cash type assets, and this serves a dual purpose – one being to model the proportionate amount a member usually takes at retirement as part of the cash amount permitted and then also to introduce a level of diversification into the asset allocation. If a member does not make an active targeting portfolio selection, they are placed in the default targeting portfolio which is aligned to a with-profit annuity - with provision also made for the cash portion usually taken at retirement.

The Life Stage solution members invest 100% in the Growth portfolio if they have longer than 5 years to retirement. In the period from 5 years to 2 years prior to retirement, members transition into the targeting phase on a quarterly basis over a period of 3 years. From 2 years prior to retirement members are 100% invested in the annuity targeting portfolio.

The objective of the targeting phase is to protect the assets from capital losses and to grow the assets in order to generate an income stream from the accumulated assets to maintain the standard of living after retirement (income replacement).

3.3.3.2.2 Alexander Forbes Investments Clarity ™

The fund also offers Alexander Forbes Investments Clarity ™ as an investment option for members. Clarity™ is a liability driven investment strategy that allocates assets between a growth portfolio and an interest rate portfolio every quarter. It aims to increase the probability of an investor reaching a retirement income target.

- Alexander Forbes Investments Clarity™ utilises a Clarity Growth portfolio and two Clarity de-risking portfolios. These portfolios are dynamically combined at a member level on a quarterly basis to target a member specific income target. This income target and strategy considers:
    - The age of the member;

- The gender of the member;
- The period of potential membership in the fund;
- A specific income target – to be secured using a with profit annuity;
- Accumulated investments in the fund; and
- Future potential contributions in the fund.

The Alexander Forbes Clarity™ Growth portfolio is a specialist portfolio, specifically designed for Alexander Forbes Clarity™. The objective is to maximize growth, taking risk and regulatory limits on asset allocation into account.

The de-risking portfolios are interest rate portfolios that consider duration to manage the interest rate risk associated with securing an income stream in retirement.

3.3.3.2.3 Shari'ah Compliant Portfolios

The Board has also approved 2 portfolios that a management committee may select as an appropriate default strategy for members who wish to invest in Shari'ah compliant portfolios. Alexander Forbes Shari'ah High Growth and Alexander Forbes Shari'ah Medium Growth are approved as default investment strategy options for the management committee of these members.

3.3.3.3 Full Access Option

In addition to the Select Access options, Full Access allows management committees to construct their own lifestage investment strategy from a variety of single manager and multi-manager portfolios offered by the fund.

Members have investment choice and can select from the variety of single manager and multi-manager portfolios as mentioned.

3.3.3.3.1 Multi-manager Portfolios

Performer: a medium to high-risk market-related portfolio whereby highly rated asset managers are appointed by the multi-manager. These highly rated managers are chosen for their preferred skills in timing switches between asset classes through so-called "balanced mandates".

Portfolio benchmark: AF Investable GLMW Median that targets performance of CPI + 5%

Real Return Focus: an average risk portfolio, targeting positive real returns over the medium to longer term investment period. The aim of this portfolio is to provide an investment return of 4% per annum above inflation over any rolling three-year period, with a low risk of capital loss over the short term. Offshore exposure is through the Alexander Forbes Investments Global Conserver portfolio.

Portfolio target: CPI + 4%

Shari'ah High Growth: a high-risk portfolio invested according to Shari'ah investment guidelines. Offshore exposure is through the underlying manager's offshore strategy.

Portfolio target: CPI + 3%

Shari'ah Medium Growth: a medium risk portfolio invested according to Shari'ah investment guidelines. Offshore exposure is through the underlying manager's offshore strategy.

Portfolio target: CPI + 1.5%

Stable Focus: a conservative investment portfolio where selected investment managers are given specific mandates aimed at providing capital protection as a primary objective, over 12 months. A secondary objective is to target a gross investment return above inflation – measured over any three-year rolling period. This portfolio does not have exposure to global assets.

Portfolio target: CPI + 3%

Stable Focus Combined: a conservative investment portfolio where selected investment managers are given specific mandates aimed at providing capital protection as a primary objective, over 12 months. A secondary objective is to target a gross investment return above inflation – measured over any three-year rolling period. This portfolio has an allocation of assets to global markets.

Portfolio target: CPI + 3%

Accelerator: an aggressively managed multi-manager portfolio which aims to achieve capital growth above inflation over the long term by having a consistently high allocation to growth assets.

Portfolio benchmark: Strategic asset allocation benchmark with high exposure to growth assets that targets performance of CPI + 5%

Conserver: a conservatively managed multi-manager portfolio with the primary objective to protect members' capital over rolling 12-month periods. The secondary objective is to grow members' capital above inflation over time and an auxiliary focus on targeting and replacing income.

Portfolio target: CPI + 4%

Banker: aims at providing an investment return above the average of money market portfolios, while maintaining a high degree of liquidity and capital preservation.

Portfolio benchmark: STeFI Call Deposit Index to target performance slightly above CPI.

Explorer: This portfolio aims to maintain a maximum allocation to offshore assets that is allowed by Regulation 28 of the Pension Funds Act. The portfolio is classified as Regulation 28 compliant and follows a specialist approach investing in a range of asset classes locally and globally, spanning over traditional and alternative assets.

Portfolio benchmark: Strategic asset allocation benchmark with high exposure to growth assets that targets performance of CPI + 6%

AF Retirement Navigator portfolio**:** this portfolio aims to provide investors access to a diversified multi-asset portfolio that is expected to generate long-term investment growth. It balances a desire for long-term investment growth against the loss aversion associated with short-term capital loss (due to volatile returns). The product uses a framework to distribute returns to reduce the impact of fluctuations in the underlying return. If there is a rapid rise in the value of the underlying assets, the declared portfolio return may be less. If the underlying asset value falls quickly, the portfolio will cushion the impact to some extent.

Portfolio benchmark: AF Investable GLMW Median that targets performance of CPI + 5%

3.3.3.3.2 Single Manager Portfolios

Allan Gray Classic Balanced: All investments, irrespective of size and mandate, are invested according to Allan Gray's fundamental value-based investment philosophy, a contrarian manager that has a value tilt. Their investment decisions are based upon exhaustive, proprietary, fundamental research, due to their contrarian approach, they tend to buy stocks early and sell too early as well. Allan Gray's main objectives in the management of a client's assets are not only to deliver superior long-term performance, but also to do so at lower levels of risk of capital loss.

Coronation Coronation is a fundamental research-based, bottom-up share selecting investment manager that has strong valuation bias and takes a long-term view on shares. Its process allows for flair to filter through to the investment decision-making phase. Analysts and portfolio managers are encouraged to display their top picks of shares when recommending shares for inclusion in an investment portfolio. This means they are expected to highlight companies with potential to add significant value to portfolios. The Fund offers both the Coronation Houseview

Balanced and Coronation Managed portfolios.

Foord Global Balanced: The portfolio managers at Foord Asset Management classify themselves as "empirical pragmatists". This is similar to "value" investing but essentially involves the selection of attractively priced shares wherever the highest returns can be gained. The Foord Houseview portfolio is a medium to high risk multi-asset class portfolio that includes global exposure.

Ninety One Houseview Balanced: The team that manages this portfolio uses inputs from the company's research platform to make all the required asset allocation and share selection decisions. Earnings prospects, as evidenced by analysts' earnings revisions, are a key component in their equity selection process. The Ninety One Houseview portfolio is a medium to high risk multi-asset class portfolio that includes global exposure.

Oasis Global Balanced: Oasis is a deep-value investment manager whose objective is to deliver superior returns at below market risk. Deep value managers such as Oasis are not benchmark cognisant when constructing portfolios. The Oasis Houseview portfolio is a medium to high risk multi-asset class portfolio that includes global exposure. This portfolio is no longer available for new investment.

M&G Global Balanced M&G is a Relative Value investment manager that believes prices in investment markets often do not reflect their fundamental value. M&G SA is highly integrated with its overseas parent company, whose investment professionals around the world share ideas, information and research. M&G UK is critical to the process, providing invaluable information that filters through from tactical asset allocation to bottom-up share selection. The M&G Global Balanced portfolio is a medium to high risk multi-asset class portfolio that includes global exposure.

In addition, the Board may permit the use of a bespoke single manager solution proposed by the participating employer if all fund requirements are met.

Portfolio Benchmark for single manager portfolios: AF Investable GLMW Median

3.3.3.3.3 Client specific portfolios – Bay Union

The fund offers the following portfolios exclusively to the clients of Bay Union:

Moderately Aggressive: The Bay Union Moderately Aggressive portfolio aims to produce a risk/return profile consistent with that required by a moderately aggressive investor and has high exposure to equities.
Moderate: The Bay Union Moderate portfolio is managed within what are regarded as moderate Investment parameters and is aimed at investors with an investment horizon of more than three years.
Conservative: The Bay Union Conservative portfolio is managed within what are regarded as conservative investment parameters and is aimed at investors with an investment horizon of more than three years.
Banker: The Bay Union Banker portfolio is a low risk fund that aims to deliver returns in excess of the STeFI index over the medium to longer term. The portfolio aims to exploit multiple sources of low risk excess returns within the money market and short term credit instrument arena.

3.3.3.3.4 Client specific portfolios – Mentenova

The fund offers the following portfolios:

Wealth Builder: The Wealth Builder is suitable for retirement fund members in the accumulation phase of a goals-based investment strategy. The portfolio has a high allocation to growth assets.
Wealth Stabiliser: The Wealth Stabiliser is suitable for retirement fund members transitioning from the accumulation phase to the preservation phase of a goals-based investment strategy. The portfolio has a moderate allocation to growth assets.
Wealth Protector: The Wealth Protector is suitable for retirement fund members in the wealth preservation phase. These members would have a short-term investment horizon allowing for a high allocation to interest bearing assets and low allocation to growth assets.

3.3.3.3.5 Client specific portfolios – One Barloworld Fund (OBF)

The fund offers the following portfolios exclusively to the members of the One Barloword Fund:

OBF Growth: A global balanced portfolio invested in a multi managed style, with a target of outperforming inflation by 5% over the long term.
OBF Protector: A global absolute return portfolio, invested in underlying absolute return funds with an objective of outperforming inflation by 2% over the short term.

3.3.4 Employer surplus account

Management committees have the option to invest any employer surplus into the portfolios selected by the Board as set out in this document.

3.3.5 Termination of membership groups

3.3.5.1 Transfer out of the fund

When members transfer out of the fund, the assets will remain invested in the portfolios in which they were invested immediately before the transfer date up until section 14 transfer approval is obtained, unless the management committee directs otherwise. The fund will continue to allow members to switch until approval for the transfer is obtained.

3.3.5.2 Liquidation of the fund

In the event of the liquidation of a participating employer, the assets relating to those members will remain invested in the portfolios in which they were invested immediately before the liquidation up until the approval of the appointed liquidator. After that, the assets will be invested according to the instruction of the liquidator.

3.3.6 Factors taken into account when setting the investment strategy

3.3.6.1 Meeting the investment objectives

The Board aim's to:

- Provide members with the greatest likelihood of securing a reasonable pension at retirement, by providing portfolio choices that offer acceptable investment returns, at acceptable levels of risk.
- Provide the member with less volatile returns particularly close to retirement.

The Fund has a default investment strategy to comply with Regulation 37 of the Pension Funds Act.

The Goals-Based Life Stage solution has been established taking the above objectives into account. Members in the **select access** and **full access** options have member investment choice as they might have objectives which differ from the default chosen by the management committee.

The Fund allows each management committee to opt out of the Regulation 37 default selected by the Board and to select a strategy that may better apply as a default for its members. The Board may override the management committee default if it is reviewed and deemed inappropriate.

It is recommended that management committees consider a target replacement ratio at retirement as their investment objective.

3.3.6.2 Managing investment risks

The Board acknowledges the risks of investing and will consider ways to mitigate and manage those risks as outlined in section 3.2.

3.3.6.3 Asset allocation

Allocation between different asset classes affects the investment returns that will be earned on the portfolios in which the fund's assets are invested.

Asset allocation will either be determined by the asset allocation mandate of the Life Stage portfolio or combination that a member is invested in, or for members under the **full access** option exercising member investment choice, by the asset allocation mandate of the portfolio(s) selected by the member.

The Board has chosen single asset managers with mandates which are compliant with Regulation 28 of the Pension Funds Act. Asset allocation calls will be made by the selected asset manager.

3.3.6.4 Portfolio construction

The management committee, under the guidance of the IFA or fund asset consultant, may select an investment strategy, other than the Fund's default investment strategy, that can be applied as a default for members that belong to that specific management committee's member group. The strategy can either be the balanced, specialist or passive Goals-Based Life Stage solution. The **full access** option allows the management committee to create a default from the portfolios offered by the Board. The portfolios currently available are set out in Appendix 3.

Within the **select access** and **full access** options, members can choose to be invested in one of the Goals-Based Life Stage solutions or a portfolio(s) of their choice. The portfolios available are set out in Appendix 3. If a member is invested in one of the Goals-Based Life Stage solutions, the existing fund credit as well as future contributions will be invested in accordance with the member's age. Members can switch between portfolios by following the procedures adopted by the fund administrators.

3.3.6.5 Investment manager selection

The Board has considered the management time required selecting a range of asset managers to manage the investments of the fund, and the skills required to construct portfolios by mandating and optimally combining the selected managers.

After giving these matters due consideration, the Board has concluded that fund members would be best served if manager selection and portfolio construction decisions were to be outsourced to professional investment advisors through the appointment of one or more multi-managers to manage the majority of the fund's portfolios.

In deciding on the appointment of a multi-manager, the Board will consider inter-alia:

- The financial strength and reputation of the multi-manager.
- The investment style and philosophy of the multi-manager.
- The track record of the multi-manager in managing similar and alternative mandates.
- The ability of the multi-manager to meet the chosen benchmarks.
- The ability of the multi-manager to provide suitable portfolios, given the Board' investment strategy and objectives.
- The fees and policy conditions of the multi-manager.
- The multi-manager's broad-based black economic empowerment score
- The multi-manager's ESG principles and/or objectives

It is expected that the multi-managers will consider the following factors in selecting underlying asset managers:

- Asset management philosophy and process.
- Quality of investment professionals.
- Business management skills and reputation of the organisation.
- Customer relationship management.
- Risk management.
- Reporting and administration capabilities.
- Size of assets under management.
- Risk-adjusted past investment performance.
- Fees and other costs.

- Corporate governance, including proxy voting guidelines.
- The broad-based black economic empowerment score
- The ESG principles and/or objectives

The multi-managers will control the asset class strategy, the portfolio structure and the benchmarks of each multi-manager portfolio, and will manage the investment risks inherent in these portfolios.

The Board has provided both active and passive Goals-Based Life Stage solutions, with different fee options to management committees. These Life Stage solutions use a wide range of asset classes and/or strategies, providing for improved diversification benefits in time, and reduced overall portfolio risk.

The Regulation 37 Trustee default strategy is the Active Balanced Life Stage solution.

The Board and the Management committees will periodically review whether the asset class strategies, portfolio structures and benchmarks are consistent with their objectives.

3.3.6.6 Single managers

In respect of the single manager member investment choice portfolios, the Board will appoint a selection of asset managers. The Board will seek input from Alexander Forbes Asset Consultantsin mandating and monitoring such asset managers. All of the single manager portfolios offered by the fund will be rated either A or B+ by Alexander Forbes Asset Consultants.

Should any changes be made to these asset class strategies, portfolio structures and benchmarks, the Board will review the changes at the Board meeting to decide whether the revised portfolios will continue to meet the Boards objectives and, if not, then the changes to portfolio offerings that should be made.

3.3.6.7 Default investment strategy

The Fund has a default investment strategy described under 3.3.1.1.

4. PILLAR 3: MONITORING AND EVALUATION, AND COMMUNICATION TO STAKEHOLDERS

4.1 Monitoring and evaluation

The Board reviews the multi-managers, single managers and the investment offering on an annual basis.

4.1.1 Portfolio performance review

The performance of the investment portfolios offered to fund participants is monitored quarterly on an ongoing basis against the appropriate benchmarks, taking into account longer term performance. On an annual basis, the portfolios are reviewed to determine their continued suitability. The multi-managers and single managers provide quarterly feedback on portfolio performance to meet this requirement.

4.1.2 Multi-manager peer portfolio performance review

The Board reviews the performance of the default portfolio against those of other multi-managers at least quarterly. There is a review of the multi-manager against other multi-managers at least every three years, which includes a high-level review of the investment team, assets under management, flagship portfolio offering, performance and fees.

4.1.3 Action in event of portfolio not meeting investment objectives

When an investment portfolio does not meet the investment objectives set by the Board, they will seek to understand the reasons for this. If the Board is not satisfied that the portfolio continues to meet the fund's investment objectives, the Board will replace the portfolio with an alternative that can be expected to achieve these objectives.

4.1.4 Monitoring by the multi-managers

The multi-managers are expected to exercise due diligence and judgment in selecting appropriate investment managers for the portfolios. The multi-managers are required to ensure that the investment managers invest the assets in accordance with their mandates.

4.1.5 Review of the investment strategy

The Board reviews the fund's investment strategy annually. Every three years, there is an in-depth review of the overall strategy. The reviews include:

- A review of the governance principles.
- A re-evaluation of the objectives of the fund and the suitability of the asset allocations of the portfolios.
- An evaluation of alternative investment strategies or investment options not currently offered by the fund.

The Board takes into account the following information when the review takes place:

- The profile of fund participants and membership.
- The benefit structure of the fund.
- The tax treatment of the fund.
- Foreign exchange controls.
- The legislative and investment environment.

In addition, the Board will review the asset management fees paid by the fund on an ongoing basis and request regular fee reports from the fund's underlying managers.

4.1.6 Review of investment strategy by management committees

The management committee is required to review the investment portfolios in which members' monies are invested to ensure that they remain appropriate at least once a year or if there is a material change in the membership profile.

4.1.7 Review of single manager options

The fund asset consultant evaluates and rates the single manager portfolios available. Single manager portfolios made available must be rated as A or B+ managers by the fund's asset consultant.

Where members have chosen to invest with a single manager and the manager's rating falls from B+ to B, the Board will be notified and communication sent to the management committee to distribute to members advising them to consider moving to an alternative portfolio. If a manager then falls to a C rating, the assets will immediately be moved to the Performer portfolio.

If the management committee has used a single manager in their default investment strategy and that manager's rating falls from B+ to B, the Board will be notified and communication will be sent to the management committee to consider moving out of the affected portfolio to an alternative portfolio. If a manager subsequently falls to a C rating, the assets will immediately be moved to the specified alternative portfolio. If no alternative portfolio is selected or available, the Board have agreed that the Performer portfolio will be used.

4.2 Communication to stakeholders

The Board will ensure that the fund's investment strategy is communicated to management committees and members.

The management committees are provided with information about the investment strategy on a regular basis.

Information about the investment strategy is available to members in the member booklet, annual newsletters and the member investment brochures that also include information about the portfolios. There is information on the investment returns in the quarterly newsletter provided for members, on the Funds website or on request from the IFA.

The management committees are required to distribute the communication material to their members.

5. CONCLUSION

This document has been prepared to record the issues considered by the Board in establishing an appropriate investment policy for the fund, as well as to record the investment strategy that the fund has decided to implement, in accordance with this policy.

This policy was developed by the board of Board together with the fund's asset consultant and the fund's actuary. The investment strategy was designed in consultation with the fund's asset consultant and the fund's administrator.

Approved on _20 March 2025___ at __Johannesburg_

Signed by:Michael Frederick Prinsloo
Signed at:2025-03-28 15:17:36 +02:00
Reason:Witnessing Michael Frederick Pri

Trustee

Signed by:Lavinia Khangala
Signed at:2025-03-28 14:59:28 +02:00
Reason:Witnessing Lavinia Khangala

Lavinia Khangala

Chairperson

Signed by:Nomonde Zwane
Signed at:2025-03-28 10:26:16 +02:00
Reason:Witnessing Nomonde Zwane

Principal officer

Signed by:Nawaal Aboobaker
Signed at:2025-04-02 10:54:41 +02:00
Reason:Witnessing Nawaal Aboobaker

Nawaal Aboobaker

Fund asset consultant

I hereby confirm that I am satisfied that the investment strategy recorded above is consistent with the objectives of the fund and the management of the risks to which the fund is exposed, and that this strategy will result in an appropriate relationship between the assets and the liabilities of the fund.

Actuary name and surname **Date**

Signed by:Sanelle Heyneke
Signed at:2025-04-15 14:02:52 +02:00
Reason:Witnessing Sanelle Heyneke

Sanelle Heyneke

Signature

6. APPENDIX 1 – RESPONSIBLE INVESTING STRATEGY

6.1 INTRODUCTION

The purpose of this strategy is to summarise the Fund's commitments to responsible investment practices, in the context of a holistic sustainability lens applied to the management of the fund and its investments and the Fund's aspiration to become an example of a best-in-class retirement fund of the future™. It sets out the Fund's beliefs, governance, policies, strategies and activities regarding responsible investment.

The Board havs applied their minds to the issue of responsible investments, and realise the importance of targeted investments, those that impact society and the environment, as well as transformation, diversity and inclusion. The Fund's investments are aligned with the Boards beliefs outlined below.

6.2 SCOPE

The Fund invests in a diverse range of multi-asset portfolios that are managed by the multi-manager as well as those managed by single asset managers through the multi-manager platform. These portfolios are Regulation 28 compliant, and span both domestic and global markets. This strategy applies to all the asset classes and strategies that the Fund invests in.

6.3 DEFINITIONS

The Fund defines responsible investment as:

"an investment approach that includes environmental, social and corporate governance (ESG) factors and broader systemic issues — for example, climate change and sustainable development — along with stewardship and active ownership."[1]

The table below provides examples of ESG factors that can be considered:

Environmental	Issues relating to the quality and functioning of the natural environment and natural systems. These include: biodiversity loss; greenhouse gas (GHG) emissions, climate change, renewable energy, energy efficiency, air, water or resource depletion or pollution, waste management, stratospheric ozone depletion, changes in land use, ocean acidification and changes to the nitrogen and phosphorus cycles; the availability of natural resources as inputs into the operating practices of investee companies, the availability of such natural resources in the future and the impacts of investee companies on the environment in the process of extracting natural resources for use in operations.
Social	Issues relating to the rights, well-being and interests of people and communities. These include: human rights, labour standards in the supply chain, child, slave and bonded labour, workplace health and safety, freedom of association and freedom of expression, human capital management and employee relations; diversity, equity and inclusion; relations with local communities, activities in conflict zones, health and access to medicine, HIV/AIDS, consumer protection; and controversial weapons.

Governance	Issues relating to the governance of companies and other investee entities. In the listed equity context these include: board structure, size, diversity, skills and independence, executive pay, shareholder rights, stakeholder interaction, disclosure of information, business ethics, bribery and corruption, internal controls and risk management, transparent governance structures and processes and, in general, issues dealing with the relationship between a company's management, its board, its shareholders and its other stakeholders. This category may also include matters of business strategy, encompassing both the implications of business strategy for environmental and social issues, and how the strategy is to be implemented. In the unlisted asset classes, governance issues also include matters of fund governance, such as the powers of Advisory Committees, valuation issues, fee structures, etc.

Source: PRI

6.4 ESG MANAGEMENT APPROACHES

There are different approaches that the Fund can consider in managing ESG factors in the investment management process. The Board is aware that some approaches may not yield the desired outcome given the diverse investment markets that the Fund is exposed to. Various ESG management approaches are detailed below:

- **Integration**
  This refers to how the multi-manager and the underlying asset managers appointed within the multi-managed portfolios include ESG factors in their investment analysis and decision-making process.

  Aim: Financial objectives and risk management improvement

- **Negative Screening (Exclusion)**
  This refers to an approach that avoids securities that score poorly on ESG issues. Given the concentrated nature of the local listed market, the Fund acknowledges that this approach may be impractical. The Board rather ascribe to an approach of engagement with company management as a more effective tool to drive meaningful long-lasting change.

  Aim: Alignment with values, reputation, risk management or longer-term financial expectations

- **Positive Screening**
  This refers to an approach that identifies and selects securities that perform the best on ESG issues.

  Aim: Alignment with values, reputation, risk management or longer-term financial expectations

- **Themed investments**
  This refers to investments that have a specific ESG focus. The Fund – through its investments in the AF Private Markets portfolio – is exposed to investments that have both financial and impact goals e.g. renewable energy funds, and funds with an infrastructure focus. Additional themes, aligned with the Fund's beliefs may be considered in future.

  Aim: Financial objectives and positive social and environmental impact

6.5 BELIEFS

The Fund holds a set of beliefs that underpin its approach to ESG. The fund adheres to the following beliefs and principles which broadly cover overarching ESG principles, fiduciary duty as the Board, active ownership and stewardship and impact and climate change:

1. **Retirement Funds as Market Shapers:** Retirement funds, in their capacity as custodians and asset owners, play a pivotal role in shaping the markets that will define the future.
2. **Fiduciary Duty for Future Resilience:** Our fiduciary duty mandates us to ensure the Fund's adaptability and resilience to upcoming challenges, securing its readiness for what lies ahead.
3. **Unpriced ESG Risks and Superior Long-term Performance:** Markets do not fully account for ESG risks. The Fund supports investment managers that are adept at ESG integration in decision-making for sustained long-term outperformance.
4. **Proactive ESG Engagement for Value and Resilience:** Active asset owners are better positioned to maximize long-term value, including those factors of an economic, social, and environmental assets that underpin returns. Engagement on ESG matters is integral for adaptability to associated risks and opportunities.
5. **Asset Managers as Positive Market Influencers:** The selected asset managers wield substantial power in positively impacting companies they invest in and enhancing overall market value.
6. **ESG Integration for Holistic Risk Awareness:** ESG factors wield significant influence over long-term investment outcomes. Strategies to mitigate risks and preserve investment capital arise from active ownership and stewardship, enhancing shareholder value.
7. **Sustainable Investment Approach for Goal Attainment:** A hallmark of quality asset managers is their incorporation of factors affecting investment sustainability. The Fund's pursuit of sustainable investment outcomes is closely tied to considering ESG risks and opportunities within asset managers' strategies.
8. **Diversity, Equity, and Inclusion as Drivers:** Long-term competitive advantages stem from embracing transformation, diversity, equity, and inclusion. Collaborating with diverse talent yields sustainable investment outcomes, positioning smaller, black-owned managers as future investment hubs.
9. **Fund's Transformation Responsibility:** Given its size and industry position, the Fund bears the responsibility to drive transformation and inclusivity in South Africa's asset management sector. Support for emerging black-owned managers and enhancement of established managers' transformation frameworks align with the goal of superior, sustainable returns for members.
10. **Navigating Transition Risks and Climate Impact:** The shift towards a low-carbon economy and the impact of climate change pose investment risks and opportunities. Asset owners and managers play a role in mitigating climate effects and reshaping market behaviour.

6.6 LEGISLATIVE FRAMEWORK

Below are regulatory frameworks and industry codes that the Fund has considered in formulating its responsible investment strategy:

- Regulation 28 of the Pension Funds Act 24 of 1956
- The FSCA's Guidance Notice 1 of 2019
- Pension Fund Circular 130 and its Annexures ("PF130")
- The King IV Report on Corporate Governance for South Africa (2016)
- Principles for Responsible Investment (PRI)
- The Code for Responsible Investing in South Africa (CRISA 2)
- Task Force on Climate-Related Financial Disclosures (TCFD)
- International Financial Reporting Standards – International Sustainability Standard 2 (IFRS – ISSB2)
- Sustainable Finance Disclosure Regulation (SFDR)
- Broad-based Black Economic Empowerment Act 53 of 2003
- The Amended Financial Sector Code (FSC)
- FSCA's Draft Strategy on Transformation in the Financial Sector

The Fund recognises that the regulatory landscape is rapidly changing, and new codes and standards will be considered on a regular basis to ensure the incorporation of the latest developments.

Regulation 28 of the Pension Funds Act 24 of 1956

Regulation 28 highlights the fiduciary responsibility of a retirement fund's board to invest members' savings in a way that promotes the long-term sustainability of the asset values when taking into account ESG issues.

"A fund has a fiduciary duty to act in the best interest of its members whose benefits depend on the responsible management of fund assets. This duty supports the adoption of a responsible investment approach to deploying capital into markets that will earn adequate risk adjusted returns suitable for the Fund's specific member profile, liquidity needs and liabilities. Prudent investing should give appropriate consideration to any factor which may materially affect the sustainable long-term performance of a fund's assets, including factors of an environmental, social and governance character. This concept applies across all assets and categories of assets and should promote the interests of a fund in a stable and transparent environment."

The FSCA's Guidance Notice 1 of 2019

FSCA Guidance notice 1 of 2019 defines active ownership as the:

"…prudent fulfilment of responsibilities relating to the ownership of, or an interest in, an asset. These responsibilities include, but are not limited to:

(a) Guidelines to be applied for the identification of sustainability concerns in that asset;

(b) Mechanisms of intervention and engagement with the responsible persons in respect of the asset when concerns have been identified and the means of escalation of activities as a holder or owner of that asset if these concerns cannot be resolved; and

(c) Voting at meetings of shareholders, owners or holders of an asset, including the criteria that are used to reach voting decisions and the methodology for recording voting;

Pension Fund Circular 130 and its Annexures ("PF130")

PF 130 states that "the investment policy statement should confirm whether the fund has a socially responsible investment policy, and its definition of such investment type" and "the primary obligation of funds is to provide optimum returns for its beneficiaries. However, once these returns have been met, funds should consider socially responsible investments."

The King IV Report on Corporate Governance for South Africa (2016)

Principle 17 of King IV provides that the governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.

In addition, King IV includes a supplement for retirement funds, reaffirming the fiduciary duty placed on the Board to consider sustainability and ESG holistically in the management of the fund.

Principles for Responsible Investment (PRI)

The UN-sponsored PRI is the world's leading proponent of responsible investment. The PRI sets out the following six aspirational principles for signatories:

- Principle 1: Incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: Be active owners and incorporate ESG issues into ownership policies and practices.
- Principle 3: Seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: Promote acceptance and implementation of the principles within the investment industry.
- Principle 5: Work together to enhance our effectiveness in implementing the principles.
- Principle 6: Report on our activities and progress towards implementing the principles.

The Fund has elected to not be a signatory. However, it expects its appointed multi-manager to be a signatory.

The Code for Responsible Investing in South Africa (CRISA)

The Fund endorses the Code for Responsible Investing in South Africa (CRISA 2). The CRISA codes aim to improve corporate governance best practice and provide an impetus to the investment industry to further integrate ESG and sustainability principles into the investment process. The Fund expects its appointed asset managers to endorse the CRISA codes outlined below:

- **Principle 1: Integration of environmental, social and governance (ESG) factors**
  Investment arrangements and activities should reflect a systematic approach to integrating material ESG factors.
- **Principle 2: Diligent stewardship**
  Investment arrangements and activities should demonstrate the acceptance of ownership rights and responsibilities diligently enabling effective stewardship.
- **Principle 3: Capacity building and collaboration**
  Acceptance and implementation of the principles of CRISA 2 and other applicable codes and standards should be promoted through collaborative approaches (as appropriate) and targeted capacity building throughout the investment industry.
- **Principle 4: Sound governance**
  Sound governance structures and processes should be in place (including at all levels of the organisation) to enable investment arrangements and activities that reflect and promote responsible investment and diligent stewardship, including proactively managing conflicts of interest.
- **Principle 5: Transparency**
  Investment organisations should ensure disclosures are meaningful, timeous and accessible to enable stakeholders to make informed assessments of progress towards the achievement of positive outcomes.

Task Force on Climate-Related Financial Disclosures

The Fund aspires that the multi-manager's approach and disclosure on climate impact is, where practical, consistent with the framework recommended by the Basel-based Financial Stability Board's Task Force on Climate-related Financial Disclosures (the TCFD). The TCFD focuses on reporting how the Fund's activities impact on climate change. Its recommendations focus on: governance, strategy, risk management, and metrics and targets.

International Financial Reporting Standard – International Sustainability Standard 2 (IFRS – ISSB S2)

The TCFD approach has been incorporated into the IFRS – ISSB S2 climate related disclosures. The objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.

6.7 RESPONSIBLE INVESTMENT FRAMEWORK

The Fund's approach to responsible investment comprises five pillars and mirrors the CRISA 2 codes above:

1. Integration of ESG factors
2. Active ownership and stewardship
3. Collaboration and capacity building
4. Governance
5. Transparency

1. Integration of ESG factors

- The Fund expects its appointed asset managers, through the multi-manager, to regularly demonstrate evidence of ESG integration in its investment process.

- The Fund has also adopted the ESG ratings framework of its multi-manager to assess the ESG integration of its asset managers. Asset managers with the highest ESG ratings are preferred. ESG ratings are reviewed through due diligence engagements with asset managers where there is a focus to seek positive momentum and progress on ESG integration. Expectations are set at an ESG rating of

ESG 3 or better, where it is practical and relevant to the strategy (with ESG 1 being the highest rating and ESG 4 being the lowest rating). Comparisons are also made against the appropriate universe of strategies in our research database.

- The multi-manager's ESG rating is based on the below:

ESG Rating	Description
ESG 1	Leader in the integration of ESG factors and active ownership into core practices.
ESG 2	Less advanced than ESG1 investors but with moderate integration of ESG factors and active ownership.
ESG 3	Limited progress with respect to ESG integration and active ownership albeit with signs of potential improvement.
ESG 4	Little or no integration of ESG factors and active ownership into core processes and no indication of future change.

These ESG ratings are reviewed every eighteen to twenty-four months but will be reviewed more frequently, for example when ESG process improvements occur, or specific concerns arise with an asset manager.

- Asset managers are regularly **monitored** to ensure that:
  - ESG factors are integrated in the investment team's decision-making process.
  - ESG factors are given quantitative and qualitative weights in the portfolio construction process.
  - Proxy voting guidelines are adhered to.
  - ESG factors are documented and published.
  - There is adequate reporting and transparency regarding ESG activities.
  - They take their responsibility to collaborate within the broader industry seriously.
  - They engage with their investee companies on ESG factors
  - The quality of an asset manager's ESG research and data sources are maintained or improved.
  - Material ESG risks and opportunities in the investment management process are identified and appropriately managed.

2. Active ownership and stewardship

- The Fund has adopted its multi-manager's Proxy Voting Guidelines. Through these guidelines, the multi-manager is able to provide guidance to asset managers about how to vote on shareholder resolutions related to specific ESG issues. In addition, the multi-manager monitors and reports on the proxy voting records of the asset managers on a quarterly basis. The proxy voting guidelines cover the following topics:

LEADERSHIP AND STRATEGIC CONTROL	COMPENSATION	AUDIT/FINANCIALS/ DISCLOSURE	CAPITAL STRUCTURE	SHAREHOLDER RESOLUTIONS
Election/Re-election of executive and independent directors	Directors remuneration	Financial Statements and Statutory Reports	Issuance of shares	Environmental report
Election of members of the Audit committee	Remuneration policy and Remuneration implementation report	Appointment of auditors	Loan/financial assistance	Climate policy and Disclosure
Election of members of the Social and Ethics committee	Non-executive remuneration	Auditor remuneration	Share buy backs	Socio-economic resolutions
			Share option scheme	Political donations
			Shares under director control	Other
			Dividend related	

- The Fund acknowledges that resolutions that are tabled at a company's annual general meeting do not always address ESG-specific risks. To this end, the Fund has adopted an engagement policy. The engagement policy allows the Fund to leverage its position as shareholder to influence corporate decision-making in investee companies. The Fund will outsource the implementation of this engagement plan to its appointed asset managers. The asset managers will report on an exception basis.

3. Collaboration and capacity building

- The Fund is committed to collaborate with industry bodies in the promotion and advancement of ESG principles and responsible investing activities.

- The Fund expects its appointed multi-manager to be a signatory of the PRI, to adopt the CRISA 2 principles and to publish annual reports detailing their ESG activities.

4. Governance

The objective of the Fund's responsible investment governance framework is to provide oversight of the roles and responsibilities for the Fund's approach and activities. The following table summarises the roles and responsibilities of the various stakeholders of the Fund with respect to responsible investing:

Role player	Responsibilities
Board of Board	• Reviewing and approving the Fund's Responsible Investment Policy • Oversee Fund-level annual reporting • Monitoring the multi-manager's ESG activities
Sustainability and Transformation Subcommittee (STSC)	• The STSC has overarching responsibility for the implementation of the Fund's Responsible Investment Strategy and programmes • Monitoring the implementation of the Fund's Responsible Investment Strategy • Reporting to the Investment Sub-Committee and Board on ESG implementation
Asset consultants	• Drafting and recommending changes to the Fund's Responsible Investment Strategy

	• Review the multi-manager's proxy voting guidelines, and the adherence of underlying asset managers to the guidelines • Monitor ESG integration by the multi-manager • Update the Board on thought leadership in ESG
Principal Officer	• Liaising with the Board and the service providers to ensure that the Fund's objectives are met • Assist in the implementation of the responsible investing programme by the Investment Consultant • Reporting to the Board on the Fund's ESG activities • The Communications Sub-Committee will review member communications. This communication will be prepared by the Sponsor
Multi-manager	• Incorporating ESG considerations into the investment process of its multi-managed portfolios • Incorporating ESG in its asset manager research process • Monitoring the ESG activities of asset managers; and assigning an ESG rating to strategies that the Fund has invested in • Monitoring adherence by the asset managers to the proxy voting guidelines • Providing ESG reporting to the STSC and the Fund • Industry-wide collaboration on ESG issues
Investment managers	• Incorporating ESG considerations into their investment processes • Report back to the multi-manager on a regular basis on all ESG-related activities, proxy voting and engagements • Industry-wide collaboration on ESG issues • Submit annual ESG reporting to the multi-manager

5. Transparency and communication

The Fund supports disclosure and transparency as required by CRISA 2. The fund undertakes to make its Responsible Investment strategy available to its members. It also intends to educate and engage with its members on the topic through its annual reports.

In addition to the above,

- The multi-manager is expected to report on ESG activities regularly to the Board.
- Member communications will include the Fund's ESG commitments, as well as its activities.
- Proxy voting results of the Fund's asset managers are also available upon member request.
- The multi-manager is expected to report on the engagement activities of its appointed asset managers (in the default portfolios) on an annual basis.

6.8 IMPACT INVESTING STATEMENT

The Global Impact Investing Network defines Impact Investing as "investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return".

The Fund monitors the impact of the investments on society, the economy, and the environment. The Fund expects the multi-manager to report on the portfolio's impact performance and the impact performance used to engage asset managers to improve risk/return and impact profiles. Alongside traditional asset classes, the Fund adopted private market investments where members' investments contribute directly to the advancement of specific National Development Plan (NDP) and Sustainable Development Goals (SDG) indicators. These indicators represent those areas of impact which the Fund believes can create meaningful outcomes for the communities and the people that the programme is able to contribute to.

These focus areas present a clear direction on where to steer the Fund's efforts to create maximum, intentional impact in social and environmental development initiatives whilst simultaneously generating suitable financial returns for members.

The private markets portfolio is aligned with the following SDG goals:

Whilst the SDGs remain the global goals for all countries, the South African National Development Plan 2030 localises the focus. It proposes a multidimensional framework to create a virtuous cycle of development, with progress in one area supporting advances in others.

6.9 CLIMATE STATEMENT

There is overwhelming evidence of the reality of climate change and how this has been accelerated as a result of human activities over the last century. Moreover, climate change and the response of financial markets poses significant ESG risks that may materially affect the sustainability and variability of long-term investment returns.

The two primary risks emanating from climate change are:

1) **Physical**: floods, wildfire, damage to physical infrastructure, drought, physical health and others. All these cause immense financial disruptions.
2) **Transition risk**: the global trend in transition to a lower carbon economy will likely affect the sustainability of existing industries, businesses and how financial markets respond to policies aimed at reducing green-house gas emissions globally.

This statement is the Fund's confirmation and affirmation of its role in limiting and managing climate change related risks through its investment strategy within the confines of its investment framework. The Fund acknowledges that the evidence, implications and tools relating to climate change are evolving rapidly and as such, will review and update its views annually and more frequently, if required.

The Fund's overarching stance on climate change risk management is centred on its unwavering commitment to working within the policy environment established by regulators, including government bodies and financial conduct authorities. The Fund believes that the appropriate approach at present is to ensure that the Fund plays an active role in identifying, measuring, reporting and managing risks and opportunities with the tools at their disposal. Although the Fund has not adopted explicit emission reduction targets, there is an expectation that overall emissions would reduce in time as regulations applicable to the relevant regimes are enforced, as these relate to the Fund's underlying investments. The Fund expects its multimanagers to manage the risks and opportunities presented by the transition, taking relevant local factors and regulations into account. The Fund expects their multimanagers to engage with the underlying asset managers regarding the roadmap of investee companies in sectors where specific targets and goals have been set. The Fund wants to ensure that its underlying managers are invested responsibly within the adopted policies, and managing the relevant risks and opportunities presented.

The Fund supports the goals of the Paris Agreement on climate change, whose main objective is to limit the global temperature increase to well below 2 degrees Celsius while pursuing efforts to limit the increase to 1.5 degrees. The Fund is therefore also supportive of the principles of the International Sustainability Standards Board (ISSB).

The Fund supports a just transition, taking the South African context into account. The Fund believes that a shift towards a low-carbon economy and the impact of climate change pose investment risks and opportunities. Asset owners and managers play a role in mitigating climate effects and reshaping market behaviour.

The Fund is committed to continuing the development of it's understanding of climate change, and to addressing the possible implications of climate change on the Fund, it's stakeholders, wider society and the natural environment.

The Fund is committed to transparency and to report its climate position to its stakeholders, provide reporting on its climate-related risks and opportunities, disclosing the impact being made through its investments, as well as to provide any regulatory reporting disclosures

Consistent with the Fund's Responsible Investment Strategy, the Fund expects the multi-manager to incorporate climate change issues in its investment management process. The Fund expects the multi-manager to monitor and engage with its appointed asset managers on climate issues, and to ensure that the proxy voting activities of the underlying asset managers in relation to climate change issues are in line with the multi-manager's proxy voting guidelines.

The Fund believes that regular interaction, or engagement on ESG issues by investors with the companies that they invest in can drive long-term shareholder value.

The Fund does not directly buy securities as it invests in pooled portfolios through a linked policy with the multi-manager. The nature of this structure means the Fund delegates the responsibility of selecting asset managers to the multi-manager. The multi-manager engages with its asset managers, the industry and the corporate sector on:

- High carbon emitting companies and the credibility of their plans to decarbonise over time
- Transition risk management and adaptation of plans of companies
- Their respective approaches to the just transition
- The measurement and portfolio consideration of absolute emissions: scope 1, 2 and 3, and carbon intensity
- Carbon policies and climate reporting from investee companies.

The Fund outsources the management of its assets as well as proxy voting to its multi-manager. In the context of climate change, proxy voting is a lever that investors can be used to actively manage and mitigate exposure to climate-related risks in the investee companies within their portfolios. The Fund has adopted the proxy voting guidelines of the multi-manager and monitors this proxy voting activity on a quarterly basis.

The Fund monitors the efforts of the multi-manager in its reporting which includes:

- Proxy voting reporting;
- Calculation of the Weighted Average Carbon Intensity (WACI) of the equity component of each of the multi-managed solutions; and
- Impact of the private markets' portfolio, its contribution to the green transition and particularly the impact with regards to the climate-related Sustainable Development Goals: 7 (Affordable and Clean Energy) and 13 (Climate Action).

In addition to the reporting received from the multi-manager, the Fund undertakes to communicate to members it's climate position and the impact being made through its investments via an Integrated Annual Report.

The Board have implemented a proactive strategy to continuously educate Board on climate change-related aspects, including its potential impacts on financial markets, regulatory landscapes, and long-term investment strategies. By staying informed and educated on these matters, we aim to make informed decisions that not only benefit our investors but also contribute positively to the global efforts towards mitigating climate change and promoting a more sustainable future for generations to come.

6.10 ENGAGEMENT FRAMEWORK

The Fund believes that regular interaction, or "engagement" on ESG issues by investors with the companies that they invest in can drive long-term shareholder value.

The Fund does not directly buy securities, but it delegates the responsibility of selecting asset managers to the multi-manager. The multi-manager engages with asset managers to drive positive change in the adoption of ESG considerations in their investment activities. Although the Fund may not engage the underlying asset managers directly, the Fund will invite asset managers from time to time to present on topical ESG matters. The multi-manager also monitors the engagement activities of its appointed asset managers. These activities may include:

1) **ESG due diligence**: ongoing conversations with companies or issuers as part of their ESG research process
2) **Collaboration**: collaborating with companies, investor groups, industry groups and advocacy NGOs to promote sound ESG practices
3) **Proxy voting**: to vote on shareholder resolutions on ESG-related issues. The Fund engages with the multi-manager, specifically looking at systemic issues and then monitors the activity of the multi-manager. The Fund will agree key engagement themes with the multi-manager as part of its approach, which it will then engage with the multi-manager on and monitor the outcomes of those engagements, as well as how those are integrated in the multi-manager's approach.

6.11 TRANSFORMATION FRAMEWORK

The Fund's transformation journey is evolving from one that is reactive and defensive, to one that is not only compliant but leading, ambitious and forward-looking. The approach considers:

- What guidance to give to asset managers and service providers on how to implement the Fund's objectives on transformation?
- How does the Fund drive transformation within the engagement practices of its multi-manager?
- How are transformation considerations incorporated in the asset manager research / selection process of the multi-manager?

This framework is applicable to South African-domiciled investment managers. However, offshore managers are expected to drive Diversity, Equity and Inclusion in their respective organisations, as well as in their investment processes.

The framework is applicable to asset managers that already have existing contractual agreements for investment allocations in the Fund's portfolios (multi-managed and single asset manager portfolios). Additionally, asset managers that could potentially receive future allocations would need to meet the requirements of this policy.

The Fund's transformation framework will continuously operate within the best interests of its members' goals and objectives in mind.

The Board has endorsed the transformation framework applied by the multi-manager and the requirements set out therein, the key requirements being:

- Attain a minimum Level 3 B-BBEE contributor status, which is to be achieved within a three-year phased improvement.
- Achieve a minimum 40% representation of black investment professionals of which 40% must be black women investment professionals of their total investment professionals with a three-year phased improvement.
- Achieve a minimum 40% representation by black individuals in senior management with a 3-year phased improvement.

At the date of implementation (1 July 2022), asset managers who do not meet the above targets are to provide a 3-year plan to achieve them. The multi-manager will monitor these plans on an annual basis.

Brokerage Services

The Fund will require asset managers, through the multi-manager, that have existing contractual agreements in our portfolios to allocate an increasing portion of their brokerage services to black-owned stockbroking businesses taking into account the principles of best execution, value-added services and data to the benefit of the client.

6.12 REVIEW

This policy is intended to be a living document. As such, the Board will review the policy from time to time. The review will consider the evolving landscape in ESG factors as well as any regulatory change.

7. APPENDIX 2 – SUMMARY OF INVESTMENT PORTFOLIOS

1.1. Open portfolios on the Alexander Forbes Investments platform:

- Alexander Forbes Goals-Based Life Stage solution
  - AF Active Balanced High Growth portfolio
  - AF High Growth
  - AF Passive Bold portfolio
  - AF Inflation Income Target
  - AF Flexible Income Target
  - AF Houseview Income Target

- Allan Gray Limited (Segregated)
- Allan Gray Classic Balanced (Pooled)
- Coronation Fund Managers (Houseview)
- Coronation Managed 1 (Aggressive)
- Foord Asset Management Global Balanced
- Ninety One Asset Management Houseview Balanced
- Oasis Global Balanced
- M&G Global Balanced
- Performer
- Real Return Focus
- Stable Focus
- Stable Focus Combined
- Accelerator
- Conserver
- Banker
- Shari'ah High Growth
- Shari'ah Medium Growth
- Retirement Navigator
- Explorer
- Mentenova Wealth Builder
- Mentenova Wealth Stabiliser
- Mentenova Wealth Protector
- OBF Growth
- OBF Protector

1.2. Closed portfolios on the Alexander Forbes Investments platform:

- Allan Gray Life Global Stable
- Allan Gray Classic Balanced Local
- Coronation Fund Managers – Best Investment View II

1.3. Open portfolios on the Sygnia platform available exclusively to clients of Bay Union:

- Bay Union Moderate Aggressive
- Bay Union Moderate
- Bay Union Conservative
- Bay Union Banker

8. APPENDIX 3 – LEGACY INVESTMENT PORTFOLIOS

Portfolios that were available prior to the introduction of the Goals-Based Life Stage

- Alexander Forbes Balanced Lifestage Range
  - Balanced High Growth portfolio
  - Balanced High/Medium Growth portfolio
  - Balanced Medium Growth portfolio
  - Balanced Medium/Conservative portfolio

- Balanced Conservative portfolio Alexander Forbes Passive Lifestage Range
  - Passive Bold portfolio
  - Passive Bold / Moderate portfolio
  - Passive Moderate portfolio
  - Passive Moderate / Cautious portfolio
  - Passive Cautious portfolio

9. APPENDIX 4: DEFAULT REGULATIONS

The default regulations were issued to improve the outcomes experienced by members of retirement funds.

The regulations require funds to offer:

- a default investment portfolio for contributing members who do not exercise any choice on how their savings should be invested
- a default in-fund preservation arrangement to members who leave the service of the participating employer before retirement
- an annuity strategy with annuity options, either in fund or out of fund, for retiring members

Member defaults should be relatively simple, cost-effective and transparent. The regulations require that funds assist members during the accumulation and retirement phases.

This appendix focuses on how the fund has allowed for the default regulations in its investment strategy.

Regulation 37: Default investment portfolios

This regulation requires funds to offer (a) default investment portfolio(s) to contributing members who do not choose how their contributions should be invested. The default investment portfolio(s) may differ from member to member, depending on the:

- age or likely retirement date of the member
- value of the retirement benefit
- actual or expected contributions to the fund
- other reasonable factors the Board considers to be appropriate

Board is required to monitor investment portfolios regularly to ensure continued compliance with the following principles and rules shown in italics. The fund's response to these requirements follows after listing the relevant principle or rule.

- *The default investment portfolio must be suitable for members with reference to their portfolio objectives, asset allocation, charges, risks and returns.*
- *The composition of the assets and the performance of the portfolio must be adequately communicated to members.*
- *The default investment portfolio must be reasonably priced and competitive.*
- *All fees and charges must be disclosed to the board who must, in turn, ensure that they are appropriately disclosed to members – the format may be prescribed by the registrar of pension funds (the registrar).*
- *Passive default investments must be considered – they don't have to be adopted, but boards must consider them.*
- *No loyalty bonuses or other complex fee structures – fees charged cannot depend on the length of time that an individual has been a member of the fund or the number of contributions made or any similar measure.*
- *Members must be permitted to transfer from the default portfolio at intervals not exceeding 12 months and no excessive administration costs may be charged for these transfers.*
- *Regular review by boards of the default investment portfolio to ensure compliance with the regulation.*

  The Board regularly reviews the investment portfolios to ensure compliance with all regulations.

Regulation 38: In-fund preservation

Regulation 38 requires that the fund must have, as a default, an in-fund preservation arrangement for members who leave the service of the participating employer before retirement. However, members have the right to opt out of the fund and withdraw their fund credit in cash or to transfer to another fund for which they qualify.

- *Investment fees for default portfolios must be the same for paid-up members and active members.*

Regulation 39: Annuity strategy

Regulation 39 requires that funds must have an annuity strategy with annuity options, either an in-fund or out-of-fund annuity or annuities.

The Board is aware of and have applied the following responsibilities with regard to the fund's annuity strategy:
- The annuity options in its annuity strategy, are appropriate for members.
- The annuity options are well communicated to members in member booklets as well as retirement benefit counselling, which is provided to members at least three months before retirement.
- Board believes that the applicable fees and charges for the annuity strategy are reasonable and competitive.

Furthermore, the Board has investigated various options and have considered the following factors in selecting an appropriate annuity strategy:
- The level of income payable to members.
- The investment, inflation and other risks in the annuity.
- The level of income payable to beneficiaries.

10.APPENDIX 5: USE OF DERIVATIVES

10.1 Overview

This section of the investment policy statement sets out the framework for the governance of the use of derivatives instruments by the Fund’s multimanager when managing the assets of the Fund.

10.2 Scope

These guidelines apply to all the Fund’s investments – local and global mandates.

10.3 Definitions

Derivatives are described as a type of financial contract between two parties whose value is dependent on an underlying asset.

Derivatives include, but not restricted to:

- Futures contracts
- Options
- Forward contracts
- Swap agreements
- Instruments or contracts intended to manage transaction or currency exchange risk

10.4 Legislative/regulatory framework

Below are regulatory frameworks and industry codes that the Fund has considered in formulating its principles on derivatives investments:

Regulation 28 of the Pension Funds Act 24 of 1956

Regulation 28(7) of the regulations issued under the Pension Funds Act provides that retirement funds may invest in derivatives and empowers the FSCA to prescribe conditions in the use of derivatives instruments.

FSCA Conduct Standard 1 of 2023

Conduct Standard 1 of 2023 on the Conditions for Investment in Derivative Instruments for Pension Funds (‘the Conduct Standard’) sets out the guidelines for the use of derivative instruments by the Fund. The purpose of these guidelines is to ensure responsible and prudent use of derivatives while managing risks and protecting the interests of members.

The Conduct Standards will take effect in May 2024.

PF 130

PF130 states that “... investment in derivatives by investment managers should be clearly and properly regulated. Should they decide to permit this form of investment, Board should have a clear understanding of the use and risks of derivatives and how they will be measured.”

10.5 Utilisation of derivatives

The Fund permits the use of derivatives for the following purposes:

- Asset Allocation
- Hedging
- Insurance
- Yield enhancement

Derivatives may NOT be used to:

- Speculate
- Gear

Coverage of Effective Derivative Exposure:

When using derivative instruments for efficient portfolio management, the effective derivative exposure must always be covered by appropriate reference assets; or alternatively, if appropriate, the Fund must hold assets in accordance with the conditions prescribed in paragraph 7(2) of the Conduct Standard, with a market value at least equal to the effective derivative exposure.

Limitation on effective derivative exposure:

The maximum effective derivative exposure of derivative instruments per asset category held by the Fund shall not exceed the value of the reference asset that the derivative seeks to hedge.

Consistency with Investment Management Agreements:

The use of derivative instruments must be consistent with the relevant investment management agreements (IMAs). These IMAs must stipulate whether both listed and OTC derivative instruments are allowed, the conditions under which derivative instruments may be used, and the required valuation methodology. The Board, with the assistance of the investment consultant, will review the IMAs to ensure that these are consistent with the Fund's policy.

Consideration of Liquidity Risk:

The Fund shall take into account its liquidity risk in both stressed and unstressed market conditions when using derivative instruments. The multimanager will be required to report on its monitoring of liquidity risk in its underlying portfolios.

Reliable Valuation Methodology and Timely Closure:

Derivative instruments used by the Fund must be subject to reliable and recognized valuation methodology, conducted at least monthly. Additionally, positions in derivative instruments must be sold, liquidated, or closed out within a reasonable time to enable effective closure of the position at the Fund's initiative.

The multimanager will be required to report at least annually on the appropriateness of the valuation methodology and the timely closure of the derivatives positions in its portfolios.

Transparent Derivative Instrument Valuation:

The Fund may only use a derivative instrument if there is a consistent, transparent, and recognized valuation methodology in place. This methodology must be implemented, monitored, and periodically reviewed. It should be ensured that the valuation process takes place independently from the investment management decision-making function of the financial services provider, or alternatively, the valuation must be conducted by an independent third party adopting a consistent and transparent process.

The multimanager will be required to report at least annually on the methodology used in the valuation of derivative instruments.

10.6 General Guidelines

Summary of Guidelines on Counterparties, Calculating Exposure, Netting, Collateral, and Receiving of Information:

Counterparties:

The Fund may only invest in listed derivative instruments and OTC derivative instruments with specific counterparties, including authorized users, foreign banks, insurers, OTC derivative providers, South African banks, and any other party declared by the Authority to be a counterparty.

Calculating Exposure:

The Fund must ensure that the calculation of assets and categories of assets includes the net derivative exposure, taking into account all transactions relevant to each counterparty, including exposure obtained through derivative instruments. Collateral exposure must also be included, and under certain conditions, the counterparty exposure can be reduced by the value of provided collateral. Transactions traded on an exchange and cleared through a clearing house may be excluded from exposure calculations, subject to reporting to the Authority. Netting with the same counterparty is allowed under specified agreements.

Netting:

The Fund may combine the economic exposure of assets with net derivative exposure where the reference asset of the derivative instrument is identical or similar to the asset exposure held by the Fund. Similarity means high correlation, absence of material residual risk, and adherence to specific index criteria. The Fund may also combine derivative exposure for managing debt instruments, provided it meets certain conditions.

Collateral:

Collateral arrangements must include bilateral agreements. Collateral assets must be liquid, transparent, identifiable, and capable of daily valuation. Outright transfer or pledge/cession in security may be used for collateral. Collateral held by an independent custodian does not form part of that custodian's assets and is not considered counterparty exposure.

Receiving of Information:

The Fund's investment mandates with financial service providers or OTC derivative providers must ensure the timely provision of appropriate information for managing derivative instrument positions, collateral, and compliance with regulation 28 limits. The Fund must receive a full listing of assets and detailed information on all derivative instruments in the portfolio. Information on derivative exposure and valuation methodology must also be provided quarterly.