



OLDMUTUAL

OLD MUTUAL SUPERFUND PENSION AND PROVIDENT FUNDS INVESTMENT POLICY STATEMENT

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1 INTRODUCTION

1.1 CONTEXT

Old Mutual Life Assurance Company (South Africa) Limited (“Old Mutual”) currently sponsors a number of retirement funds within the ambit of its Old Mutual Corporate business unit. These retirement funds (the Old Mutual SuperFund Pension and Provident Funds, the Protektor Preservation Pension and Provident Funds, and the Old Mutual SuperFund Unclaimed Benefit Preservation Pension and Provident Funds) are each defined contribution funds. Old Mutual is the Administrator and Sponsor of these retirement funds.

Each fund is governed by a Management Board, where each Management Board is constituted of the same board members. **An overarching investment strategy has been developed by the Management Boards for all the funds in order to ensure consistency across the different funds.** This strategy is encapsulated in the various Investment Policy Statements (“IPS”) of the funds.

The Old Mutual SuperFund Pension and Provident Funds are multi-employer funds in which Participating Employers and their Eligible Employees can participate. Each employer and its employees are linked to a separate sub-fund.

This IPS document applies to the Old Mutual SuperFund Pension and Provident Funds (“the Funds” or “Old Mutual SuperFund”).

1.2 INTRODUCTION TO THE SUPERFUND IPS

This Investment Policy Statement sets out the investment objectives and strategy of Old Mutual SuperFund. Old Mutual SuperFund offers a range of Investment Options¹ to Members² and Participating Employers. The options span the full spectrum from investment into a Board-chosen Investment Portfolio where Members have no choice, through to options where Members, the Participating Employer, or a mandated Management Committee have a wide degree of choice of Investment Portfolios. With effect from April 2024, a new Investment Option, Old Mutual SuperFund Living Annuity (OMSLA), has been created to accommodate the in-fund living annuity offering. As at September 2024 this had not yet been made available to members. OMSLA refers to the LIVING ANNUITY as defined in the Master Rules of the Old Mutual SuperFund Pension and Provident Funds

The Rules of the Funds set out the general powers of the Management Board in relation to investments. These powers include the definition of Investment Options, the selection and approval of Investment Providers and the Investment Portfolios to be made available to Members, the monitoring of investment performance, and review of these Investment Portfolios. The Management Board has the power in terms of the Rules to approve new Investment Portfolios, close existing ones to new investment, make changes to Investment Portfolios or remove Investment Portfolios.

¹ In other SuperFund documentation and marketing material, the term “Investment Package” or “Investment Package Option” is used interchangeably with the term “Investment Option”.

² The definition of “Member” includes in-service Members, Preserver Members, Deferred Retirees, Living Annuitants and unclaimed benefits.



This IPS sets out the Funds' overall investment philosophy and objectives. It guides the approval of Investment Portfolios available, in which the various accounts of the Funds can be invested. It prescribes the guidelines, terms, and conditions applying to any right given to a Participating Employer or Member to choose an Investment Portfolio or an Investment Option.

Subject to the Rules of the Funds and any consultation required with the Sponsor, this IPS provides for any matters that the Management Board deems appropriate in relation to the investments of the Funds. The IPS furthermore gives effect to the requirements of Regulation 28, Regulation 37, Regulation 38 and Section 36 of the Pension Funds Act and any other regulatory requirements such as, but not limited to, Circular PF No 130 and Guidance Note 1/2019.



2 STRATEGIC AND GOVERNANCE CONSIDERATIONS

2.1 OBJECT AND NATURE OF THE FUNDS

The object of the Funds as set out in the Rules is primarily to provide benefits:

- To Members on retirement or withdrawal;
- To the Dependants and nominees of Members in the event of death of such a Member; and
- In the event of the Disablement of a Member, where applicable.

The Funds are defined contribution in nature and are registered under section 4 of the Pension Funds Act and approved under the Second Schedule to the Income Tax Act. The Funds are Type A umbrella funds.

2.2 TWO POT RETIREMENT SYSTEM: INVESTMENT STRATEGY IMPLICATIONS

2.2.1 Previous position

The Old Mutual SuperFund Pension Fund is a registered pension fund. Prior to 1 September 2024, Members are required to annuitise at least 2/3rds of their Member Account balance, unless their Member Account balance falls below the *de minimis* level of R247,500.

The Old Mutual SuperFund Provident Fund is a registered provident fund. With effect from 1 March 2021, Members are required to annuitise at least 2/3rds of their Member Account at retirement. However, this annuitisation requirement does not apply in respect of the vested provident portion³ and does not apply if the Member Account balance falls below the *de minimis* level of R247,500.

2.2.2 Two-Pot Retirement System

From 1 September 2024, which is the implementation date for the new Two-Pot Retirement System, the Member Account will be made up of three components:

- A Vested Component: This component will contain all retirement savings accumulated before the system's implementation, together with any growth thereon. A Member's credit in this component will be subject to the same restrictions as applied prior to implementation date. The vested component is made up of the vested pension and vested provident portions.
- A Retirement Component: This component is accessible only at retirement. From implementation date, two-thirds of retirement fund contributions and growth thereon will be allocated to the Retirement Component.

³ The "vested provident portion" refers to the retirement savings made prior to 1 March 2021, as well as growth thereon. For members aged 55 and older on 1 March 2021, "vested rights" also includes savings made after 1 March 2021 (subject to certain conditions).



- **A Savings Component:** This component is accessible at any point prior to retirement (subject to some limitations⁴). From implementation date, one-third of retirement fund contributions and growth thereon will be allocated to this component. Additionally, a starting balance of 10% of the member's fund value (up to a maximum of R 30 000) on 31 August 2024, will be transferred (seeded) on a once-off basis into this component. Withdrawals from this component before retirement will be subject to taxation at the member's marginal tax rate.

The amount to be annuitized from the vested pot is then added to the retirement component. If this sum is less than R165,000 (2/3rds of R247,500) then the full amount can be taken in cash.

The Two-Pot system will not automatically apply to provident fund members aged 55 or older on 1 March 2021. These members will have the opportunity to opt into the Two-Pot System for a period of 12 months after 1 September 2024. Those who choose not to participate will not have the Savings Component and Retirement Component but will continue to operate under the existing rules for all their savings. If they transfer to another fund after 1 September 2024, they will automatically be switched into the Two-Pot system.

The various components and details thereof are shown in the table below:

Component	Vested Component		Savings Component	Retirement Component
	Pension	Provident (pre-2021 benefits and over-55's at March 2021)		
Access before NRA upon resignation, retrenchment and disability	100%	100%	100% (subject to availability rules)	None
Retirement Lump Sum	1/3	100%	100%	None
Retirement Monthly Pension	2/3	No requirement	No requirement	100%
Future Contributions from implementation date	None	Only for members age 55+ on 1 March 2021 ⁵	1/3	2/3

2.2.3 Investment implications of the Two-Pot system

The implementation of the Two-Pot system will have several investment implications for SuperFund Members:

⁴ A withdrawal from the Savings Component can only be made once per tax year. The minimum withdrawal amount is R2 000 (before fees).

⁵ The Two-Pot system will not automatically apply to provident fund members aged 55 or older on 1 March 2021 and part of the same provident fund. Those who choose not to participate will not have the Savings Component and Retirement Component, continuing to operate under the existing rules for all their savings.



- The compulsory preservation of 2/3rds of future contributions in the Retirement Component will result in a significant change to a Member's investment horizon. **This change extends a Member's investment horizon for this component at least until retirement.** The compulsory preservation requirement means that the Retirement Component will grow to become the largest component for most Members over time.
- Further, the 2021 annuitisation changes to provident funds mean that, at retirement, all Members⁶ will be required to annuitise their Retirement Component (together with the applicable portion of their Vested Component). Although a Member's annuity selection may follow a different investment approach to their pre-retirement investment approach (e.g. if a Member selects a Life-Guaranteed Annuity), nonetheless **a Member's investment horizon is effectively extended beyond retirement to their full life-time.** This emphasises the very long-term nature of the Member's Retirement Component, as well as the Vested Pension Component assuming the Member does not elect a cash withdrawal on termination of employment prior to retirement.
- The investment horizon of the Savings Component is harder to define. For those Members who elect to take regular withdrawals from their Savings Component, the investment timeframe is relatively short-term. However, the optimal use and the underlying intention⁷ of the Savings Component is to keep this amount invested until retirement to provide the cash lump sum at retirement or to boost their retirement income. The Management Board therefore considers that **the default investment approach for the Savings Component should be to invest with a long-term time horizon consistent with keeping the savings pot intact until at least retirement age.**
- The Vested Component remains subject to the same restrictions as applied prior to the implementation date. The Management Board therefore considers that the investment strategy might not need to change immediately. However, it should be reviewed in the context of the overall Member Account to ensure it aligns with the long-term goals and risk tolerance.
- The Management Board believes that balancing these components requires a holistic investment strategy. Regular reviews and adjustments will be crucial to ensure that the overall investment strategy remains aligned with the Funds' objective.
- Over time, the number of Preserver Members in the Funds is expected to grow significantly (because all Members will have a Retirement Component which cannot be withdrawn on exit from an employer, but only transferred to another retirement component at an alternative institution). This is therefore expected to result in a growing proportion of Members where there is no Employer affiliation.

The Management Board will continue to monitor the relevance and accuracy of this IPS and the appropriateness of the default investment strategies as conditions unfold in light of this legislation.

⁶ Except those aged 55 and older on 1 March 2021 who opt out of the Two-Pot system; and those for whom the retirement component plus applicable portion of the vested component is less than the *de minimis* level at retirement.

⁷ Taking into account the tax treatment of pre-retirement withdrawals, the low average contribution rates, the low projected replacement ratios, and the fact that Old Mutual SuperFund is by definition a retirement fund – i.e. aimed at providing for retirement.



2.3 OLD MUTUAL SUPERFUND LIVING ANNUITY: INVESTMENT STRATEGY IMPLICATIONS

The Funds have approved the launch of an in-fund living annuity offering (OMSLA). Effective 1 April 2024, the Master Rules were revised to accommodate this solution. The Management Board together with the Sponsor is expected to initiate a pilot with a pre-selected Participating Employer, with subsequent expansion to other Employers in due course.

As this offering is being developed in stages, the initial launch offering is limited to a small range of options. Details regarding the Old Mutual SuperFund Living Annuity Investment Option are set out in Annexure D.⁸

The introduction of an in-fund living annuity offering has several investment implications for the Funds:

- The investment horizon of Members within the Funds is now able to span a much longer period and could reach as long as 60 to 80 years for savings that are annuitised.
- Where the investment portfolio that a member's retirement savings are invested in, as at the commencement of the OMSLA membership, are also the same as the underlying investments in respect of the OMSLA, and a member chooses to remain invested in these portfolio(s), no disinvestment and reinvestment will take place, which then removes the risk related to market movements at the time of retirement. It is therefore important for the Funds to 1) continue to ensure that in the pre-retirement default strategies, the near-retirement portfolios are in fact appropriate for a post retirement investment portfolio and 2) ensure that the portfolios offered in OMSLA at the least match these near-retirement default investment portfolios.-The Funds will be required to monitor the sustainability of the investment strategy and drawdown rates of Living Annuitants, to comply with the requirements of Regulation 39 and related legislation.

2.4 INVESTMENT BELIEFS, STRATEGY AND OBJECTIVES

2.4.1 Investment Beliefs

2.4.1.1 Investment governance

The Management Board is guided by the following beliefs regarding investment governance:

- Investment strategy and decisions should give precedence to the fiduciary duty owed to Members and the Funds, but should also consider the interests of other stakeholders.
- Managing money on behalf of other people requires high standards of openness and transparency. The Funds take this responsibility seriously and seek to meet best practice standards and be at the forefront of disclosure within our industry.
- The Management Board, administrators, investment managers and all other fiduciaries are accountable for their actions and must transparently perform their duties to the highest ethical standards.

⁸ Where appropriate, this Investment Policy Statement distinguishes between pre-retirement Members (i.e. in-service Members, Preserver Members and Deferred Retirees) and post-retirement Members (i.e. Living Annuitants).



- The Funds should seek to achieve alignment of interests between Old Mutual SuperFund, the beneficiaries and those acting on the Fund's behalf.
- Good governance, including the allocation of appropriate resources to investment governance, is in the best interests of Members. It is appropriate for the Funds to invest resources in respect of stewardship and the integration of good practice regarding sustainable investment.

2.4.1.2 Investment markets, asset allocation and risk management

The Management Board is guided by the following beliefs regarding investment markets, asset allocation and risk management:

- A typical Member's long-term investment horizon (which includes both the retirement accumulation and decumulation process) can be a source of advantage, because it enables a very long-term investment strategy.
- Different investment risks are carefully considered per strategy as some of these inherent risks can benefit members in the right circumstances. Illiquidity risk is one such advantage which, for long-term investors where Members have the opportunity to invest in alternative asset classes such as private equity.
- Diversification is a key tool for risk reduction, which improves the risk-adjusted returns of Member's investments.
- Investment risk is multi-faceted and not fully quantifiable. Investment Managers should demonstrate the ability to identify, avoid or seek to manage risks that are uncompensated.
- It is important to manage volatility in an appropriate way that balances the long-term investment horizon of the typical Member with the reality that Members will still be able to withdraw a portion of their benefits on termination of employment (e.g. due to retrenchment or resignation) for some time.⁹
- The use of smoothing (via smoothed bonus Investment Portfolios) is a valuable way to manage volatility without sacrificing long-term investment returns.
- Active management and active tactical asset allocation can both add value, after accounting for costs. Nonetheless, a low-cost index-tracking approach can form an important component of investment strategies.
- Maximising net returns is more important than fees in their own right. The Funds should be fee conscious and aim to capture benefits from scale to achieve fee reductions on behalf of Members over time. It is appropriate to pursue "value for money" in respect of investment management fees, bearing in mind market comparatives.
- Disciplined and rigorous manager selection is a source of value. There is value in proactive engagement with managers alongside in-depth annual due diligences to ensure best of breed managers are maintained.

⁹ This dynamic will change gradually over time with the implementation of the Two-Pot system, as described in Section 2.2.



2.4.1.3 Responsible and sustainable investment

The Management Board is guided by the following beliefs regarding responsible and sustainable investment. More details are provided in Section 7:

- The Funds' investment activities are undertaken in the dynamic triple context of economy, society and environment. All three contexts must be considered in the Funds' investment approach.
- Sustainability plays a crucial role in ensuring the longevity and growth of investments.
- Sustainable investments consider all stakeholders including: the environment which they utilise, the society which they serve and the systems in which they operate. Through responsible investments, investors and asset owners can contribute to the protection of the environment and sustainability of social systems.
- In the South African context, the advancement of transformation goals and BBBEE is imperative in ensuring national economic equality but also improves decision-making capabilities through diverse thinking.
- Investees and the long-term returns they generate are more likely to be sustainable when the investee is well governed, meets customers' needs, treats employees equitably, pays fair taxes and respects their environment and community. This applies across all asset classes.
- Investment risks associated with climate change and the related economic transition will materially impact the value of the Funds' investments in future. It is appropriate to pursue a just transition, which seeks to ensure that the substantial benefits of a green economy transition are shared widely, while also supporting those who stand to lose economically, including industries, communities, workers and consumers.

2.4.2 Investment Philosophy/Strategy

Within a defined contribution context, investment risk is borne by Members. Given the very long-term timeframe of a typical Member's retirement savings journey (which includes both the accumulation stage within a retirement fund, as well as the decumulation stage within an annuity or other investment vehicles), it is appropriate to prioritise a long-term investment approach which pursues meaningful returns in excess of inflation.

However, the Management Board is cognisant that many Members may not traverse a uniform accumulation-decumulation path, for the following reasons:

- Contribution rates will depend on the decision by the Participating Employer as well as the financial circumstances of each Member (and their ability to make higher contributions).
- Members may commence their retirement savings journey at various ages.
- On changing jobs or on loss of employment, Members may elect not to preserve their Vested and Savings Components, but may take a portion thereof in cash.
- The proposed Two-Pot system will enable Members to access up to 1/3rd of future contributions and any growth thereon from their Savings Component, with withdrawals permitted once per tax year, without a change of employment status.
- At retirement, Members may elect to take some or all of their Vested and Savings Components in cash to the extent permitted. This will depend on the regime applicable in



respect of historic contributions (i.e. whether historic contributions were made to a pension or provident fund prior to March 2021); the Member's age on 1 March 2021 (for Provident Fund Members); and the value of the amount to be annuitized relative to the *de minimis* level.

- In respect of annuitisation at retirement, Members can select from a range of different investment approaches, such as a conventional Life-Guaranteed Annuity (whether level, increasing, inflation-linked or with-profit) or a Living Annuity with various underlying investment portfolios, or a combination thereof. Each annuity option has a different liability profile and may be impacted differently by market movements.

The Funds' investment strategy must therefore balance all these factors, given the diverse range of Members and Participating Employers.

Taking this context into account, the Funds' investment philosophy/strategy can be summarised as follows:

- The Funds shall offer a range of Investment Options to cater for the varying needs of the Funds' diverse range of Participating Employers, pre-retirement Members and Living Annuitants.
- Recognising that diversification is an effective method of risk mitigation, the Funds shall enable investment in a suitable blend of asset classes, investment styles and Investment Providers.
- The Investment Options and Investment Portfolios made available shall seek to enable the close matching of Members' pre- and post-retirement investment goals taking cognisance of their risk profiles.
- The Investment Options made available (with the exception of SuperFund Easy) shall provide Participating Employers and Members with a range of Investment Portfolios to choose from. The extent of choice shall vary depending on the Investment Option, but in respect of SuperFund Choice shall generally include, where appropriate:
 - A range of different risk profiles.
 - A range of different investment styles and philosophies.
 - Both active management and index tracking options.
 - Multi and single manager options.
 - Investments of conscience.
- Within certain Investment Options, the Funds shall offer access to both Old Mutual and non-Old Mutual Investment Portfolios. In line with the Governance Agreement, and subject to robust due diligence and governance processes, the Funds will typically select Old Mutual Investment Portfolios as default options if they are competitive and suitable for the needs of the membership and the profile of the liabilities.
- Within SuperFund Easy, SuperFund Choice, OMSLA, and as a general rule within SuperFund Customised¹⁰, the Funds shall utilise only pooled unitised daily-priced Investment Portfolios

¹⁰ In isolated cases, the Management Board permits very large Participating Employers within SuperFund Customised to use segregated Investment Portfolios where a strong motivation is made by the Management Committee, which must demonstrate robust governance, adequate capacity to manage the structure, and appropriate support from the appointed Investment Consultant. Where such portfolios are permitted an investment platform is required to provide the necessary compliance and pricing.



(either constituted as collective investment schemes or policies of insurance) with appropriate levels of liquidity which allow daily switching. The rationale for this approach is as follows:

- As a flexible Member investment choice offering, the Funds require daily priced unitised portfolios, high levels of liquidity, the option of daily switching, and detailed investment fact sheets. Pooled portfolios offer these features.
 - Old Mutual SuperFund spans a diverse range of Participating Employers and Members, and therefore needs to cater for a wide range of investment needs and preferences. Utilising pooled portfolios enables the Funds to offer Investment Portfolios spanning a broad range of investment styles and risk-return profiles. If segregated portfolios were used, this range would be too complex for the Management Board to provide proper oversight.
 - The overall cost of offering a wide range of pooled portfolios is expected to be lower than it would be if a similar range of segregated portfolios were used (taking into account all costs, including the expertise, oversight and governance required).
 - Subject to following a robust due diligence and governance process, utilising pooled portfolios from reputable Investment Providers increases the marketability of the Funds, enabling increased membership and therefore driving down overall costs per Member.
 - Utilising pooled portfolios increases the Funds' ability to access illiquid asset classes, such as alternative investments, impact investments and direct property which provide valuable diversification, as well as achieving positive targeted investment outcomes. These asset classes are utilised in the Funds' Default Investment Portfolio and select other Investment Portfolios.
- The Funds shall seek to utilise Investment Providers which prioritise a responsible and sustainable investment approach, and which prioritise BBBEE and other transformation imperatives. The Funds shall regularly and actively engage with Investment Providers to ensure sustainability of assets.¹¹
 - Every Investment Portfolio¹² utilised must comply individually with the requirements and asset limits set out in Regulation 28 of the Pension Funds Act.

2.4.3 Investment Objectives

The Funds' investment objectives can be summarised as follows:

- To achieve sustainable and optimal risk-adjusted returns in excess of inflation over periods appropriate to each Investment Portfolio and appropriate to the nature of the liabilities. This is the Funds' primary investment objective.

¹¹ The Funds' prioritisation of a responsible and sustainable investment approach is expanded on in the Responsible and Sustainable Investment Policy (Section 7). The Funds' prioritisation of transformation and B-BBBEE is expanded on in Section 8.

¹² Or combination of Investment Portfolios, where applicable



- To incorporate environmental, social and governance (ESG) factors into investment decisions, to act as responsible asset custodians, better manage risk and generate sustainable, long-term returns.
- To act as responsible active owners of the Funds' assets within the practical constraints experienced in context of the Funds' pooled Investment Portfolios.
- To utilise Default Investment Portfolios which are appropriate for the categories of Members invested in such defaults.
- To ensure that the investment structure and the range of Investment Portfolios offered are appropriate for the liabilities and needs of the membership.
- To ensure appropriate investment management costs which are competitive and lower than a typical Member would pay if they had to make provision for retirement in their personal capacity.
- To ensure that all investments are appropriately overseen and directed by the SuperFund Management Board.

2.4.4 Investment Risk Management Strategy

- The Funds' approach to risk management of investments must be guided by the Funds' overall risk management policy; the requirements of Regulation 28 and other applicable regulation; and the Funds' broader investment beliefs and investment philosophy.
- The Funds shall continuously assess risk exposure and opportunities in investments over the short, medium and long term by following a comprehensive and systematic approach. This should include continuous evaluation of volatility, market risk, credit risk and liquidity risk (as well as other risks as appropriate) to understand how these risks may impact the Funds' investment strategy. Such assessment may include consideration of historical data, economic indicators and market trends.
- The Funds shall continuously monitor investments and regularly review the investment strategy to ensure that Investment Portfolios offered are aligned with the Funds' objectives and risk tolerance.

2.5 GOVERNANCE OF THE INVESTMENT PROCESS

Regulation 28(2)(c) requires the Funds and the Management Board to comply with the set of principles listed in that Regulation. The Management Board has incorporated these principles into its governance processes and investment strategy. The Management Board shall:¹³

(i)	promote the education of the Management Board with respect to pension fund investment, governance and other related matters;
(ii)	monitor compliance with Regulation 28 by the Funds' advisors and service providers;
(iii)	in contracting services to the Funds or the Management Board, consider the need to promote [BBBEE] of those providing services, as described in Section 8;

¹³ Numbering follows that of Regulation 28(2)(c)



(iv)	ensure that the Funds' Investment Portfolios are appropriate for its liabilities;
(v)	before making a contractual commitment to invest in an Investment Portfolio or making an Investment Portfolio available to Members, perform reasonable due diligence taking into account risks relevant to the investment including, but not limited to, credit, market and liquidity risks, as well as operational risk for assets not listed on an exchange, as described in Section 5;
(vi)	in addition to (v), before making a contractual commitment to invest in a third party managed foreign asset or investing in a foreign asset, perform reasonable due diligence taking into account risks relevant to a foreign asset including but not limited to currency and country risks, as described in Section 5;
(vii)	in performing a due diligence exercise, the Management Board may take credit ratings into account, but such credit ratings shall not be relied on in isolation for risk assessment or analysis of an asset, shall not be to the exclusion of the Funds' own due diligence, and the use of such credit ratings shall in no way relieve the Management Board of its obligation to comply with all the principles set out here;
(viii)	in selecting Investment Portfolios to make available, understand the changing risk profile of assets of the Funds over time, taking into account comprehensive risk analysis, including, but not limited to credit, market, liquidity and operational risk, and currency, geographic and sovereign risk of foreign assets; and
(ix)	consider any factor which may materially affect the sustainable long-term performance of an asset including, but not limited to, those of an environmental, social and governance character, as described in Section 7.

The Management Board has established and mandated the Investment and Actuarial Sub-Committee to oversee certain elements of the investment governance process. The roles and responsibilities of the Investment and Actuarial Sub-Committee are set out in this Sub-Committee's mandate.

2.6 REGULATION 28 ASSET LIMITS AND REPORTING

Regulation 28 of the Pension Funds Act highlights that a retirement fund has a fiduciary duty to act in the best interest of its members, whose benefits depend on the responsible management of fund assets. It sets out a schedule of assets in which a retirement fund may invest, with limits defining the maximum allocations permitted to different asset classes.

The Funds require that every Investment Portfolio (or combination of Investment Portfolios, where applicable) made available for the investment of a Members' Member Account must be Regulation 28 compliant. Every Investment Portfolio (or combination of Investment Portfolios, where applicable) must comply in its own capacity with all the asset limits and aggregate exposures set out in Regulation 28(3).

The primary responsibility for compliance with much of the detail of Regulation 28 asset limits will rest with the Investment Provider, Investment Platform or Investment Consultant who manages each Investment Portfolio (or combination of Investment Portfolios, where



applicable). Nonetheless, the Management Board recognises that it retains an overarching responsibility to uphold the requirements and principles of Regulation 28.

2.6.1 Regulation 28 compliance by pooled Investment Portfolios

With the exception of a portion of assets in the SuperFund Customised section, the Funds utilise only Regulation 28 compliant pooled products. With effect from January 2023, Investment Providers must provide such information as is required to enable the Funds to comply with the amendments to Regulation 28 gazetted in July 2022.

All Investment Providers managing pooled Investment Portfolios are required to:

- Operate the Investment Portfolios in accordance with Regulation 28 limits.
- Have systems in place to monitor such compliance on a daily basis.
- Have procedures in place to address any breaches of compliance.
- Report breaches to the Funds as and when they occur.
- Provide proof or certification of Regulation 28 compliance on request.
- Timeously provide all information required by the Funds to submit reporting on compliance with Regulation 28 and any applicable regulatory reporting standard, both for regular submissions and for audited financial statements.
- Stipulate, to the extent applicable, compliance in accordance with Regulation 28(2)(c)(ix).
- In respect of market movement breaches: the details of the breach will be put on file and the Management Board notified by the Funds' Administrator. The Investment Portfolio will be tracked to confirm if the breach has been corrected.

These requirements may be developed further when the relevant Prudential Standards regarding Regulation 28 reporting are finalised.¹⁴

2.6.2 Regulation 28 compliance in respect of segregated Investment Portfolios

Where specialised mandates are utilised as part of a Sub-Fund Investment Plan, the Management Committee of the Sub-Fund and its appointed Investment Consultant must undertake to monitor and ensure compliance with Regulation 28 at Sub-Fund and portfolio¹⁵ level. The requirements set out in Section 2.6.1 shall apply, *mutatis mutandis*, to any segregated Investment Portfolio or combination of Investment Portfolios (as applicable).

- Any Investment Portfolio (or combination of Investment Portfolios, as applicable) offered to Members must be administered in such a way as to be compliant with the principles and quantitative measures and aggregate exposures in Regulation 28 in its individual capacity.

¹⁴ On 2 April 2024, the FSCA published Prudential Standard 1 of 2024, which outlines the quarterly reporting requirements under Regulation 28 of the Pension Funds Act. This standard mandates that funds submit detailed quarterly reports electronically, within the time periods stipulated, in respect of any non-compliance with or breaches in terms of Regulation 28. If no non-compliance or breaches occurred, a fund does not have to submit such a report. However, the FSCA will proceed to publish a new draft Prudential Standard for public consultation which will incorporate both non-compliance reporting and reporting on assets held in compliance with Regulation 28. The latter Prudential Standard will ultimately then replace the aforementioned Prudential Standard.

¹⁵ I.e. at the level of each Investment Portfolio or combination of Investment Portfolios that a Member can select.



- The Sub-Fund Investment Consultant is responsible for ensuring compliance of the Investment Portfolio (or combination of Investment Portfolios) to Regulation 28 and forex reporting to the Reserve Bank and provide the reporting required by the Funds.



2.7 APPROACH TO THE USE OF DERIVATIVES INSTRUMENTS

The responsible and efficient use of derivative instruments can be used for effective portfolio management, and as such, the Management Board have established the following guidelines:

- Derivatives may be employed by investment managers but are subject to limits as defined in the relevant regulations. Their utilisation must strictly adhere to the requirements set forth in FSCA Conduct Standard 1 of 2023 (RF) concerning derivatives.
- Derivatives can be employed for asset allocation, stock selection and hedging purposes, but not for speculation.
- A derivative position can only be initiated if the mandate to that manager allows the use of derivatives explicitly including guidelines on their valuation methodology, specification on limits regarding the use of leverage and position size.
- Every investment manager mandated to use derivatives must have a track record demonstrating their ability to execute efficient management of positions.
- Every investment manager mandated to use derivatives is required to maintain a formal derivative policy, available upon request to the Management Board.
- Investment managers of Default portfolios are prohibited from using derivatives to bypass the asset exposure limits specified in Regulation 28. If an asset comprises underlying assets other than market index derivatives, the investment manager must disclose these underlying assets in the relevant category specified in Table 1 of Regulation 28 to align with the economic exposure of the underlying assets.
- To facilitate proper oversight and adherence to Regulation 28 limits and reporting requirements, the Management Board must receive timely and relevant information from investment managers on a quarterly basis, specifically regarding exposures created or managed via derivative instrument positions.

2.8 REVIEW OF THE IPS

The Management Board shall review the IPS at least once a year, as stipulated by Regulation 28. However, the IPS may need to be reviewed more frequently if any of the following changes occur:

- Major change of Member profile;
- Major change in the Funds' benefit structure;
- Change in legislation affecting the Funds or investment conditions: e.g. a material change in the applicable tax laws, or a relaxation of exchange control;
- Change in economic factors affecting investment conditions: e.g. a significant change in inflation, or a major market correction; e.g. decline by 20% or more from its most recent peak;
- Major change in asset structure: e.g. introduction of new investment channels if applicable;
- Major change in the Management Board – so as to ensure continuity of information.



3 OVERVIEW OF THE SUPERFUND INVESTMENT STRUCTURE

3.1 MEMBERSHIP PROFILE

3.1.1 Pre-retirement membership profile

Old Mutual conducts regular research regarding the needs, characteristics and preferences of retirement fund members. Elements of this research are included in the Old Mutual Retirement Monitor. The Management Board utilises this research and conducts further analysis of its own to inform the degree of investment choice offered to Members and Participating Employers, and to better understand Member needs and preferences regarding smoothed bonus and market linked investments.

The Funds' consultants have also derived distributions of earnings level for the Members of the Funds. This distribution shows substantial proportions of the Funds' membership earning at relatively low levels, and then a spread across the income spectrum. The Funds are of the view that income levels have a significant impact on risk tolerance:

- At lower-income levels, there is a preference for investment management by trusted professionals, smoothing of investment returns and capital guarantees (often expressed as intolerance of capital losses close to retirement).
- At middle-income levels, there is frequently a limited desire to get involved in the investment decision making – this could be expressed either as a preference for a life-stage portfolio of different style or choice from a limited range of Investment Portfolios.
- At higher-income levels, where Members have easier access to professional personal financial planners, there is a desire by some Members to be more involved in putting together an appropriate investment mix.

Other factors which influence risk tolerance include age, time to retirement, size of accumulated savings (both inside and outside the Fund) and adequacy of contribution rates.

A more detailed analysis of the profile and characteristics and needs of different Member groupings is set out in Annexures A and B in respect of SuperFund Easy and SuperFund Choice; and in the relevant Sub-Fund Investment Plans in respect of SuperFund Customised.

The Management Board is cognisant that the decision at retirement to annuitise (i.e. purchase an annuity) or take a cash lump sum is influenced by:

- The relative sizes of the Vested Pension and Vested Provident Components; and
- The size of the retirement component and how the overall sum of amounts required to be annuitized compare to the *de minimis* threshold for annuitisation.

Given the March 2021 changes to annuitisation requirements for Provident Funds, and given that the Funds do not have knowledge of a Member's other retirement savings outside the Funds, it is assumed that the most appropriate target outcome at retirement is for a typical Member to purchase an annuity with their SuperFund retirement savings, while taking



cognisance that some Members may still elect to take their full retirement benefit in cash (where permitted). As a result, a consistent investment strategy is utilised for both Funds.

3.1.2 Post-retirement membership profile

As a new offering, there are not currently any Living Annuitants in the Funds. However, the make-up of the Living Annuitant membership is expected to have diverse characteristics. This is described further in Annexure D.2, and the Funds' Annuitisation Policy Statement.

3.2 PARTICIPATING EMPLOYER PROFILE

There are more than 5,700¹⁶ Participating Employers in Old Mutual SuperFund, spanning a very wide range of circumstances. Participating Employer schemes vary by the following factors (as well as many other factors):

- Number of employees: *From 5 employees to more than 20,000 employees;*
- Value of assets: *From zero to more than R20 billion;*
- Contribution rate structure, benefit structure and benefits offered;
- Geographic location and spread: *From single-location employers to employers with hundreds of branch locations across the country;*
- Industry;
- Financial literacy of members & ability for members to access a computer, digital interface or access to data ; and
- Intermediation.

As a result of this diversity of Employer needs and circumstances (when considered together with the diversity of Member needs and circumstances), SuperFund encompasses several different Investment Options. The range of Investment Options enables Participating Employers (with the assistance of their intermediary, where appropriate) to select the structure which best suits their circumstances and the needs of their Members.

3.3 SUPERFUND INVESTMENT OPTIONS

The overarching SuperFund investment structure in respect of pre-retirement Members is summarised in the table which follows. This table provides a summarised definition of the seven Investment Options¹⁷ made available to Participating Employers, namely:

1. SuperFund Easy
2. SuperFund Choice Default Lifestage
3. SuperFund Choice Single Manager Defaults
4. SuperFund Choice Other Lifestages
5. SuperFund Choice Strategy
6. SuperFund Choice Extended

¹⁶ As at 31 March 2024

¹⁷ Note that in other SuperFund documentation and marketing material, the term "Investment Package" or "Investment Package Option" is used interchangeably with the term "Investment Option"



7. SuperFund Customised.

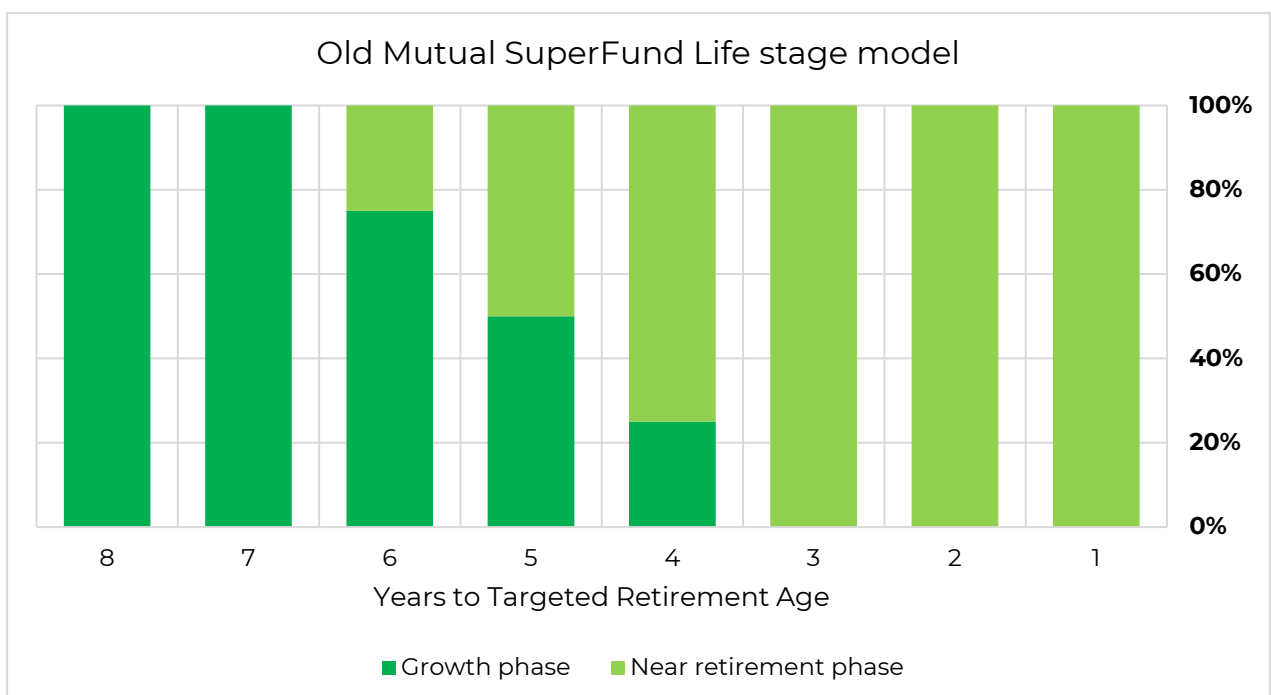
The investment structure has developed over time taking into account historic structures, regulatory changes, Sponsor proposals and market needs in respect of the Funds' very diverse range of Participating Employers and Members. The rationale for the extent of investment choices made available and the applicable Default Investment Portfolios is expanded on in the relevant Annexures of this IPS which address each Investment Option.

There is only one Investment Option available to post-retirement Members (i.e. Living Annuitants), namely the OMSLA option. This is described in Annexure D.

3.4 SUPERFUND LIFESTAGE MODEL

The Investment Portfolio structure within each life-stage option must reduce volatility risk as the Member approaches their selected retirement age. This will be achieved by transferring a set proportion of the Member's investment into a lower risk Investment Portfolio over the period leading up to the Member's selected retirement age. In all cases except the smoothed life-stage strategy, between 7 and 4 years before the Member's selected retirement age, the Member's investments are transitioned from an Investment Portfolio with a high exposure to "growth" assets (and therefore greater volatility of returns) to one with a lower exposure to "growth" assets (and therefore lower volatility of returns) and lower volatility. By normal retirement age, the Member's whole investment is in the lower risk Investment Portfolio as shown in the chart below.

In the case of the smoothed life-stage strategy, the underlying exposure to growth assets remains constant but the level of capital guarantee increases in the 7 to 4 years before retirement resulting in lower expected volatility and lower expected returns in the near retirement phase.





4 DEFAULT INVESTMENT PORTFOLIOS

4.1 OVERVIEW OF DEFAULTS

Regulation 37 of the Pension Funds Act requires the Funds' IPS to include provision of one or more Default Investment Portfolios. A "default investment portfolio" is defined as:

"an investment portfolio(s) in which the retirement funding contributions of a Member must be invested unless the fund has been instructed by the Member in writing to invest them in another investment portfolio provided in terms of the investment policy statement of the fund or options available to members of the fund, and which portfolio(s):

a) complies with the requirements set out in Regulation 37;

b) may differ in composition from member to member depending on:

(i) the age or likely date of retirement from service of each member;

(ii) the value of the retirement savings of the member in that fund,

(iii) the actual or expected retirement funding contributions of the member; or

(iv) any other factor reasonably considered by the board to be appropriate in respect of that member; and

c) complies with any conditions that may be prescribed."

The Member Account will be invested in the applicable Default Investment Portfolio from the date of joining the Fund, unless the Member has submitted an active election to invest in different Investment Portfolio(s) (where this is permitted).

Within the context of SuperFund's overall investment structure, the Management Board may utilise different Default Investment Portfolios for different Investment Options.

- In certain circumstances, the Management Board has given the Participating Employer or Management Committee the ability to select the default for that group of Members from a small range of Management Board-approved Investment Portfolios.¹⁸
- In the case of the Customised option, the Management Committee can propose a different default which meets the particular needs of that Sub-Fund, subject to Management Board review and approval.
- In the case of the OMSLA Investment Option: Although Regulation 37 does not require the Fund to select a "default" Investment Portfolio for in-fund living annuities, any Investment Portfolio utilised as part of the Fund's Regulation 39 annuity strategy (for a living annuity) must be compliant with the features set out in Regulation 37.

4.1.1 SUPERFUND EASY

Within SuperFund Easy, the Management Board utilises only a Single Investment Portfolio as the Default Investment Portfolio. This is a one-size-fits-all default. The underlying Investment Portfolio provides a high growth expectation, smoothed returns and a capital guarantee.

¹⁸ This is permitted in terms of paragraph 4.2(a) of Guidance Note 8/2018.



4.1.2 SUPERFUND CHOICE

Within SuperFund Choice, the Participating Employer can select the Default Investment Portfolio structure in respect of their employees from a very limited range of Management Board-specified options. Members who do not make an investment election will be placed in the Employer-selected Default Investment Portfolio. Prior to the implementation date of the Two-Pot retirement system, there were only two Investment Options from which the Default Investment Portfolio could be selected:¹⁹

SuperFund Choice (pre 01/09/2024)		
Default	Or	Life Stage
Single portfolio: <i>Absolute Stable Growth (AGP 80)</i> ; or Old Mutual Albaraka Balanced	Or	Smoothing Single manager Multi-manager (active) Multi-manager (passive)

- Default (previously known as Trustee Choice): This is a one-size-fits-all default. The Investment Portfolio, Absolute Stable Growth, provides a high growth expectation, smoothed returns and a capital guarantee. Where the Participating Employer does not wish to make an alternative selection, this is the 'master default' which the Management Board has selected for the Sub-Fund linked to such Participating Employers and their Members. The Management Board permits a Shari'ah-compliant Investment Portfolio as an alternative default selection for those Participating Employers which specifically require a Shari'ah-compliant investment approach. This default was specifically included to cater to Participating Employers who historically were permitted a Shari'ah-compliant default.
- Life-stage: The Life-stage Investment Option includes a small number of smoothed and market-linked life-stage Investment Portfolios which can be selected as the default for a Participating Employer's employees. Members are automatically transitioned from a primarily growth-focused Investment Portfolio to a less volatile Investment Portfolio as they approach retirement.
- Within SuperFund Choice, a Participating Employer cannot select the Default Investment Portfolio from the Strategy or Extended options.

¹⁹ All of the available options within these two Investment Options are considered by the Management Board as appropriate to be selected as the Default Investment Portfolio by the Participating Employer



TABLE: OVERVIEW OF PRE-RETIREMENT INVESTMENT OPTIONS –PRE 1 SEPTEMBER 2024

INVESTMENT OPTION ²⁰ →	SUPERFUND EASY	SUPERFUND CHOICE				SUPERFUND CUSTOMISED
		DEFAULT	EMPLOYER-ELECTED DEFAULTS	STRATEGY	EXTENDED	
Extent of investment choice available: (Employer specifies which Investment Options will be available within the given framework)	Absolute Stable Growth	Master Default: Absolute Stable Growth				Management Committee (with their investment consultant) designs the structure and selects which Investment Portfolios will be available (subject to certain constraints). Management Board must approve the structure and Investment Portfolios.
		Default + Shari’ah + Life-stage				
		Default + Shari’ah + Life-stage + Strategy				
		Default + Shari’ah + Life-stage + Strategy + Extended				
		Within SuperFund Choice, the Participating Employer’s selection defines the Investment Options applicable to a Member, and whether the Member has any right to move between Investment Options within SuperFund Choice. The Employer can elect to exclude Investment Options with a broader range of investment choice, as depicted above. If the Employer elects to exclude Strategy or Extended, then active Members will not be able to access it.				
Master Default: Absolute Stable Growth	<u>Employer-Elected Default:</u> Shari’ah: Old Mutual Albaraka Balanced Life Stage: <ul style="list-style-type: none"> • Smoothing • Single Manager • Multi-Manager • Index Tracking 	<u>Strategy:</u> Wider choice: A select range of Investment Portfolios from the OM Group.	<u>Extended:</u> Widest choice: A range of Investment Portfolios from the OM Group and other providers			

²⁰ Note that in other SuperFund documentation and marketing material, the term “Investment Package” or “Investment Package Option” is used interchangeably with the term “Investment Option”



INVESTMENT OPTION ²⁰ →	SUPERFUND EASY	SUPERFUND CHOICE				SUPERFUND CUSTOMISED
		DEFAULT	EMPLOYER-ELECTED DEFAULTS	STRATEGY	EXTENDED	
Default portfolio (Employer or Management Committee decision once the Investment Option has been selected)	Absolute Stable Growth	Absolute Stable Growth	Employer selects default from either Default or Life-stage options, or Shari'ah default.	<i>If Strategy and Extended are made available to members.</i> The Employer selects the default from either Default or the Life-stage options, or a Shari'ah default.		Management Committee (with assistance from their accredited Investment Consultant) proposes a default or selects the default from a list of Board-approved defaults. Board reviews and approves the default.
Member and Investment Portfolio characteristics	Detailed in Annexure A	Detailed in Annexure B.				Detailed in the Sub-Fund Investment Plan.
Range of options available when Member moves to Preserver or Deferred Retirement	All SuperFund Choice options					All SuperFund Choice options. On transfer into Preserver or Deferred Retirement, Member remains in original Customised Investment Portfolio(s), but can select Choice options for subsequent switches.
Default portfolio when Member moves to Preserver or Deferred Retirement	Same default as applied when Member was active (i.e. Absolute Stable Growth)	Same default as applied when Member was active (i.e. Default or one of the Life-stage options or Shariah)			Member remains in the same Investment Portfolio(s) as before transfer to Preserver or Deferred Retirement. If a Member switches out of such Investment Portfolio(s), they cannot switch back in. Management Board may change a Member's default where their previous default is considered inappropriate in changing circumstances.	



It is acknowledged that most Members cannot afford significant income loss at retirement. Upon retirement, Members no longer earn an active income and rely on their Member Account to sustain them. This necessitates an appropriate default investment portfolio at retirement, which the Management Board believes should be the starting point for determining the most suitable default.

As members approach retirement and their active income ceases, it is crucial to ensure their income is sustained. The Funds' Default, previously known as Trustee Choice being the Old Mutual Absolute Stable Growth Portfolio (AGP 80), not only aims to guarantee 80% of assets but is aligned to the assets underlying the default annuitisation options in the Fund.

However, in the context of the Two-Pot System, where some investments are preserved until retirement, the Management Board has therefore considered whether AGP 80 still remains the best fit for the Retirement Component throughout the working lifetime. Given that the two-thirds of assets are inaccessible until retirement and over time will represent the largest portion of a Member's Account, the argument for a higher capital guarantee, in the growth phase leading up to retirement, weakens. It is not that the AGP 80 is no longer the right default, but in the context of the Two-Pot System, the argument for AGP 80 is somewhat weakened due to the forced preservation until retirement. However, this weakening is not significant enough in some cases to rule out AGP 80 even in the post-Two-Pot world where the Member Accounts are skewed towards the Vested Component.

Post the implementation of the Two-Pot system, the Management Board has therefore decided that, where an Employer does not actively select the most appropriate default, the Default will be a Smoothing Life-stage Default which consists of a selection of smoothed bonus Investment Portfolios in which Members are automatically switched from a low level of capital guarantee to a higher level of capital guarantee as they progress towards retirement.

The Management Board believes that the aim should be to shift the behavior and culture around defaults, encouraging clients to work with their intermediaries or advisors to select the best option for their particular membership.

In addition to the Smoothing Life-stage Default, the Fund therefore now offers five other variations to choose from: two single Investment Portfolio defaults and three Other Life-stage defaults. The Management Board believes that each is equally appropriate depending on the membership base.

The Management Board prefers that clients actively choose the most appropriate default portfolio with the help of a FAIS accredited intermediary or advisor, rather than being automatically defaulted. However, if no selection is made, clients will be defaulted into the Smoothing Life-Stage Default.



With effect from the implementation date of the Two-Pot retirement system, the following Investment Options from which the Default Investment Portfolio can be selected are:

SuperFund Choice (post 01/09/2024)		
Life-Stage Default	Single Portfolio Default: Employer Choice	Other Life-Stage Default: Employer Choice
<i>Smoothing Life-stage</i> (this applies if the Employer does not actively choose the most appropriate default)	Absolute Stable Growth (AGP 80) or Old Mutual Albaraka Balanced	Single manager Multi-manager (active) Multi-manager (passive)

- Life Stage Default: A selection of smoothed bonus Investment Portfolios into which Members are automatically switched from a low level of capital guarantee to a higher level of capital guarantee as they progress towards retirement as per 3.4. In particular the growth portfolio is Absolute Smooth Growth (AGP 50) and the near retirement portfolio is Absolute Stable Growth (AGP 80). These Investment Portfolios provide high growth expectations, smoothed returns and capital guarantees. Where the Participating Employer does not wish to make an alternative selection, this is the ‘master default’ which the Management Board has selected for the Sub-Fund linked to such Participating Employers and their Members. This master default applies from the 1st of September for all new proposals submitted after 1 September to prospective Participating Employers. The strategic plan for engaging Existing Participating Employers in the previous default will be considered in Q1 2025 and it is recognised that this will be a lengthy project.
- A Participating Employer may instead of the Life-Stage Default elect a Single Portfolio Default or Other Life-Stage Default for their Sub-Fund with the help of a FAIS-accredited intermediary or advisor.
- Single Portfolio Default: The Single Portfolio Default election is limited to:
 - An Investment Portfolio that is a one-size-fits-all default that provides a high growth expectation, smoothed returns and a capital guarantee, or
 - A Shari’ah-compliant Investment Portfolio as a one-size-fits-all default for those Participating Employers which specifically require a Shari’ah-compliant investment approach,
- Other Life-stage Default: The Other Life-stage Investment Default Investment Option includes a small number of market-linked life-stage Investment Portfolios which can be selected as the default for a Participating Employer’s employees. Members are automatically transitioned from a primarily growth-focused Investment Portfolio to a less volatile Investment Portfolio better matched to their decumulation stage investment options as they approach retirement.
- Within SuperFund Choice, a Participating Employer cannot select the Default Investment Portfolio from the Strategy or Extended options



TABLE: OVERVIEW OF PRE-RETIREMENT INVESTMENT OPTIONS – POST 1 SEPTEMBER 2024

INVESTMENT OPTION ²¹ →	SUPERFUND EASY	SUPERFUND CHOICE				SUPERFUND CUSTOMISED
		DEFAULT	EMPLOYER-ELECTED DEFAULT	STRATEGY	EXTENDED	
Extent of investment choice available: (Employer specifies which Investment Options will be available within the given framework)	Old Mutual Absolute Stable Growth	Master Default • Smoothed Life-stage				Management Committee (with their accredited Investment Consultant) designs the structure and selects which Investment Portfolios will be available (subject to certain constraints). Management Board must approve the structure and Investment Portfolios.
		Default + other Employer elected Defaults				
		Default + other Employer Elected Defaults + Strategy				
		Default + other Employer Elected Defaults + Strategy + Extended				
Within SuperFund Choice, the Participating Employer’s selection defines the Investment Options applicable to a Member, and whether the Member has any right to move between Investment Options within SuperFund Choice. The Employer can elect to exclude Investment Options with a broader range of investment choice, as depicted above. If the Employer elects to exclude Strategy or Extended, then active Members will not be able to access it.						
Default portfolio (Employer or Management Committee decision once the Investment Option has been selected)	Old Mutual Absolute Stable Growth	<u>Default Life-stage</u> : Smoothed Life-stage	<u>Employer elected Defaults:</u> <u>Single Manager Defaults:</u> • Old Mutual Absolute Stable Growth • Old Mutual Albaraka Balanced <u>Other Life-stages:</u> Limited choice between life-	<i>If Strategy and Extended are made available to members.</i> The Employer selects the default from either Default Life-stage or the other Employer elected Defaults		Management Committee (with assistance from their accredited Investment Consultant) proposes a default or selects the default option from a list of Board-approved defaults. Board reviews and approves the default option selected.

²¹ Note that in other SuperFund documentation and marketing material, the term “Investment Package” or “Investment Package Option” is used interchangeably with the term “Investment Option”



INVESTMENT OPTION ²¹ →	SUPERFUND EASY	SUPERFUND CHOICE				SUPERFUND CUSTOMISED
		DEFAULT	EMPLOYER-ELECTED DEFAULT	STRATEGY	EXTENDED	
			stage portfolios with different styles: <ul style="list-style-type: none"> • Single Manager • Multi-Manager • Index Tracking 			
Member and Investment Portfolio characteristics	Detailed in Annexure A	Detailed in Annexure B.				Detailed in the Sub-Fund Investment Plan.
Range of options available when Member moves to Preserver or Deferred Retirement	All SuperFund Choice options					All SuperFund Choice options. On transfer into Preserver or Deferred Retirement, Member remains in original Customised Investment Portfolio(s), but can only select Choice options for subsequent switches.
Default portfolio when Member moves to <u>Preserver</u> or <u>Deferred Retirement</u>	Same default as applied when Member was active	Same default as applied when Member was active				Member remains in the same Investment Portfolio(s) as before transfer to Preserver or Deferred Retirement. If a Member switches out of such Investment Portfolio(s), they cannot switch back in. Management Board may change a Member's default where their previous default is considered inappropriate in changing circumstances.



4.1.3 SUPERFUND CUSTOMISED

The SuperFund Customised section provides the investment flexibility required by large or uniquely structured Participating Employers. This has enabled the consolidation of previously stand-alone funds into Old Mutual SuperFund. Participating Employers in this section have additional discretion as to the Default Investment Portfolio utilised for their in-service Members (subject to Management Board oversight).

- In respect of Sub-Funds falling below a given threshold²² in respect of total assets and/or contributions (sometimes referred to as “Customised Lite”), a Participating Employer’s Management Committee can select from a range of pre-approved Default Investment Portfolios²³, based on analysis conducted by that Sub-Fund’s accredited Investment Consultant.
- For very large Sub-Funds, the Management Board enables an accredited Investment Consultant to assist that Participating Employer’s Management Committee to motivate its own Default Investment Portfolio to the Management Board (which the Management Board shall consider and, if appropriate, approve).

4.1.4 OMSLA

OMSLA offers four primary investment portfolios for selection. Recognising that some Members may require a Shari’ah-compliant option, the Funds have included an additional Shari’ah-compliant portfolio. Members may choose from the available portfolios to invest in, but are restricted to investing in no more than four portfolios at any given time. These portfolios are selected from the range of protection phase Investment Portfolios utilised in the Choice Life-stage Investment Option plus a Shari’ah-compliant portfolio. This enables a direct matching of pre- and post-retirement investment strategies for the majority of Members (i.e. SuperFund Choice Members, Preserver Members and Deferred Retirees). Where the Investment Portfolio for the OMSLA Investment Option is a smoothed bonus policy, this smoothed bonus policy will comply with Conduct Standard 5 of 2020. The Trustees have selected Absolute Stable Growth (AGP 80) as the default investment choice for OMSLA which is consistent with the near retirement default investment strategies both before and after 1 September 2024.

4.2 DEFAULT STRUCTURE AND COMPLIANCE

This sub-section addresses the compliance of the Funds’ default investment approach with the specific provisions of Regulation 37(2) and Conduct Standard 5 of 2020.

4.2.1 Compliance with Conduct Standard 5 of 2020

Conduct Standard 5 of 2020 sets out conditions with which a smoothed bonus policy must comply to be utilised as a Default Investment Portfolio. The Management Board is satisfied that

²² The thresholds are set by the Management Board in consultation with the Sponsor, and may vary from time to time. Participating Employers which have begun participation within SuperFund Customised under a particular dispensation may be permitted to continue, even if the threshold changes.

²³ The approved options are set out in Annexure C.7.1.



all smoothed bonus Investment Portfolios utilised by the Funds (whether as a default or otherwise) are compliant with the relevant criteria.

4.2.2 Compliance of Living Annuity Investment Portfolios with Regulation 37

The Investment Portfolios utilised in the OMSLA offering are all selected from those used as defaults in SuperFund Choice. Their compliance is therefore addressed in the same category in the next section.



4.2.3 Compliance with Regulation 37(2)

<p><u>DEFAULT REGULATION</u> <i>"37.(2) The board must ensure, and be able to demonstrate to the Registrar on request, that –</i></p>	<p>SUPERFUND EASY / CHOICE / PRESERVER / DEFERRED RETIREMENT / LIVING ANNUITY</p>	<p>SUPERFUND CUSTOMISED</p>
<p><u>Default investment portfolio(s) are appropriate for the members who will be automatically enrolled into them:</u> (a) <i>The design of the default investment portfolio, including its</i></p> <ol style="list-style-type: none"> <i>I. Objective;</i> <i>II. Underlying asset allocation;</i> <i>III. Fees and charges; and</i> <i>IV. The expected risks and returns to which it exposes members whose retirement savings in that fund are or will be invested in the default investment portfolio,</i> <p><i>is appropriate to that category of members whose retirement funding contribution and retirement savings are or will be invested in the default investment portfolio(s);</i></p>	<p>The analysis of the needs and characteristics of Members in SuperFund Easy and SuperFund Choice (which includes SuperFund Preserver and Deferred Retirement) is set out in Annexures A and B. Analysis of Living Annuitants is set out in Annexure D.</p> <p>Regarding the defaults used:</p> <ul style="list-style-type: none"> • The Investment Portfolio objectives are carefully considered for different categories of Members. • The underlying asset allocation is specified in the mandate by the Investment Provider (subject to Regulation 28). The Management Board carefully selects Portfolios which have a mandate appropriate for the needs of each category of Members. • Fees and charges are monitored closely by the Management Board for reasonability and competitiveness, and disclosed regularly. • Risk and return expectations are considered at the time of determining portfolio objectives and assessed on an ongoing basis. 	<ul style="list-style-type: none"> • The Fund-accredited Investment Consultant assisting the Management Committee of a Participating Employer in SuperFund Customised is required to carefully analyse the needs and characteristics of the active membership of that scheme. • The analysis must consider factors such as the age profile, earnings levels, contribution rates, and projected replacement ratios, level of understanding of investment matters, tolerance for volatility and staff turnover rates of that Sub-Fund. • Such analysis is then used to recommend the most appropriate Default Investment Portfolio(s) and overall investment structure and strategy for the in-service Members of that particular Sub-Fund. This recommendation is then set out and clearly motivated in the Sub-Fund Investment Plan. • The Sub-Fund Investment Plan must be reviewed and approved by the Management Committee and then the Management Board before it is implemented, and the Management Board continues to monitor the performance and appropriateness of all Investment Portfolios utilised.
<p><u>The composition of assets and performance of the default investment</u></p>	<ul style="list-style-type: none"> • Investment returns and asset allocations are set out in the Investment Portfolio fact sheets which are 	<ul style="list-style-type: none"> • <i>For Investment Portfolios from the SuperFund Choice Extended range.</i> Investment returns and asset allocations are set out in the Investment Portfolio fact



<u>DEFAULT REGULATION</u> <i>"37.(2) The board must ensure, and be able to demonstrate to the Registrar on request, that –</i>	SUPERFUND EASY / CHOICE / PRESERVER / DEFERRED RETIREMENT / LIVING ANNUITY	SUPERFUND CUSTOMISED
<p><u>portfolio are adequately communicated to members</u></p> <p>(b) <i>The composition of assets and performance of the default investment portfolio(s), and fund returns are communicated to members on a frequency and format which may be prescribed;</i></p>	<p>published monthly on the SuperFund website and can be sent to a Member upon request.</p>	<p>sheets which are published monthly on the SuperFund website and can be sent to a Member upon request.</p> <ul style="list-style-type: none"> • <i>For bespoke Investment Portfolios.</i> Investment returns and asset allocations are set out in the investment communication which the Sub-Fund investment consultant is required to prepare, for communication to Members.
<p><u>Default investment portfolios are reasonably priced and competitive</u></p> <p>(c) <i>The fees and charges in respect of the default investment portfolio(s) or the assets held in respect of the default investment portfolio(s) are reasonable and competitive, taking account of the size, asset allocation and other characteristics of the fund;</i></p>	<ul style="list-style-type: none"> • Investment fees and charges are negotiated based on the large pool of assets in respect of Old Mutual SuperFund, enabling lower costs than what would be paid if negotiated separately. • The Management Board reviews the fees and charges regularly to ensure competitiveness. 	<ul style="list-style-type: none"> • <i>For Investment Portfolios from the SuperFund Choice Extended range.</i> Investment fees and charges are negotiated based on the large pool of assets in respect of Old Mutual SuperFund, enabling lower costs than what would be paid if negotiated separately. The Management Board reviews the fees and charges regularly to ensure competitiveness. • <i>For bespoke Investment Portfolios.</i> The Management Board reviews investment fees and charges for all Investment Portfolios (including defaults) offered under Customised for reasonability and competitiveness on an annual basis.
<p><u>All fees and charges are disclosed</u></p> <p>(d) <i>All fees and charges, whether borne directly or indirectly by the fund, implicit or explicit, are disclosed on a regular basis to boards and the</i></p>	<ul style="list-style-type: none"> • Fees and charges are disclosed to the Management Board on an ongoing basis and reviewed annually. • An Investment Portfolio Fee List is disclosed to Members on the SuperFund website and is also available upon request. It is reviewed on a regular basis. 	<p>For Investment Portfolios from the SuperFund Choice Extended range:</p> <ul style="list-style-type: none"> • Fees and charges are disclosed to the Management Board on an ongoing basis and reviewed annually.



<p><u>DEFAULT REGULATION</u> <i>"37.(2) The board must ensure, and be able to demonstrate to the Registrar on request, that –</i></p>	<p>SUPERFUND EASY / CHOICE / PRESERVER / DEFERRED RETIREMENT / LIVING ANNUITY</p>	<p>SUPERFUND CUSTOMISED</p>
<p><i>relevant information is appropriately disclosed to members, in a clear and understandable language, and in formats which may be prescribed;</i></p>	<ul style="list-style-type: none"> Investment Portfolio fact sheets for portfolios used as defaults must include the Total Expense Ratio and Transaction Costs, which sum to the Total Investment Charges. 	<ul style="list-style-type: none"> An Investment Portfolio Fee List is disclosed to Members on the SuperFund website and is also available upon request. It is reviewed on a regular basis. Investment Portfolio fact sheets for portfolios used as defaults must include the Total Expense Ratio and Transaction Costs, which sum to the Total Investment Charges. <p>For bespoke Investment Portfolios:</p> <ul style="list-style-type: none"> The Sub-Fund's appointed Investment Consultant must provide investment returns and relevant fee disclosures to the Management Committee, which must be communicated to Members. Where Investment Portfolio fact sheets are prepared, these are required to include the Total Expense Ratio and Transaction Costs, which sum to the Total Investment Charges.
<p><u><i>Both passive and active investment must be considered as investment options</i></u> (e) <i>It considers both passive and active investment strategies as part of the default investment portfolio;</i></p>	<p>The Management Board has included both index-tracking and active investment management styles within the available Default Investment Portfolios:</p> <ul style="list-style-type: none"> The Life Stage Default option utilises an index-tracking building block as part of its local equity mandate. Within the other Life-stage options there is a pure Index Tracking strategy which can be selected as a default. 	<p>The Sub-Fund Investment Plan must set out details regarding how active and passive investment strategies have been considered, and how the Sub-Fund will implement the agreed-upon approach.</p>



<p><u>DEFAULT REGULATION</u> <i>"37.(2) The board must ensure, and be able to demonstrate to the Registrar on request, that –</i></p>	<p>SUPERFUND EASY / CHOICE / PRESERVER / DEFERRED RETIREMENT / LIVING ANNUITY</p>	<p>SUPERFUND CUSTOMISED</p>
<p><u>No loyalty bonuses or other complex fee structures</u> (f) <i>No fees or charges deducted from or amounts credited to members' retirement savings or retirement funding contributions or otherwise paid to members by any service provider in respect of the default investment portfolio may depend on the length of time that an individual has been a Member of the fund, the number of contributions made by the Member or any similar measure;</i></p>	<p>There are no loyalty bonuses associated with any of the default (or other) Investment Portfolios.</p>	<p>There are no loyalty bonuses associated with any of the default (or other) Investment Portfolios.</p>
<p><u>Members are not locked into the default investment portfolio</u> (g) <i>Where Member investment choice is provided in the rules, members may, at least once every twelve months, instruct the fund to transfer their retirement savings from the default investment portfolio into any other investment portfolios offered in terms of the investment policy statement, in respect of which transfer the fund may deduct reasonable administration costs;</i></p>	<ul style="list-style-type: none"> • For Investment Options which include more than one Investment Portfolio, switching is permitted at any time. • A market value adjustment may apply in certain cases to switches out of smoothed bonus Investment Portfolios, but Members can still switch at any point time. Further, Members have two opportunities a year to switch without any market value adjuster being applied. All smoothed bonus Investment Portfolios used as defaults comply with the requirements of Conduct Standard 5 of 2020. 	<ul style="list-style-type: none"> • Where the Participating Employer allows Member investment choice, switching is permitted at any time. • A market value adjustment may apply in certain cases to switches out of smoothed bonus Investment Portfolios, but Members can still switch at any point time. Further, Members have two opportunities a year to switch without any market value adjuster being applied. All smoothed bonus Investment Portfolios used as defaults comply with the requirements of Conduct Standard 5 of 2020.



<u>DEFAULT REGULATION</u> <i>"37.(2) The board must ensure, and be able to demonstrate to the Registrar on request, that –</i>	SUPERFUND EASY / CHOICE / PRESERVER / DEFERRED RETIREMENT / LIVING ANNUITY	SUPERFUND CUSTOMISED
<u>The default investment portfolio is reviewed</u> (h) <i>It reviews the default investment portfolio(s) on a regular basis to ensure that it continues to comply with this regulation;</i>	The Management Board reviews the investment strategy and Default Investment Portfolios continually, and formally reviews the IPS on an annual basis.	The Management Committee must review the investment strategy and Default Investment Portfolio(s) at least annually, and provide the Management Board with an updated Sub-Fund Investment Plan annually.



4.3 DEFAULT FOR PAID-UP AND DEFERRED RETIREMENT MEMBERS

The Management Board strongly supports the objective of encouraging preservation and portability in a way that does not prejudice the Member, as set out in Regulation 38. SuperFund Preserver is a separate section within SuperFund Choice (a separate scheme as set up on the Funds' administration system) for all paid-up Members. Similarly, SuperFund Deferred Retirement is a separate scheme within SuperFund Choice for all Members who have retired from their employers but do not yet wish to retire from the Fund.

4.3.1 Investment needs of paid-up (Preserver) Members

The Management Board has carefully considered the circumstances and needs of paid-up Members who are transitioned into Preserver. The Management Board believes the following factors make it appropriate to consider paid-up Members as a separate category of Members with unique needs, and influence the Default Investment Portfolio(s) used for paid-up Members.

- a. With effect from August 2020, paid-up Members transferring into Preserver have been left unchanged in the Investment Portfolio(s) they were invested in at date of exit from their employer²⁴. The Default Investment Portfolio(s) that had previously applied to a Member in their Participating Employer's sub-fund is therefore not changed as a result of the transition from in-service Member to paid-up Member.
- **IMPLICATIONS:** There is a wide range of Default Investment Portfolio(s) applicable to Preserver Members. It is not unreasonable to consider that for the short- to medium-term the 'previous' Default Investment Portfolio(s) (i.e. that which applied while the Member was in-service) may remain appropriate for a paid-up Member. However, each Default Investment Portfolio must regularly be reviewed for appropriateness for the paid-up Member's circumstances, as required by Regulation 37(2)(h).
- b. Paid-up Members stop making any contributions to their retirement funding within Old Mutual SuperFund. Further, SuperFund no longer has any knowledge of their employment status or their income level.
- **IMPLICATIONS:** The cessation of contributions and potential lack of information about the paid-up Member means that the Management Board considers it appropriate to utilise an investment approach which can address a very wide range of Member needs and circumstances for paid-up Members.
- c. The Funds have no knowledge of the investment term of the paid-up Member. Paid-up Members can take a cash withdrawal benefit or transfer their benefit at any point in time, and can retire at any point from age 55. However, paid-up Members can also leave their paid-up benefit in the Funds for as long as they want to (e.g. into their 70s or longer).
- **IMPLICATIONS:** Where this is not in conflict with other factors, it is preferable for Default Investment Portfolio(s) for paid-up Members to combine low volatility (to allow for a withdrawal/ transfer/ retirement benefit to be paid at any point in time) with high long-term expected real growth (to allow for the fact that the investment term could be 30 or 40 years or even longer).

²⁴ Prior to August 2020, Preserver members from SuperFund Connect and Customised sub-funds were transferred into AGP Stable as a new Default Investment Portfolio 180 days after exit, if they had not made an alternative active investment selection in their exit form. The Funds received an extension from the Authority in respect of this approach.



- d. A Member who has 'defaulted' into paid-up status (i.e. they have not completed any exit forms) may not have made use of the retirement benefit counselling service offered by the Funds, and may have a very low awareness and understanding of the Funds and its benefits and options.
- IMPLICATIONS: The Default Investment Portfolio(s) must cater for those Members who may have a low awareness and understanding of investments. This category of Members is very unlikely to match their pre-and post-retirement investment strategy, and therefore the Default Investment Portfolio(s) must provide a good fit for all possible retirement selections (i.e. take cash / purchase a level Life-Guaranteed Annuity / purchase a with-profits annuity / purchase a living annuity).
- e. Paid-up Members have no further relationship with their Participating Employer. This introduces several challenges:
 - i. Communication with these Members is significantly harder, because the Funds can no longer rely on the employer to provide updated contact details or to provide communication to the Member. If the Member has not completed exit documentation, they have not provided the Funds with updated contact details.
 - ii. The Participating Employer or Management Committee for a Customised Sub-Fund no longer takes any responsibility for paid-up Members who have left their employment. The Participating Employer, Management Committee and their Investment Consultant have no right to receive any information regarding such paid-up Members. It is therefore difficult for the investment strategy for that particular Sub-Fund to take paid-up Members into account over the long-term.²⁵
- IMPLICATIONS: The Default Investment Portfolio(s) utilised for active Members by a particular Customised Sub-Fund may become inappropriate over time for the needs of a paid-up Member.
- f. Sub-funds can undergo extensive changes at any point in time.
 - i. A Participating Employer may at any point in time elect to transfer to an alternative retirement fund or terminate participation in a retirement fund, in which case the Sub-Fund will be liquidated.
 - ii. The Sub-Fund may at any point in time undergo significant changes (e.g. splitting or partial transfers as a result of Section 197 transfers).
 - iii. Within the Customised framework, a Sub-Fund may make changes to their Default Investment Portfolio and investment structure at any point in time (subject to approval by the Management Board).
- IMPLICATIONS: Given how SuperFund is administered, it is not appropriate to leave a paid-up Member within a particular Sub-Fund, because that Sub-Fund may be liquidated or changed at any point in time.

4.3.2 Default investment approach for paid-up (Preserver) Members

The Management Board has sought to implement consistent principles and a consistent approach when selecting Default Investment Portfolio(s) for every category of Members,

²⁵ There is an additional layer of oversight applied regarding the default options for in-service members of SuperFund Customised, where the Management Committee together with their appointed accredited investment consultant also monitors the appropriateness of the default Investment Portfolio for that particular group of employees in that Sub-Fund. When a Member from SuperFund Customised becomes paid-up, this additional layer of oversight falls away in respect of that member, and therefore the Management Board is required to increase its oversight applied in respect of the default for these paid-up members.



including paid-up Members, while taking into account the unique characteristics of each category of Members.

After taking these factors and implications into account, the Management Board has implemented the following approach for paid-up Members:

- Paid-up Members are transferred to the Preserver section of Old Mutual SuperFund, either immediately on completion of the necessary form requesting participation in Preserver, or else 120 days after termination of service with their employer if they have not completed exit documentation within this timeframe.
- To properly account for the tension between the requirements of Regulation 37 and the requirements of Regulation 38(1)(c):
 - The requirements of Regulation 38(1)(c)²⁶ have the practical implication that paid-up Members transferring into Preserver will be left unchanged in the Investment Portfolio(s) they were invested in at date of exit from their employer.²⁷ The Default Investment Portfolio(s) that had previously applied to a Member in their Participating Employer's sub-fund will not be changed as a result of the transition from in-service Member to paid-up Member, and investment management fees will remain unchanged.
 - Regulation 37(2)(h) requires that the Default Investment Portfolio(s) must be reviewed on a regular basis to ensure that they continue to comply with all the requirements of Regulation 37. The Management Board will therefore review the Default Investment Portfolio(s) applicable to each Preserver Member at least annually. Where appropriate, a Member may be transferred to a different Default Investment Portfolio if the existing default is no longer appropriate for their circumstances (based on the information available to the Funds). In such circumstances, it is likely that the investment management fee will change, since a different Investment Portfolio (with a different mandate and fee structure) will be utilised.

4.3.3 Investment needs of Deferred Retirement Members

The circumstances and needs of Deferred Retirement Members are similar to those of paid-up Members (as set out in Section 4.3.1), but with the following key differences:

- Members must actively select the Deferred Retirement option by completing an application form. There is no automatic transfer into Deferred Retirement. As a result, the Funds typically have more up-to-date contact information for these Members.
- Members can only select Deferred Retirement from age 55 onwards (or in select circumstances, if they are eligible for ill-health early retirement)

²⁶ Regulation 38(1)(c) says that "*Investment fees and charges in respect of the portfolio of retirement savings that is invested in the default investment portfolio may not differ on the basis of whether members are paid-up member or are still in the service of the participating employer*"

²⁷ This is not the only way to comply with the requirements of Regulation 38(1)(c), but it is considered the most practical and cost-effective way to achieve compliance in light of how the Funds are structured.



4.3.4 Default investment approach for Deferred Retirement Members

After taking these factors and implications into account, the Management Board has implemented the following approach for Deferred Retirement Members:

- Deferred Retirement Members will be left unchanged in the Investment Portfolio(s) they were invested in at date of retirement from their employer. The Default Investment Portfolio(s) that had previously applied to a Member in their Participating Employer's sub-fund will not be changed as a result of the transition from in-service Member to Deferred Retirement Member, and investment management fees will remain unchanged.
- Regulation 37(2)(h) requires that the Default Investment Portfolio(s) must be reviewed on a regular basis to ensure that they continue to comply with all the requirements of Regulation 37. The Management Board will therefore review the Default Investment Portfolio(s) applicable to each Deferred Retirement Member at least annually. Where appropriate, a Member may be transferred to a different Default Investment Portfolio if the existing default is no longer appropriate for their circumstances (based on the information available to the Funds). In such circumstances, it is likely that the investment management fee will change, since a different Investment Portfolio (with a different mandate and fee structure) will be utilised.



5 TECHNICAL MATTERS

5.1 CRITERIA FOR ASSESSING INVESTMENT PORTFOLIOS

The due diligence process and regular review of Investment Portfolios shall include an assessment of each Investment Provider's policies, processes and controls to ensure appropriateness of such Investment Portfolio, and that the Investment Provider is able to implement the principles and limits set out in Regulation 28.

The following criteria shall be utilised to assess Investment Portfolios.²⁸

5.1.1 Investment Provider requirements:

1. The Investment Provider must be registered with the Financial Sector Conduct Authority (for South African Investment Providers).
2. The Investment Provider must have a clearly defined investment philosophy and must have an established track record of applying this philosophy successfully.
3. The Investment Provider must be a UNPRI signatory and/or must have adopted the principles and practices set out in CRISA 2 (the Code for Responsible Investing in South Africa), and must provide appropriate information to the Funds regarding how their approach to responsible investment is applied.
4. The Investment Provider must have a well-defined investment process off which the investment decisions are made.
5. The Investment Provider must have a sound business and remuneration structure that allows it to attract and retain suitably qualified investment professionals.
6. There must be clear alignment between the interests of the Funds and the interests of the Investment Provider in respect of the Investment Portfolio in question.
7. The Investment Provider must maintain a high standard of ethics.
8. The Investment Provider and anyone to whom the Investment Provider delegates part of the investment function must have adequate systems and controls.
9. The Investment Provider must be prepared to enter into a contract or policy and service level agreement which will enable the Funds to meet commitments to Members.
10. The unit price mechanism required by the Funds' administration platform must be supported by the Investment Provider (or outsourced to an investment platform).
11. The Administrator and the Funds must be satisfied with the information flow to and from the Investment Provider. This includes sufficient information to enable the correct calculation of any fees and assignment to Members.
12. Where the Investment Provider subcontracts any part of the investment management to third parties, these parties must be identified and must be given mandates which are consistent with the overall strategy of the Investment Portfolio.
13. The Investment Provider must manage sufficient assets so as to have, in the opinion of the Management Board, a business that is sustainable relative to the investment universe.

²⁸ For Investment Portfolios offered under the SuperFund Customised framework, selected criteria may be adapted to address the particular structure of the Sub-Fund. Where relevant, the criteria may be applied to the combination of Investment Portfolios which is made available to the Member, rather than the building blocks of that combination.



14. The Investment Provider must have appropriate fidelity cover in place.
15. The Investment Provider must inform the Management Board about any change of investment strategy or significant changes in the team making the investment decisions.
16. The Investment Provider must present to the Management Board or its Investment Sub-Committee or the relevant Management Committee on issues including portfolio performance, responsible investing and BBEE and Transformation statistics, should they so request.

5.1.2 Investment Portfolio requirements

1. Each Investment Portfolio must have an investment strategy which:
 - Sets out the objective of the Investment Portfolio and the approach towards risk that will be adopted by the Investment Provider.
 - Describes the asset classes within which the Investment Portfolio may be invested, and any maxima set on the investment in the asset class by the Investment Provider.
 - Describes the Investment Portfolio's approach to responsible investment, sustainability and active ownership.
 - Limits the use of derivative instruments to the management of risk in the Investment Portfolio. In particular, no position may be taken using derivative instruments if the Investment Portfolio doesn't hold an asset similar to the investment underlying the derivative.
 - Has an appropriate benchmark or return objective. The performance of the Investment Portfolio will be measured against such benchmark or objective. The objective should increase as volatility increases.
2. The Investment Portfolio must be of a meaningful size. The Investment Portfolio must be big enough in terms of cash flow that there must be no liquidity problems (or alternatively, the Insurer must be able to cover any payments of benefits required).
3. Charges must be competitive.
4. The Investment Provider must disclose fully any amounts to be charged to the Investment Portfolio including performance fees, fees, soft-dollar arrangements, use of in-house brokers, and other related issues.
5. The Investment Portfolio's performance track record (or, in exceptional circumstances, a proxy or back-tested track record) must be acceptable over a period determined by the Management Board.
6. The communication material prepared for the Investment Portfolio must set out the investment strategy, historic investment performance and investment fees clearly in a language that Members can be expected to understand.
7. Each Investment Portfolio (or combination of Investment Portfolios) must comply with Regulation 28 of the Pension Funds Act in its own capacity, and must comply with all of the asset limits and aggregate exposures set out in Regulation 28(3).
8. The relevant Investment Provider or investment platform must confirm at least annually, that the product is compliant with Regulation 28 and provide the requisite reporting, as the Management Board may require to demonstrate compliance to the regulatory authorities. Where breaches of Regulation 28 occurred during the quarter for reasons



- other than market movements, the Investment Provider or investment platform must inform the Management Board of the actions taken to remedy the breach.
9. There must be no form of penalty if disinvestment occurs because of Member benefit payments (noting that there may be pay-out conditions imposed by the Investment Provider on partial or full termination²⁹), or if disinvestment occurs because the contract is terminated at the request of the Investment Provider in circumstances other than material non-compliance by the Funds with the terms of that contract.
 10. The Investment Portfolio must comply with the requirements of FSCA Conduct Standard 1 of 2023 (RF) regarding derivatives.
 11. Any terms and conditions relating to disinvestment by the Funds in respect of a Member must be transparent in terms of any marketing literature or communication provided to Members.
 12. Switching and termination conditions must be explicit and regarded as fair.
 13. Where the Investment Portfolio considered is a smooth bonus product:
 - The Insurer must be adequately capitalised, with capital levels materially exceeding the statutory capital requirements.
 - The Investment Portfolio must comply with the criteria of Conduct Standard 5 of 2020 (regardless of whether it is used as a Default Investment Portfolio or not), unless there is a compelling reason to waive this requirement.
 - The smooth bonus product must be managed according to principles that are transparent, including the method of smoothing.
 - The Insurer must report at least annually on the level or range of the bonus stabilisation reserve.

Additional criteria in respect of Investment Portfolios utilised within SuperFund Customised are set out in Annexure C.5.

5.2 INVESTMENT PORTFOLIO CHANGES

5.2.1 Management Board powers to make changes

- The Management Board shall have the right to implement changes to all Investment Options available within Old Mutual SuperFund. The Management Board shall have the right to transition a Sub-Fund or a Member from one Investment Option to another Investment Option where it considers it necessary or appropriate (for example, where such change of Investment Option is required to protect the interests of the Members of that Sub-Fund, or where the Management Committee of such Sub-Fund is not functioning in accordance with the requirements of the Rules or this IPS).
- The Management Board shall have the right to implement any Investment Portfolio change or switch or disinvestment or alteration that it considers necessary or appropriate. The right to effect a change or switch or disinvestment or alteration shall apply to all Investment Options.

²⁹ Partial termination occurs when a Participating Employer ceases participation.



- The Management Board shall have the right to alter the underlying investments or change the underlying mandate of any Investment Portfolio as it considers appropriate. Such alteration may include moving any investment from one Investment Portfolio to another Investment Portfolio. Any such alteration shall be subject to the Rules, and take into account any contracts in place in respect of the affected Investment Portfolio(s), and any specific written agreements in place with affected parties (e.g. a Participating Employer).
- A change or switch or disinvestment or alteration may be required for the following reasons (but is not limited to these reasons):
 - to effect a transfer of any sort;
 - to effect a transition of any sort;
 - to effect an *in-specie* transaction of any sort; or
 - to protect the interests of a group or category of Members (without prejudicing any other group or category of Members).
- A change or switch or disinvestment or alteration shall be conducted using a strategy considered by the Management Board to be appropriate in terms of Member and/or Sub-Fund circumstances and market conditions and the structure and complexity of the relevant Investment Portfolios, and which complies with the terms of any applicable contracts.
- The Management Board shall have the right to use a transition portfolio and to appoint a transition manager to effect a change or switch or disinvestment or alteration, if this is deemed appropriate.
- The Management Board shall have the right to allocate costs related to the change or switch or disinvestment or alteration in the manner which they consider equitable and pragmatic.
- In the event of a change or switch or disinvestment or alteration of any Investment Option or Investment Portfolio, the Management Board shall not be liable should the changed investment render a lower return than the previous investment.

5.2.2 Factors considered when identifying a replacement Investment Portfolio

The Management Board may decide to close or replace an Investment Portfolio from time to time, in accordance with the Rules and the powers set out in 5.2.1.

Where an Investment Portfolio available under SuperFund Easy or Choice or OMSLA is closed or replaced, the Management Board will typically consider the following factors (amongst others) when identifying a replacement Investment Portfolio:

- An Investment Portfolio which preserves capital (in nominal terms); or
- An Investment Portfolio, which the Management Board considers a good match for the Investment Portfolio to be closed. The Management Board will consider the following factors when identifying an Investment Portfolio which provides a good match:
 - The investment approach of the Investment Provider of the Investment Portfolio to be closed (looking at issues such as style and process);
 - Categorisation of the Investment Portfolio within this IPS;



- Sustainability, responsible investment and BBBEE factors;
- Expected long-term investment returns;
- Expected investment risk (e.g. volatility; downside protection; reward for risk); and
- Investment fees.

The existing assets for SuperFund Easy or Choice or Living Annuity Members will be switched from the old Investment Portfolio to the new Investment Portfolio using a strategy considered by the Management Board to be appropriate in terms of market conditions at the time, and which complies with the terms of the contract with the Investment Provider of the old Investment Portfolio.

The change of Investment Portfolio and reasons therefore will be communicated to affected SuperFund Customised Sub-Funds (i.e. those making use of an Investment Portfolio from the SuperFund Choice range which is due to be changed). Such Sub-Funds will be required to make any change to remain compliant at their next annual review of the Sub-Fund Investment Plan.

5.3 UNITISATION OF INVESTMENTS

5.3.1 Unitisation of pooled Investment Portfolios

Each Investment Portfolio available (other than a smoothed bonus Investment Portfolio or a Cash Investment) is expected to be unitised on the basis described here, as required by the Funds' administration system.

- Any amount invested in a Unitised Investment, purchases a number of units at the purchase price per unit, as determined by the Investment Provider, coincident with or next following the date of the investment; provided that an amount which is invested in a Unitised Investment at a date other than at the date of investment shall accrue bank interest as earned on the Funds' bank account less any expenses from date of receipt by the Funds to the date on which units are purchased.
- The value, at any time, of the portion of an account invested in a Unitised Investment is the number of units held by the account in that Unitised Investment multiplied by the sale price per unit, as determined by the Investment Provider.
- When an amount is to be disinvested from a Unitised Investment, the number of units sold must be the amount to be disinvested divided by the sale price per unit as determined by the Investment Provider.
- The sale price in respect of a unit in a Unitised Investment must be determined by the Investment Provider as the fair value of all the assets held in that Unitised Investment on the date on which the sale of units is fixed by the Investment Provider in terms of the Funds' instruction to dispose of those units (before any disinvestments of units), less any expenses payable (including the expenses involved in the sale of any underlying investments in order to make the payment in respect of any units to be disinvested, any provision for tax where tax is levied on the investments managed by the Investment Provider and the fees to which the Investment Provider is entitled), and thereafter divided by the number of units in issue, including the number to be disinvested at that date.



- For the purposes of this unitisation process, where the last day of the month is different from the last working day of that month, any reference to the last day of the month means the last business day of the month (i.e. any day other than a Saturday, Sunday or public holiday).
- A certificate issued by the Investment Provider of the value of a unit in a Unitised Investment on any date constitutes prima facie proof of the market value of such unit on that date.
- The unitised return as determined by the Investment Provider will be allocated directly to the Member Accounts invested in Unitised Investments, less investment charges and any other expenses determined by the Investment Provider and/or the Management Board, as the case may be for each Investment Portfolio.
- Where the Investment Portfolio, in which the Member Account is invested, is a Unitised Investment, the value of a Member Account is based on the proceeds that are due when the units in each Investment Portfolio comprising that Member Account is realised or switched.

5.3.2 Unitisation of segregated Investment Portfolios

- Where the Sub-Fund Management Committee elects (with Management Board approval) to utilise a segregated Investment Portfolio (made up of building blocks which are not each unitised), the Management Board requires the Sub-Fund Management Committee to recommend the appointment of a service provider to administer the underlying Sub-Fund's Investment Portfolios and unitise whatever mix of portfolios is accessed at Member level.
- For example, the Sub-Fund might create an Investment Portfolio X which Members of the Sub-Fund can invest in, which is comprised of a blend of asset-class specific Investment Portfolios A, B, and C. The Funds then require a daily unit price for Investment Portfolio X. The service provider, selected by the Management Committee but appointed by the Funds, must manage the cash flow going into Investment Portfolios A, B and C and the calculation of unit prices for Investment Portfolio X.
- The service provider must be a registered company duly incorporated in terms of the law of South Africa, which is able to perform the required service, which is licensed to render this service by the Financial Sector Conduct Authority, and which has been approved and appointed by the Funds.
- The Management Committee and Management Board must consider, when appointing such a service provider, the need to promote BBBEE.
- The unitisation process must, *mutatis mutandis*, satisfy the requirements for the unitisation of pooled Investment Portfolios as set out above.

5.4 INVESTMENT PORTFOLIOS USED FOR RESERVE ACCOUNTS

- The Fund-level Processing Reserve Account shall be invested in the CoreGrowth 100 Investment Portfolio, unless otherwise approved by the Management Board. This Investment Portfolio provides both a capital guarantee and a reasonable chance of real returns. Where administrative constraints do not allow this to be implemented, and in respect of short-term cashflow requirements, the Bank Account and/or an alternative Cash Investment will be utilised.



- The Fund-level Expense Reserve Account shall be invested in the Bank Account and/or other Cash Investment.
- Where a Sub-Fund Reserve Account or Employer Surplus Account is operated, the Management Committee or Participating Employer will be responsible to select the Investment Portfolio utilised for investment of the monies of such Sub-Fund Reserve Account. A duly authorised person (i.e. by the Participating Employer or Management Committee) must provide signed confirmation of the selection to the Funds. The Management Committee or Participating Employer can select from any of the Investment Portfolios available for selection by the Members of that Sub-Fund.
- Should the Participating Employer fail to make such an election:
 - Any Sub-Fund Expense Reserve Account shall be invested in the Bank Account and/or other Cash Investment
 - Any Participating Employer Surplus Account shall be invested in the CoreGrowth 100 Investment Portfolio, unless otherwise approved by the Management Board.

5.5 INVESTMENT PORTFOLIOS USED IN SPECIAL CIRCUMSTANCES

Period from disinvestment to payment of a benefit:

- The Administrator will retain the relevant moneys in a Bank Account or Cash Investment or similar Investment Portfolio (or combination thereof) where the moneys will earn the rate as determined in terms of the Cash Management Policy.

Period from receipt of Section 14 transfer-in amounts until receipt of complete data enables investment:

- In respect of transfer amounts received for Section 14 transfers in, the Administrator cannot allocate amounts to Member Accounts until complete member data has been provided by the transferor fund. The Administrator will invest the relevant moneys in a Bank Account or Cash Investment or similar Investment Portfolio (or combination thereof) where the moneys will earn the rate as determined in terms of the Cash Management Policy.
- The Administrator must make every effort to expedite the investment of such transfer amounts into the appropriate target Investment Portfolios.

Benefits payable in the event of a Member's death:

- After a Member's death has been advised to the Administrator, the Member Account will be disinvested from the existing Investment Portfolio(s) and invested in the CoreGrowth 100 Investment Portfolio. Once the benefit has been allocated and payment method confirmed, the amount will be disinvested from the CoreGrowth 100 product and invested in the Bank Account or Cash Investment until payment becomes due.



Benefits payable to former spouses

- Where a divorce court order is received and approved as binding on the Fund, the divorce award shall remain invested in the Investment Portfolio(s) that the Member Account is invested in until the fully completed exit documentation from the ex-spouse is received. At that time the divorce award is disinvested and paid.

Pension Backed Housing Loans

- The portion of the Member Account backing a housing loan surety may be invested in any Investment Portfolio as selected by the Member (or the applicable default where a Member has not made an active selection).

Section 37D claims

- Where a Participating Employer submits a request for a Section 37D claim that satisfies the Funds' requirements, and no partial payment to the Member is due, the Member Account shall remain invested in the Investment Portfolio(s) applicable at exit date.
- However, where a partial payment to the Member is due, the entire benefit must be disinvested due to tax requirements, and the balance remaining after the payment is made will remain in a Bank Account or Cash Investment until the matter is resolved.

Liquidations

- For all Sub-Fund liquidations, all Member Accounts will be disinvested from the existing Investment Portfolio(s) and invested in the CoreGrowth 100 Investment Portfolio.

Unclaimed Benefits

- In the event where the Funds are prevented from paying a benefit, if such benefit remains unpaid and becomes classified as an unclaimed benefit after 24 months, it will be transferred to the Unclaimed Benefits Fund.

5.6 SAFE CUSTODY AGREEMENTS

The Management Board requires that, where applicable, the Funds shall appoint a banking institution for the safekeeping and handling of securities as well as the financial and administrative services in accordance with the provisions of such agreement.

The Management Board requires that the banking institution comply with the following minimum set of requirements and where applicable provide certified copies thereof:

- A mandate must be in place between the banking institution and the Fund.
- The banking institution must provide:
 - Audit reports for the three-year period leading up to the appointment of the banking institution.
 - Proof or Assurance that Disaster Recovery Plans ("DRP") and Business Continuity Plans ("BCP") are in place.



- Confirmation whether the DRP and/or the BCP plan have been evoked over the past three years leading up to the appointment of the banking institution and annual confirmation thereafter. Full details of the incidents must be provided.
- Confirmation of any third-party dependence in terms of functions or systems.
- Confirmation of key staff and staff turnover associated with the banking institution.
- The Management Board must consider, when appointing such a banking institution, the need to promote BBBEE.

5.7 EXERCISING OF VOTES

The Investment Sub-Committee must consider all matters where the Funds are offered an opportunity by an entity in which the Funds hold an interest (such as a collective investment scheme), to exercise their right to vote on a resolution or other matter and to determine the Funds' response and must exercise the votes attaching to any Units owned by the Funds, where:

- In the case of a collective investment scheme, there is a merger of collective investment schemes or alteration of the nature of those collective investment schemes, or
- Such exercise may enhance the value of the investment.

Where the Funds hold assets in a segregated Investment Portfolio (i.e. where the Funds are the direct owner of the assets) in respect of a small number of SuperFund Customised Sub-Funds, the Sub-Fund Investment Plan of that Sub-Fund must address the following matters:

- The proxy voting policy in respect of such assets;
- Guidelines to ensure that votes are cast in line with such proxy voting policy; and
- How such votes will be recorded and reported.

5.8 CRITERIA FOR ASSESSING INVESTMENT PLATFORM PROVIDERS

Where a bespoke or segregated Investment Portfolio (made up of building blocks which are not each unitised) is approved for use, the Management Committee must recommend the appointment of an Investment Platform Provider to administer the underlying Sub-Fund's Investment Portfolios and unitise whatever mix of portfolios is accessed at Member-level.

The due diligence process and regular review of such an Investment Platform Provider shall include an assessment of their policies, processes and controls to ensure appropriateness, and that the Investment Platform Provider is able to implement the principles and limits set out in Regulation 28.

The following criteria shall be utilised to assess Investment Platform Providers:

1. The Investment Platform Provider must be registered with the Financial Sector Conduct Authority (for South African Investment Providers).
2. The Investment Platform Provider shall be assessed with regards to Transformation elements which shall include their overall B-BBEE score, Qualifying Small Enterprises (QSE) or Exempted Micro-Enterprises (EME) status, percentage Black ownership and percentage Black Female ownership and, if this is found to not immediately satisfy the



- requirements of the Funds' B-BBEE criteria, what remedial plans are in place including timelines to reach a satisfactory outcome in this regard.
3. The Investment Platform Provider must have an established track record of providing these services successfully.
 4. The Investment Platform Provider must have a sound business and remuneration structure that allows it to attract and retain the best investment professionals.
 5. There must be clear alignment between the interests of the Funds and the interests of the Investment Platform Provider in respect of the services provided.
 6. The Investment Platform Provider must maintain a high standard of ethics.
 7. The Investment Platform Provider and anyone to whom the Investment Platform Provider delegates part of the investment function must have adequate systems and controls.
 8. The Investment Platform Provider must be prepared to enter into a contract or policy and service level agreement which will enable the Funds to meet commitments to Members.
 9. The unit price mechanism required by the Funds' administration platform must be supported by the Investment Platform Provider.
 10. The Investment Platform Provider must be able to provide all requisite Regulation 28 information to ensure compliance.
 11. The Administrator and the Funds must be satisfied with the information flow to and from the Investment Platform Provider. This includes sufficient information to enable the correct calculation of any fees and assignment to Members.
 12. The Investment Platform Provider must have sufficient assets under administration as to have, in the opinion of the Management Board, a business that is sustainable relative to the investment universe.
 13. The Investment Platform Provider must have appropriate fidelity cover in place.
 14. Where the Investment Platform Provider subcontracts any part of the investment management to third parties, these parties must be easily identifiable and must, *mutatis mutandis*, satisfy the requirements as set out above for the Investment Platform Provider.



6 MONITORING AND REPORTING

6.1 PERFORMANCE ANALYSIS AND MONITORING

6.1.1 Annual investment review

The Funds' investment consultant shall conduct a detailed annual review of all Investment Portfolios utilised by the Funds within SuperFund Easy and SuperFund Choice and OMSLA. This review shall include:

- Analysis of the appropriateness of the Default Investment Portfolios for the applicable Member categories.
- Analysis of all Investment Portfolios available to Members, considering both qualitative factors (such as historic risk-adjusted performance) and quantitative factors (such as investment philosophy and approach, systems, research, ownership structures, remuneration, and team dynamics).
- Analysis to ensure that all Investment Portfolios continue to comply with the due diligence requirements set out in Section 5.1.
- Analysis of factors such as transformation and BBBEE (Section 8) and responsible investing and sustainability considerations (Section 7).
- Confirmation that Investment Providers have complied with the investment mandates of each Investment Portfolio across the period since its inclusion or the last review, whichever is the later.

The Funds' investment consultant shall also conduct a detailed annual review of all Investment Portfolios utilised by the Funds within SuperFund Customised, based on information provided by the relevant Sub-Fund investment consultants. This review shall include similar analysis to that conducted for SuperFund Easy and Choice, but adapted as appropriate to the circumstances of SuperFund Customised.

6.1.2 Regular performance monitoring

SuperFund Easy and Choice and OMSLA:

The Management Board shall, with the assistance of the Funds' investment consultant, monitor the performance of the Investment Portfolios against benchmarks on a quarterly basis.

Two sets of benchmarks will typically be monitored:

- An internal benchmark which will be used for review of the Investment Portfolio by the Investment Sub-Committee; and
- Inflation-related return objectives which will be used for communication to Members.

The internal benchmark will be that specified by the Investment Provider in relation to the portfolio. In both cases the benchmark return and return objective will be before deduction of investment management fees and any tax payable.

If performance of any of the Investment Portfolios persistently fails to satisfy the benchmark or objectives established by the Management Board and no satisfactory explanation is provided by the Investment Provider, or the Investment Provider has breached the investment mandate



for that Investment Portfolio, or the Investment Provider fails to satisfy the qualifying criteria, or other material concerns are identified, the Management Board will review the continued inclusion of the Investment Portfolio.

SuperFund Customised:

The appointed Sub-Fund Investment Consultant must provide regular performance reporting relative to benchmarks to the Management Committee and the Funds' investment consultant.

6.1.3 Monitoring of responsible investment and sustainability factors

The Funds' approach to analysing and monitoring responsible investment and sustainability factors is set out in Section 7.

6.2 REPORTING AND DISCLOSURE

SuperFund Easy and Choice and OMSLA:

The Funds will make the following investment communication and reporting material available to Members and other stakeholders via the Old Mutual SuperFund website:

- Monthly performance summaries (without benchmarks).
- Quarterly performance summaries (with return objective comparisons and risk measures).
- Detailed investment fact sheets for each Investment Portfolio on offer in the SuperFund Easy, SuperFund Choice and OMSLA sections.
- Investment management fee summaries for each Investment Portfolio on offer in the applicable sections.³⁰
- A Member Investment Guide and an Employer Investment Guide.
- A copy of the SuperFund Investment Policy Statement (excluding Annexures) is available to all Members, Participating Employers, intermediaries and representative unions. On an annual basis, the Funds will publish a summary of material amendments to the IPS.
- The Investment Policy Statement includes details regarding the Management Board's approach to issues including BBBEE and sustainability of investments and assets.

In addition, the Funds distribute regular investment communications to Members and other stakeholders via email to update them on topical investment matters.

The Funds shall include details as set out in Guidance Note 1 of 2019 in its annual financial statements regarding the approach to the sustainability of investments and assets and how this is addressed in the IPS.

SuperFund Customised:

Details regarding reporting and disclosure requirements for SuperFund Customised are set out in Annexure C.3.5.

³⁰ For SuperFund Customised, it is the responsibility to the Sub-Fund's investment consultant to prepare the relevant investment communication and investment performance summaries, and the Management Committee must ensure that this is distributed to Members.



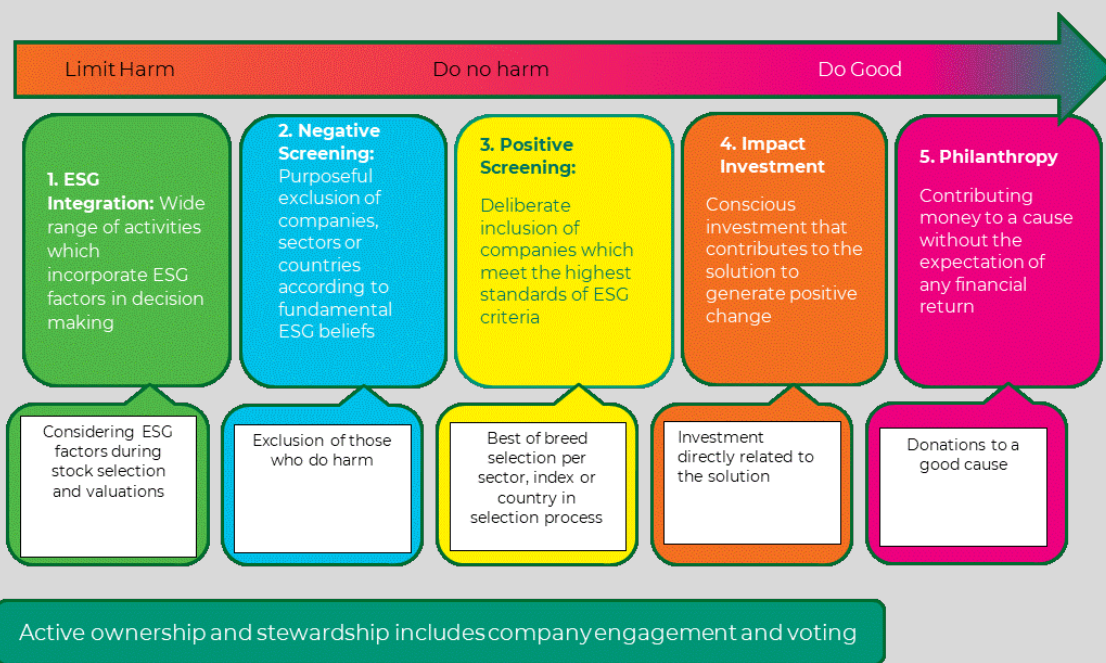
7 RESPONSIBLE & SUSTAINABLE INVESTMENT POLICY

7.1 DEFINITIONS

This Responsible and Sustainable Investment Policy summarises Old Mutual SuperFund's strong commitment to a responsible and sustainable investment approach. It should be read in conjunction with the Funds' investment governance approach, beliefs and objectives (as set out in Section 2.2 of the Investment Policy Statement) for additional context.

Definitions and explanations of key concepts considered in this Responsible and Sustainable Investment Policy are detailed in the text box below.

Responsible investment³¹ is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns. Responsible Investment can be achieved through the following investment approaches which range from limiting harm of existing investments to doing good and actively contributing to sustainable solutions



Source: OMCC Modification of UNPRI on Basic Techniques in Responsible Investment and Bridges Fund Management and Impact Management Project on *Impact and the SDG's*

ESG factors³² refers to the environmental, social and corporate governance factors that investors are considering in the context of corporate behaviour. No definitive list of ESG issues exists as this concept continues to evolve and mature. These factors include but not limited to:

- **Environmental Factors:** Considers factors which impact the planet such as reducing emissions, waste, water usage, biodiversity considerations, etc.

³¹ Definition from [UN Principles of Responsible Investing \(UNPRI\)](#)

³² Definition from the [Responsible Investment and Ownership Guide](#)



- **Social Factors:** Considers factors which influence society such as labour standards and diversity, community partnerships, worker safety, etc.
- **Governance Factors:** Considers factors which affect the standards of running a company such as board composition, committee structures, bribery and corruption, executive compensation structures, political contributions, etc.

In defining ESG factors, Guidance Note 1 of 2019 highlights that in the South African context, and specifically in respect of assets located in South Africa, these factors include, but are not limited to, the way BBBEE is advanced.

Sustainability³³ refers to the ability of an entity to conduct its business in a manner that primarily meets existing needs without compromising the ability of future generations to meet their needs. Conducting business sustainably includes managing the interaction of the business with the environment, the society and the economy in which it operates towards a better long-term outcome. Evaluating the sustainability of the business of an entity includes the consideration of economic factors and ESG factors. The 'sustainability of an asset' implies the sustainability of the entity giving rise to the underlying value of the asset.

Sustainable finance³⁴ encompasses financial models, services, products, markets and ethical practices to deliver resilience and long-term value in each of the economic, environmental and social aspects and thereby contributing to the delivery of the sustainable development goals and climate resilience. This is achieved when the financial sector:

- Evaluates portfolio as well as transaction-level environmental and social risk exposure and opportunities, using science-based methodologies and best practice norms;
- Links these to products, activities and capital allocations;
- Maximises opportunities to mitigate risk and achieve benefits in each of the social and environmental and economic aspects; and
- Contributes to the delivery of the Sustainable Development Goals

Sustainable investing³⁵ is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive stakeholder impact.

Active ownership³⁶ means the prudent fulfilment of responsibilities relating to the ownership of, or an interest in, an asset. These responsibilities include, but are not limited to:

- Guidelines to be applied for the identification of sustainability concerns in that asset;
- 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
- 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.

³³ Definition from Guidance Note 1 of 2019 issued by the [FSCA](#)

³⁴ Definition from National Treasury's Draft [Technical Paper on Financing a Sustainable Economy](#), May 2020.

³⁵ Definition from the [US Forum for Sustainable and Responsible Investment](#)

³⁶ Definition from Guidance Note 1 of 2019 issued by the [FSCA](#)



Impact Investment: means “investments” made with the intention to generate positive, measurable social and environmental impact alongside a financial return” Global Impact Investing Network (GIIN)

Infrastructure Investment: “...any asset that has or operates with a primary objective of developing, constructing and/or maintaining physical assets and technology structures and systems for the provision of utilities, services or facilities for the economy, businesses, or the public;”. (Regulation 28 of the Pension Funds Act)

7.2 SUPERFUND SUPPORTS RESPONSIBLE & SUSTAINABLE INVESTMENT

The Management Board strongly supports the position reflected in Regulation 28, that the Funds have a fiduciary duty to act in the best interest of their Members, whose benefits depend on the responsible management of Fund assets. This fiduciary duty supports the adoption of a sustainable and responsible investment approach to deploying capital into markets that will earn adequate risk adjusted returns suitable for the Funds’ specific member profile, liquidity needs and liabilities.

The Funds believe that all responsible investment approaches can drive positive change and therefore do not prescribe the approach followed by the underlying asset managers. The Funds aim to understand, through research and engagement, the rationale for the approach, how it fits with existing strategy and is implemented through investment processes. The Funds do, however, expect managers to consider the responsible investment approaches available and be active stewards of the assets they manage through active engagement and considered proxy voting.

The Management Board affirms that prudent investing should give appropriate consideration to any factor which may materially affect the sustainable long-term performance of the Funds’ 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 the Funds in a stable and transparent environment.

The Management Board has sought to address the sustainability issues highlighted in Regulation 28, Guidance Note 1 of 2019 and CRISA 2 in this Responsible Investment Policy (which is a sub-section of the Investment Policy Statement). The Funds’ specific approach to BBBEE and transformation (which is an important component of ESG factors in the South African context) is addressed in Section 8, because it is a key consideration in and of itself.

The Management Board supports a responsible investment approach which prioritises the sustainability of assets for the following reasons:

- Incorporating environmental, social and governance factors into investment decisions is expected to ensure necessary stakeholder considerations, enable better management of risk and generate superior sustainable, long-term investment returns.
- Investment decisions must be taken with due regard for both short- and long-term sustainability risks in the Funds’ investment approach.
- The Funds represent a very wide range of Members and Participating Employers across South Africa and beyond. It is therefore appropriate to pursue a positive impact on



environmental, societal and governance-related matters in the context in which the Funds operate.

- Old Mutual as Sponsor places a high emphasis on responsible investment, recognising that it has a responsibility to constructively contribute to creating a sustainable and inclusive future for all, without sacrificing return outcomes for its clients.

The Management Board does not place preference over which Responsible Investment Approach is adopted by asset managers, but rather seeks to understand how intentionally responsible investment is integrated within the overall investment philosophy and process and resulting effect it has on the investment portfolios.

The Management Board affirms that responsible and sustainable investment requires a collaborative approach and is committed to working jointly with other stakeholders including Old Mutual as the Funds' Sponsor and other service providers, regulators, investment managers, retirement funds and ultimately the Funds' members and beneficiaries to promote acceptance and implementation of responsible investment, sustainability and sound governance.

7.3 FACTORS WHICH AFFECT ACTIVE OWNERSHIP PRACTICES

The Funds use pooled unitised Investment Portfolios, which are either constituted as collective investment schemes or policies of insurance as detailed in Section 7.4. One characteristic of such structures is that the Fund owns units within in the pooled fund as opposed to owning the investments directly in the Funds' name. From an active owner context, proxy voting responsibilities rest with the owner of the pool being the asset manager and not the Fund.

As a result, the Funds have adopted active ownership practices to best suit this feature of the current structure.

The Management Board considers that the robust responsible and sustainable investing approach adopted by the Funds³⁷ through robust asset manager research, ongoing engagements and continuous manager review and reporting is able to achieve the key goal of incorporating ESG factors into investment decisions to enable better management of risk and maintain sustainable, long-term investments.

The Management Board has carefully considered whether the limitation of voting rights introduced by utilising pooled Investment Portfolios is justifiable. The Management Board has concluded that, in light of the approach set out in Section 7.4, appropriately addresses active ownership by the Funds.

³⁷ This is detailed in Section 7.3



7.4 APPROACH TO RESPONSIBLE AND SUSTAINABLE INVESTMENT AND ACTIVE OWNERSHIP

7.4.1 Pooled Investment Portfolios: Approach to responsible and sustainable investment and active ownership

7.4.1.1 Responsible and sustainable investment approach

The statements below describe the Funds' responsible and sustainable investment approach in respect of pooled Investment Portfolios and addresses the implementation of active ownership as delegated to Investment Providers.³⁸

1. Investment Providers appointed by the Funds are required to adopt the principles and practice recommendations set out in CRISA 2, and/or be signatories to the UNPRI. The Funds seek to utilise investment providers that operate responsibly and sustainably, and which have fully integrated sustainability and criteria for responsible investment practices into their investment decisions.
2. Investment Providers are required to provide the Funds' investment consultant with detailed information about their responsible investment policies and practices³⁹, proxy voting policies, stewardship reports and how these are implemented. This information is analysed and included in scoring when a due diligence is conducted to consider the addition of an Investment Portfolio, and on an annual basis when the Funds conduct their annual investment review. A summary of this monitoring and analysis is set out in Section 7.4.1.3.
3. The investment mandate for an Investment Portfolio must specify the Investment Portfolio's responsible and sustainable investment approach. Where existing mandates do not include such detail, the Investment Provider shall be engaged to incorporate this detail in the mandate, or to provide a satisfactory alternative solution.
4. Investment Providers must report regarding their approach to climate risk, and how this is accounted for in managing the Investment Portfolio. Investment Providers are encouraged to report in accordance with the Task force on Climate-related Financial Disclosures (TCFD) recommendations and standards set out by the International Sustainability Standards Board (ISSB).
5. Investment Providers must report regarding the potential impact of ESG risks and ESG factors on the assets of the Investment Portfolio.
6. Investment Providers are required to report on the implementation of responsible and sustainable investment when they present to the Investment Sub-Committee.
7. The Investment Sub-Committee shall engage actively with Investment Providers where concerns are identified regarding their responsible and sustainable investment approach (including their prioritisation of transformation).

³⁸ It is noted that some existing Investment Portfolio utilised by the Funds may not be fully compliant with these requirements, in which case the Funds shall engage with the relevant Investment Providers as described in point 7.

³⁹ The Funds shall apply an ESG lens when considering the practices of the Investment Provider. In other words, the Funds will assess how the Investment Provider applies environmental, social and governance practices in how they run their own business.



- Non-compliance or matters of concern are tracked by the Funds' investment consultant and reported on to the Investment Sub-Committee.
 - The Investment Sub-Committee shall engage with Investment Providers regarding areas of concern and remedial actions required.
 - If the Investment Provider does not take appropriate action to address concerns within a reasonable period of time, the relevant Investment Portfolio(s) may be removed from the SuperFund offering.
 - Where concerns are identified regarding an Investment Provider utilised only by a Customised client, the relevant Management Committee and/or their Investment Consultant will be responsible for coordinating engagement with the Investment Provider. The Investment Sub-Committee may elect to engage directly with the Investment Provider if they consider it appropriate.
8. The Management Board has defined additional requirements in respect of the Life Stage Default Investment Portfolio regarding responsible and sustainable investment, set out in Section 7.4.1.4.
 9. The Funds shall provide all Investment Providers with details of the Funds' views and requirements regarding responsible and sustainable investment, to ensure they are familiar with the Funds' priorities.
 10. Where possible, the Funds shall collaborate with industry stakeholders to develop, share and promote best practice, and to engage with business and/or policy makers on strategic (macro) issues.

7.4.1.2 Active ownership approach

As noted in Section 7.3, the Funds primarily invest in pooled Investment Portfolios and the Funds' active ownership approach is therefore focused on ensuring that Investment Providers in turn apply an active ownership approach in respect of these pooled portfolios through adequate strategic policies, processes and reporting.

There is significant overlap between the Funds' approach to responsible and sustainable investment and its active ownership approach. The points below highlight key actions which are specifically related to active ownership, but these must be read in conjunction with the Funds' overall approach to responsible and sustainable investment.

Guidelines and requirements

1. The Funds shall provide all Investment Providers with guidelines which set out the Funds' views and requirements regarding active ownership, to ensure they are familiar with the Funds' priorities.
2. Investment Providers are expected to implement active ownership practices in respect of Investment Portfolios utilised by the Funds, in respect of all asset classes.⁴⁰
3. The investment mandate for an Investment Portfolio must specify the Investment Portfolio's active ownership approach. Where existing mandates do not include such detail, the

⁴⁰ The expectation that all Investment Providers utilised by the Funds should apply an active ownership approach in respect of all asset classes is aspirational. The Funds note that this is not the current practice in respect of some Investment Providers.



Investment Provider shall be engaged to incorporate this detail in the mandate, or to provide a satisfactory alternative solution.

Voting and monitoring of stewardship

4. Investment Providers must provide the Funds with their voting policies and annual stewardship reports as well as additional detail regarding the implementation of responsible and sustainable investment in their Investment Portfolios.
5. Stewardship reports and related reporting must set out details of how active ownership has been applied in respect of the Investment Portfolio, and provide details of how votes have been exercised.

Mechanism of intervention and engagement and means of escalation

6. Investment Providers are required to report on the implementation of active ownership when they present to the Investment Sub-Committee.
7. The Investment Sub-Committee shall engage actively with Investment Providers where concerns are identified regarding their active ownership approach.
 - o Non-compliance or matters of concern are tracked by the Funds' investment consultant and reported on to the Investment Sub-Committee.
 - o The Investment Sub-Committee shall engage with Investment Providers regarding areas of concern and remedial actions required.
 - o If the Investment Provider does not take appropriate action to address concerns within a reasonable period of time, the relevant Investment Portfolio(s) may be removed from the SuperFund offering.

7.4.1.3 Monitoring and evaluation

The Funds analyse and monitor how Investment Providers consider and apply responsible and sustainable investing policies and active ownership as a factor when selecting or reviewing managers.

As a minimum the Funds, with the assistance of their investment consultant, analyse the following factors when conducting a due diligence and on an annual basis, of which some factors are tracked for information and ongoing engagement and others scored:

- Overarching responsible and sustainable investment aspects at Investment Provider level, such as:
 - o Is the Investment Provider a signatory to UNPRI and/or CRISA 2?
 - o For UNPRI signatories: analysis of PRI ratings.
 - o Any other local and international responsible investment or stewardship codes or principles adopted by the firm.
 - o Whether the firm has a responsible investment policy, how comprehensive this policy is, and how the Investment Provider is tracking against their stated policies.
 - o Whether the firm employs dedicated responsible investment professionals.
 - o How employee performance contracts are structured to prioritise responsible investment.



- Whether the firm has a written proxy voting policy in place, and how comprehensive this policy is.
- Whether the firm's responsible investment approach encompasses all asset classes, or only a subset.
- How the firm engages with investees regarding ESG targets and goals.
- How the firm incorporates responsible investing practices in respect of any index-tracking assets.
- The Investment Provider's approach in respect of climate risk:
 - Whether the Investment Provider supports/implements the Task force on Climate Related Financial Disclosures (TCFD) or similar disclosures.
 - How the firm integrates climate risk into their investment processes.
 - Whether the firm has a climate risk policy in place.
 - Whether the firm can measure the carbon risk of underlying holdings.
- Whether the Investment Provider is able to report on investments using the South African Green Finance Taxonomy.
- The Investment Provider's approach in respect of infrastructure investment, and whether the firm reports on infrastructure allocations.
- The Investment Provider's approach to transformation and ratings in respect of BBBEE (described further in Section 8).
- Portfolio-specific factors, such as whether the investment mandate specifies the Investment Portfolio's responsible and sustainable investment approach and active ownership approach.

This evaluation results in a responsible investment score for each Investment Provider and Investment Portfolio. This enables the Management Board to engage directly with Investment Providers to address any ESG and active ownership shortcomings and improve their responsible and sustainable investment commitment in this regard.

7.4.1.4 Additional requirements in respect of the Life Stage Default portfolio(s)

The Absolute Growth portfolios are the 'primary' default Investment Portfolio used by the Funds (historically the Old Mutual Absolute Stable Growth Portfolio, going forward the smoothed bonus life-stage portfolios as set out in Section 4.1.2). These Investment Portfolios account for a significant proportion of the Funds' total assets. The Management Board has therefore established additional requirements with regard to active ownership and responsible and sustainable investment (relative to other Investment Portfolios), and monitors the responsible and sustainable investing focus of these Investment Portfolios in greater detail.

1. The Investment Provider is required to report twice-yearly to the Investment Sub-Committee regarding the implementation of responsible and sustainable investment and active ownership in the Absolute Growth portfolios.
2. The Investment Sub-Committee is developing measurable responsible and sustainable investment and active ownership targets in place in respect of these portfolios, and shall track progress against these targets on a regular basis.



3. The mandate of the Absolute Growth portfolios incorporates detailed responsible and sustainable investment requirements in the investment mandate with the Old Mutual Investment Group (OMIG). OMIG gives effect to its responsible investing commitments through a dedicated team, the Sustainability Research and Engagement Unit, which engages with the boutiques within OMIG, as well as executive committees throughout the Old Mutual Group.
4. The mandate incorporates impact investing as follows:
 - Investments in bonds include exposure to assets with an infrastructure and developmental theme. These investments offer commercially acceptable returns while having a positive impact on society, the environment and the economy.
 - Investments in alternative assets including:
 - Infrastructure investments in renewable energy; development finance including low-income housing, schools and finance for micro-enterprises; and allocations to natural resources such as agriculture investments in leased farmland to unlock value.
 - The IDEAS Managed Fund (South Africa's largest domestic infrastructure equity fund), which invests in economic infrastructure, social infrastructure and renewable energy.
5. Old Mutual Limited (OML) is a member of the UN-convened Net-Zero Asset Owner Alliance, and Old Mutual Investment Group is a member of the Net Zero Asset Managers Initiative.

7.4.2 Directly owned assets: Approach to responsible and sustainable investment and active ownership

Within SuperFund Customised there is a portion of directly owned assets in segregated portfolios, where this has been requested by a Sub-Fund Management Committee and approved by the Management Board. These segregated portfolios are constructed by the Sub-Fund's accredited Investment Consultant in consultation with that Management Committee.

The governance and responsible and sustainable investment approach in respect of these assets can be summarised as follows:

1. The Management Board shall communicate its responsible investment and active ownership approach and requirements to each Management Committee and their appointed Investment Consultant.
2. The Management Committee's approach to responsible investment and sustainability factors must be documented in the Sub-Fund Investment Plan and be approved by the Management Board.
3. Where the Funds make use of segregated mandates (in which case the assets will be registered in the name of the Funds and the Funds will have voting rights in relation to those investments), the Management Committee must exercise voting rights and have written voting policies which must be disclosed to the Management Board. The Management Committee is expected to implement an active ownership approach.



4. The Management Committee and their appointed Investment Consultant must provide the Funds' investment consultant with details regarding the exercise of voting rights on a regular basis.

7.4.3 Support for responsible and sustainable investment codes

The Funds fully support the principles set out in the King IV Report on Corporate Governance Supplement for Retirement Funds. The Old Mutual SuperFund Annual Integrated Report sets out details regarding the Funds' application of these principles.

The Funds have adopted CRISA 2, launched by the CRISA Committee in September 2022. CRISA 2 contains five voluntary principles for stewardship and responsible investment as a key component of the South African governance framework.

The principles of CRISA 2 are capable of flexible application on a proportionate basis by asset owners, asset managers and service provider organisations within the investment value chain.

The Funds will strive to adopt the specified practises to the best of their ability, and to adopt a tailored approach suitable for the Funds' needs. The Funds will implement these principles incrementally as they gain experience in their application.

7.5 DISCLOSURE REGARDING RESPONSIBLE & SUSTAINABLE INVESTMENT

The Funds shall disclose their approach towards responsible investment and sustainability as follows:

1. By making the Funds' Responsible and Sustainable Investment Policy available to members, participating employers, representative unions, intermediaries and other stakeholders on the Funds' website, and regularly informing all stakeholders of this.
2. By making the Funds' Investment Policy Statement (or an abbreviated version thereof) available to members, participating employers, representative unions, intermediaries and other stakeholders on the Funds' website, and regularly informing all stakeholders of its availability and material changes thereto. It is noted that certain Annexures to the Investment Policy Statement contain confidential information, and such Annexures shall not be published on the Funds' website.
3. By reporting on compliance with Guidance Note 1 of 2019 in the Funds' Annual Financial Statements.
4. By including transparent disclosure regarding sustainability issues in the Investment Sustainability Disclosure Report (a supplement to the Funds' Integrated Annual Report).



8 INFRASTRUCTURE AND IMPACT IN INVESTMENTS

The Funds support the drive by National Treasury to promote the use of **infrastructure** investments in retirement funds as *infrastructure investment is known to drive measurable positive impact on the economic and social growth of a country while adding diversification to portfolios and producing inflation-beating returns*. The Fund however acknowledges that the definition of infrastructure is broad, and interpretation is varied.

As one of the fundamental objectives for infrastructure is to provide a positive impact for the economy and society, the Funds believe that such infrastructure investment should also be intentional and viewed as impact investments.

Impact Investments is defined by the *Global Impact Investing Network (GIIN)*, as “...investments made with the intention to generate positive measurable social and environmental impact alongside financial return.” In addition, the GIIN cite four core characteristics being:

1. **Intentionality:** Investments are intentionally directed toward positive impact;
2. **Return expectations:** Investors seek financial returns while driving meaningful change;
3. **Range of return expectations and asset classes:** Impact investments can span various asset classes and can offer diverse range of returns; and
4. **Impact measurement:** rigorous assessment of social and environmental progress ensures transparency and accountability.

While listed investments often fulfil the first three requirements their operations are generally diverse, therefore accurately measuring the social and environmental impact resulting from infrastructure investing is currently easier to measure with unlisted investments with singular operations.

As the Funds are currently invested via pooled, Regulation 28 compliant portfolios, the Management Boards shall continue to:

- Develop understanding of infrastructure investing;
- Stay abreast of the investment manager’s view and approach to infrastructure investing; and
- Where appropriate to engage with asset managers on issues related to infrastructure investment; and
- Where appropriate to encourage asset managers to invest in appropriate infrastructure investments.

The current smoothed default portfolios of SuperFund Easy and the Smoothed Lifestage, maintains a strategic weighting of 10% allocation to unlisted impact investments.



9 TRANSFORMATION AND BBBEE IN INVESTMENTS

9.1 SUPERFUND SUPPORTS TRANSFORMATION AND BBBEE

Regulation 28 requires that when contracting services, the Management Board should consider the need to promote BBBEE of those providing services. In defining ESG factors, Guidance Note 1 of 2019 highlights that “*in the South African context, and specifically in respect of assets located in South Africa, these factors include, but are not limited to, the manner in which [BBBEE] is advanced*”.

The Management Board strongly affirms the importance of promoting and integrating BBBEE and transformation into its investment approach. While it is noted that BBBEE is a component of the ESG factors addressed in the Funds’ Responsible Investment Policy, the Funds’ specific approach to transformation in investments is addressed separately here because it is a key issue in and of itself. **The transformation approach set out here in respect of investments must be considered in the context of the Funds’ overarching transformation approach.**

The Funds take the principles of BBBEE into account when outsourcing services to service providers, including investment managers. In situations where services are outsourced from parties that do not satisfy BBBEE principles, the Funds shall engage with the service provider in question to reach a satisfactory outcome, taking into account the contractual relationship between the Funds and the service provider.

9.2 SUPERFUND APPROACH TO BBBEE IN INVESTMENT

9.2.1 Regulatory framework

The Broad-Based Economic Empowerment Act of 2003 provides a legal framework and road map on how empowerment should be constructed. Schedule 1 to the Amended Financial Sector Code (2017) sets out the “*Voluntary Dispensation for Top 100 Retirement Funds Including Umbrella Funds*”. It notes that many aspects of South Africa’s BBBEE dispensation are not relevant to retirement funds, but that funds nonetheless play a critical role in the South African economy by virtue of the quantum of members’ savings. Retirement funds also have a critical role to play in the transformation of the financial sector itself, largely by virtue of the appointment of private sector service providers.

The current applicable (voluntary) scorecard in respect of preferential procurement is structured as follows:

PREFERENTIAL PROCUREMENT SCORECARD	Points	Target (2021+)
BBBEE procurement spend from all empowering suppliers based on the BBBEE procurement recognition levels as a percentage of total measured procurement spend	35	80%
BBBEE procurement spend from empowering suppliers who are QSEs or EMEs based on the applicable BBBEE procurement recognition levels as a percentage of total measured procurement spend	10	25%



PREFERENTIAL PROCUREMENT SCORECARD	Points	Target (2021+)
BBBEE procurement spend from empowering suppliers that are at least 51% Black owned based on the applicable BBBEE procurement recognition levels as a percentage of total measured procurement spend	25	25%
BBBEE procurement spend from empowering suppliers that are at least 30% Black women owned based on the applicable BBBEE procurement recognition levels as a percentage of total measured procurement spend	10	12.5%

Considering this scorecard, the Funds take cognisance of the following transformation elements when assessing both incumbent and potential investment service providers:

- Overall BBBEE score;
- Whether the service provider is a QSE or EME;
- The percentage Black ownership of the service provider; and
- The percentage Black women ownership of the service provider.

However, **the Funds also consider a wide range of other factors in respect of the transformation approach** of the service provider, as described in the sections which follow.

9.2.2 Investment managers

The Management Board prioritises BBBEE when appointing and reviewing investment managers as follows:

1. Investment Providers are required to provide the Funds' investment consultant with detailed information about level of BBBEE and transformation statistics. This information is analysed and included in scoring when a due diligence is conducted to consider the addition of an Investment Portfolio, and on an annual basis when the Funds conduct the annual investment review, as described below.
2. Where appropriate the Management Board will look through to the BBBEE credentials of the underlying Investment Managers.
3. Wherever possible within the Funds' overall range of investment offerings and key objectives, the Funds shall seek to include Investment Portfolios managed by Black-owned investment managers.
4. Investment managers are required to report on their prioritisation of BBBEE when they present to the Investment Sub-Committee.
5. The Investment Sub-Committee shall engage actively with investment managers where concerns are identified regarding their BBBEE circumstances (including their prioritisation of transformation). Non-compliance or matters of concern are tracked by the Funds' investment consultant and reported on to the Investment & Actuarial Sub-Committee. If the manager does not take appropriate action to address concerns within a reasonable period of time, the relevant Investment Portfolio(s) may be removed from the SuperFund offering.
6. Where possible, the Funds shall seek to collaborate with industry stakeholders to develop, share and promote best practice, and to engage with business and/or policy makers on strategic (macro) issues.



Analysis methodology

The Funds' annual investment review (and due diligence process, where applicable) includes a detailed section setting out the BBBEE status of each investment manager. The Funds conduct detailed surveys to obtain information in respect of all eligible investment managers⁴¹ in the market, to ensure appropriate peer comparisons.

The factors that the Funds pay particular attention to are described below.

A. Empowerment Rating

The overall empowerment rating of the investment manager provides a good measure of the firm's overarching commitment to transformation and BBBEE. The Funds consider the trend in respect of the empowerment rating over a period of 5 years, to identify progress in respect of this rating over time.

B. Transformation Approach

The Funds consider the following factors to understand the Investment Providers' transformation approach in more detail. Each Investment Provider is scored in respect of each of these factors, and the overall score is analysed against industry peers using percentile rankings:

- Enterprise development.
- Whether the firm has a skills development programme in place, and progress in respect of this programme over time, as well as how many staff have been employed as a result of the firm's skills development program over time, and whether the firm has measurable, time specific goals to increase these levels.
- Incorporation of BBBEE into investment decisions, such as:
 - Does the firm encourage companies it invests in, to set BBBEE targets and goals?
 - Does the stock selection or manager selection process consider the BBBEE level of the company selected?
- The percentage of total brokerage transactions allocated to majority Black-owned brokerage firms.

C. Diversity

To assess the diversity of an investment manager, the Funds consider the following factors (where each Investment Provider is scored in respect of each of these factors, and the overall score is analysed against industry peers using percentile rankings):

- The percentage Black ownership of the investment manager;
- The percentage Black women ownership of the investment manager;
- The percentage make-up of the investment team who are Black;
- The percentage make-up of the investment team who are women; and
- The percentage of the Board of the investment manager which is Black.

⁴¹ I.e. investment managers which meet the Funds' criteria as set out in the Investment Policy Statement, and which offer Investment Portfolios which could be appropriate for the Funds' membership.



9.2.3 Other investment-related service providers

The Funds shall consider BBBEE factors when reviewing or appointing other investment-related services providers (such as investment consultants and unitisation providers), within the framework of the Funds' procurement policy.

9.2.4 Practical challenges

Industry context

The South African investment management industry is dominated by larger asset managers. The top 10 firms account for 64.7% of total assets under management⁴². While all 10 of these largest firms are rated as Level 1 BBBEE providers (and 9 of the next 10 largest firms are also Level 1 BBBEE providers)⁴³, there is still significant scope for improvements in gender and race diversity in their investment teams, and also for increases in Black and Black Women ownership.

In this competitive industry dominated by large managers, it is difficult for emerging majority Black-owned and Black-managed asset managers to grow market share.

SuperFund-specific challenges

In terms of the preferential procurement scorecard, the Funds are working to increase their procurement spend in respect of suppliers:

- Which are QSEs or EMEs;
- That are at least 51% Black owned; and
- That are at least 30% Black women owned⁴⁴.

However, the Funds experience several practical challenges to achieve this in respect of investment-related procurement.

Within the SuperFund investment offering, the vast majority of the Funds' assets are invested in default Investment Portfolios. In terms of the Governance Agreement with the Sponsor, the SuperFund Easy and Choice default Investment Portfolios are managed by Sponsor-affiliated asset managers. While all of these SuperFund Easy and Choice default Investment Portfolios are managed by Level 1 BBBEE providers, there is significant scope for improvement in respect of their transformation approach, diversity and majority black ownership (as assessed in terms of Section 9.2.2 above). Further, there may be scope to increase allocations of the underlying assets within these default Investment Portfolios to emerging Black-owned and/or Black-managed asset managers.

Over recent years the Management Board has sought to increase the Funds' utilisation of emerging majority Black-owned and Black-managed asset managers in the SuperFund Choice Extended range of Investment Portfolios. However, growth in assets in this category is dependent on individual Members selecting such Investment Portfolios, and to date there has been limited take-up of these options. This is largely driven by the low awareness by Members of such smaller asset managers (i.e. Members typically select the larger asset managers that are

⁴² In respect of managers participating in the 2022 Alexforbes Manager Watch.

⁴³ As at 31/12/2022

⁴⁴ The Funds already score very highly in terms of overall BBBEE recognition levels.



'top of mind' because of marketing and long history). The Funds continue to explore ways to increase Member awareness in respect of such smaller managers.

9.3 DISCLOSURE REGARDING BBBEE

The Funds shall disclose their approach towards BBBEE in respect of investment matters as follows:

- By making the Funds' Responsible Investment Policy and investment-related BBBEE policy available to Members, Participating Employers, representative unions, intermediaries and other stakeholders on the Funds' website, and regularly informing all stakeholders of this.
- By reporting on the BBBEE status of Investment Providers and progress in respect of BBBEE factors in the Funds' annual integrated report and/or the Funds' Annual Financial Statements.
- By reporting on compliance with Guidance Note 1 of 2019 in the Funds' Annual Financial Statements.



10 ROLES AND RESPONSIBILITIES

The table below summarises the roles and responsibilities of various role-players in the SuperFund investment framework.

PARTY	ROLES & RESPONSIBILITIES
Management Board	<ul style="list-style-type: none"> • Establish the Funds' investment strategy and IPS, and review it at least annually. • Consider proposals from Old Mutual as Sponsor in respect of the Funds' investment strategy and structure. • Monitor compliance with the IPS. • Ensure compliance of the Funds' investment strategy and investment offerings with regulatory standards. • Approve the inclusion of Investment Portfolios and Investment Providers in the Fund's investment offering. • Monitor Investment Portfolio and Investment Provider performance against relevant benchmarks and measures. • Delegate powers and functions to the Investment Sub-Committee, including to contract with Investment Providers and other service providers to provide specified services required by the Fund's IPS and approved Sub-Fund Investment Plans.
Investment & Actuarial Sub-Committee	<ul style="list-style-type: none"> • Continuously develop and optimise the Funds' overarching investment strategy and IPS, and make corresponding recommendations to the Management Board for approval. Such recommendations may include the following: <ul style="list-style-type: none"> ○ Investment beliefs and objectives. ○ Characteristics of membership profiles and corresponding investment needs. ○ Criteria for Investment Portfolios and Investment Providers. ○ Criteria for other investment service providers, such as transition managers, custodians, platform providers and unitisation providers. ○ Default Investment Portfolios and alternative Investment Portfolios for use by Members. ○ Investment Portfolios to be used in special circumstances. ○ Culling of Investment Portfolios, where appropriate. ○ Categorisation of Investment Portfolios. ○ The Funds' approach to responsible and sustainable investment and the Funds' active ownership approach.



PARTY	ROLES & RESPONSIBILITIES
	<ul style="list-style-type: none"> ○ The Funds' approach to transformation and BBBEE (in collaboration with the Governance & Risk Sub-Committee). ○ The governance framework for Sub-Funds participating in SuperFund Customised. ○ Criteria for Sub-Fund Investment Plans in SuperFund Customised. ○ Criteria for accreditation as an Investment Consultant to Sub-Funds in SuperFund Customised. ○ Proxy voting policies. ● Engage in detail with Old Mutual as Sponsor regarding proposals in respect of the Funds' investment strategy and structure. ● Establish parameters for the implementation and monitoring of the Funds' investment strategy. ● Monitor and analyse Investment Portfolio and Investment Provider performance (including qualitative factors) against relevant benchmarks and measures. ● Monitor and manage ongoing compliance with the investment strategy and IPS. ● Monitor and manage ongoing compliance of the Funds' investment strategy and investment offerings with regulatory requirements, including Regulation 28. ● Communicate regarding investment performance and other investment matters to Members. ● Select and contract with the Funds' investment consultant, and ensure appropriate delivery in respect of such contract. ● Contract with Investment Providers in respect of each approved Investment Portfolio, and establish reporting requirements. ● Determine the Fund's response and exercise votes where the Funds have a right to vote on a resolution or other matter. ● Specifically in respect of SuperFund Customised (with the assistance of the Fund's investment consultant, where relevant): <ul style="list-style-type: none"> ○ Contract with Investment Consultants which have met the SuperFund Customised accreditation criteria to the satisfaction of Old Mutual (acting as an agent of the Fund). ○ Consider, approve and monitor ongoing compliance of Sub-Fund Investment Plans in respect of each Customised Sub-Fund.



PARTY	ROLES & RESPONSIBILITIES
	<ul style="list-style-type: none"> ○ Monitor ongoing compliance of Management Committees with the contractual and governance requirements established by the Funds in respect of SuperFund Customised. ○ Review and approve recommendations regarding the addition or culling of Investment Portfolios for use by Customised Sub-Funds. ○ Contract with Investment Providers and review/approve amendments to existing mandates and contracts in respect of Investment Portfolios used by Customised Sub-Funds (subject to review by the Legal & Contractual Sub-Committee). ○ Monitor compliance of Management Committees and Investment Consultants with the Funds' requirements in respect of investment communication. ○ Develop and maintain relationships with Management Committees and Investment Consultants in relation to investment-related matters. ● In respect of sustainability, stewardship, responsible investing and transformation: <ul style="list-style-type: none"> ○ Continuously develop and optimise the Funds' approach. ○ Ensure compliance with regulations and guidance. ○ Engage with and respond to industry developments. ○ Engage with the Funds' appointed Investment Providers and other investment service providers to encourage continued progress. ● Deal with all operational and procedural matters, including the completion and signing of forms and documentation, to enable the execution of the investment-related decisions of the Sub-Committee and Management Board.
Old Mutual (Sponsor)	<ul style="list-style-type: none"> ● Conduct necessary research and development to make proposals to the Funds with respect to enhancements and changes to the features, benefits and investment structure and strategy of the Funds. ● Propose new investment products (in conjunction with the Funds' investment consultant) that may be appropriate for the needs of the Funds. ● Develop and maintain communication material for Members and Participating Employers regarding the Funds' investment offerings. ● After approval by the Funds, implement contracts with investment service providers. ● Act as an agent of the Fund to assess and accredit Investment Consultants in respect of SuperFund Customised, and, on an annual basis, review the



PARTY	ROLES & RESPONSIBILITIES
	<p>continued compliance of Investment Consultants and issue updated accreditation letters.</p>
<p>Fund's appointed investment consultant</p>	<ul style="list-style-type: none"> • Assist the Funds with the preparation and review of the IPS. • Assist with the regular monitoring of Investment Portfolio performance, and continued compliance of the Investment Providers with the qualifying criteria. • Conduct a detailed annual review of all Investment Portfolios utilised by the Funds. • In respect of potential additions or changes to the Funds' investment offering: Research and analyse Investment Portfolios and Investment Providers in terms of the criteria set out in the IPS, and prepare proposals for the Funds. • Prepare and/or review investment communication and Investment Portfolio reports as required. • Assist the Management Board and Investment Sub-Committee with investment related matters. • Provide support in respect of implementation of contracts with investment service providers. • Review and confirm in writing that Sub-Fund Investment Plans for Customised Sub-Funds comply with the requirements of the IPS and are appropriate for the membership profile of the Sub-Fund.
<p>Fund's Valuator</p>	<ul style="list-style-type: none"> • Ensure asset allocation is consistent with the liability profile of the Fund. • Review and approve the IPS.
<p>Investment Providers</p>	<ul style="list-style-type: none"> • Invest the Fund's assets in compliance with legislation, the investment mandate, the contract with the Funds and the requirements of the Funds' IPS. • Maintain accurate investment files and records, including custodial services for asset scrip. • Employ sound audit and risk management principles. • Prepare Investment Portfolio performance reports as directed by the Fund. • Report back to the Management Board, Investment & Actuarial Sub-Committee and Management Committee as required.
<p>Administrator</p>	<ul style="list-style-type: none"> • Develop and maintain the administration system to provide a robust, flexible and user-friendly interface in respect of Member, Sub-Fund and Fund-level investment functionality.



PARTY	ROLES & RESPONSIBILITIES
	<ul style="list-style-type: none"> Implement investment instructions once due approval processes have been followed.
Management Committee (SuperFund Choice)	<ul style="list-style-type: none"> Work collaboratively with the Participating Employer to ensure the investment structure and strategy addresses membership needs, HR requirements and the Participating Employer's overarching retirement funding goals. Assist the Funds to provide appropriate investment-related communication and education to Members.
Management Committee (SuperFund Customised)	<ul style="list-style-type: none"> Select an accredited Sub-Fund Investment Consultant from the list of consultants which have satisfied accreditation and contractual requirements in respect of SuperFund Customised. Negotiate the services that the Investment Consultant will provide, and the fees payable in respect of such services. Request the Funds to contract with the Investment Consultant in respect of the negotiated services for the Sub-Fund. Together with the Investment Consultant: <ul style="list-style-type: none"> Craft a proposed investment structure for the Sub-Fund, taking into account regulatory requirements, the requirements of the SuperFund IPS and the needs of the membership. Document and motivate the proposed investment structure in a Sub-Fund Investment Plan, which addresses the requirements of the SuperFund IPS to the satisfaction of the Funds. Where applicable: motivate the addition of any new Investment Portfolios required for the Sub-Fund, and negotiate draft investment mandates, terms, fees and contractual documentation required in respect of such Investment Portfolios. Review and sign off the Sub-Fund Investment Plan at least annually. Monitor compliance with the Sub-Fund Investment Plan and the Funds' IPS. Monitor performance (both qualitative and quantitative) of Investment Providers and Investment Portfolios utilised by the Sub-Fund. Ensure that appropriate communication takes place to Members regarding their investments, investment performance and, if applicable, their choices. Ensure that Members are educated on the choices available to them, where applicable. Work collaboratively with the Participating Employer to ensure the investment structure and strategy addresses membership needs, HR



PARTY	ROLES & RESPONSIBILITIES
	<p>requirements and the Participating Employer's overarching retirement funding goals.</p> <ul style="list-style-type: none"> • Ensure conformance with regulatory requirements and those of the Old Mutual SuperFund. • Where segregated Investment Portfolios are utilised: <ul style="list-style-type: none"> ○ Ensure compliance of with Regulation 28 at Sub-Fund level and forex reporting to the Reserve Bank and provide the reporting requested by the Management Board. ○ Establish a proxy voting policy in respect of such assets, put in place guidelines to ensure that votes are cast in line with the policy, and record and report in respect of votes which are cast. • Where there is a Participating Employer Surplus Account: Engage regularly with the Participating Employer to ensure the appropriate investment of the Surplus Account.
<p>Accredited Investment Consultant to a Customised Sub-Fund</p>	<ul style="list-style-type: none"> • Analyse the membership profile and assist the Management Committee to craft an investment strategy and draft a Sub-Fund Investment Plan, taking into account regulatory requirements, the requirements of the SuperFund IPS and the needs of the membership. • Recommend Investment Portfolios and their Investment Providers, and (where applicable) motivate the inclusion of new Investment Portfolios to the Management Committee and the Funds. • Implement the Sub-Fund Investment Plan on behalf of the Sub-Fund, including, as appropriate: <ul style="list-style-type: none"> ○ Negotiating draft investment mandates, terms, fees and contractual documentation required in respect of any new Investment Portfolios; ○ Working with the Funds' administrator and investment consultant to ensure that all SuperFund requirements are addressed, including unitisation, transition management and platform requirements. ○ Preparing a sufficiently detailed Investment Instruction to the Administrator setting out how to implement the Sub-Fund Investment Plan. ○ Working the Funds' administrator and investment consultant to implement any changes to the investment offering. • Where required: Provide the Management Committee with investment communication material and investment factsheets to ensure that Members are appropriately informed regarding investment options, fees and performance.



PARTY	ROLES & RESPONSIBILITIES
	<ul style="list-style-type: none">• Assist the Management Committee to review the Sub-Fund Investment Plan at least annually.• Provide information required to enable the Management Committee to monitor compliance with the Sub-Fund Investment Plan and the Funds' IPS.• Monitor performance (both qualitative and quantitative) of Investment Providers and Investment Portfolios utilised by the Sub-Fund, and provide appropriate information to the Management Committee.• Where segregated Investment Portfolios are utilised, assist the Management Committee to:<ul style="list-style-type: none">○ Ensure compliance of the Investment Portfolio to Regulation 28 and forex reporting to the Reserve Bank and provide the reporting requested by the Management Board.○ Establish a proxy voting policy in respect of such assets, put in place guidelines to ensure that votes are cast in line with the policy, and record and report in respect of votes which are cast.



11 SIGNATORIES

This Investment Policy Statement was approved by the Management Board on 10 December 2024

N. Nene

Sponsor

M. Carswell

F. Reynolds

This Investment Policy Statement has been approved by the Valuator.

S. Walker



A ANNEXURE A: SUPERFUND EASY

A.1 SUPERFUND EASY MEMBERSHIP PROFILE ANALYSIS

The Funds' research suggests that there are many small employers in the market which have never previously participated in a retirement fund. Their employees and proprietors are likely to have little knowledge of retirement funding and little financial sophistication. Many of the employees will be relatively low earners, but a few (the proprietors or managers of such businesses) may earn more. It is likely also that Members range across the full spectrum by age.

To address this need, the retirement option offered to such Participating Employers should therefore be simple. The Participating Employer and the Members should be required to make as few decisions as possible; and the offering should be cost effective. As a result, SuperFund Easy has been structured to have a simple, uniform benefit and contribution structure, enabling the administration fees to be kept as low as possible, and the Management Board should select the Investment Portfolio(s).

A.1.1 Member Characteristics

The Management Board has attempted to define the typical Membership profile of a Participating Employer which is likely to participate in SuperFund Easy:

MEMBER CHARACTERISTICS: SUPERFUND EASY	
Desire to be involved in the investment decision-making	None (until such time as they have grown in knowledge of retirement funding and acquired a greater level of financial sophistication, and the business itself is established, in which case they have the option to migrate to SuperFund "Choice").
Earnings levels	Low to Medium
Retirement savings outside own home	From none to some
Age	Wide range
Need for inflation-beating investment returns	High. The retirement fund contribution made by the Member and employer, combined, is relatively low, so Members must earn as good a return as possible subject to the other constraints listed below.
Tolerance of volatility risk	Low. Members are likely to be more concerned with capital preservation than with high returns in addition to having employment security linked to the economy.
Likelihood of annuitising at retirement	Low to moderate. For many Members in SuperFund Easy who have had interrupted savings journeys, and many provident fund Members who have not built up significant



	<p>Vested Pension Components or Retirement Components may fall short of the <i>de minimis</i> level. Such Members may elect to take their full balance in cash.</p> <p>Analysis of <u>all</u> SuperFund Members retiring during 2023 shows the following:</p> <ul style="list-style-type: none"> • Pension Fund: 29% of Members (by number) took their full balance in cash. 16% (by value) was taken as cash. • Provident Fund: 74% of Members (by number) took their full balance in cash. However, only 40% (by value) was taken as cash. <p>It is expected that the number of Provident Fund members taking cash will reduce over time as the annuitisation requirements introduced in March 2021 take effect and Two-Pot requirements result in increased preservation</p>
Exposure to interest risk⁴⁵ on retirement	Moderate to high, with a reasonable chance that a life-guaranteed annuity ⁴⁶ will be selected where the law requires an annuity to be purchased in terms of the Funds default annuity strategy.
Exposure to inflation risk⁴⁷	High
Need for capital protection	High
Likelihood of preservation after contact has been made	Low to Medium
Use of financial planners and consultants	Very limited

A.1.2 Characteristics of Investment Portfolio(s)

The membership profile as described above suggests that the Investment Portfolios should offer the following characteristics:

INVESTMENT PORTFOLIO CHARACTERISTICS	
Management of investments by:	Management Board

⁴⁵ Interest risk is the risk that the cost of purchasing a pension rises shortly before a Member's retirement as a result of a drop in long-term interest rates.

⁴⁶ A conventional annuity policy will be one in which the initial income, proportion payable to the spouse if selected on death after retirement, and increases if selected are guaranteed by the insurer.

⁴⁷ Inflation Risk is the risk that over the long term the investment does not outperform inflation to expected levels



Investment choice required?	No. Members are happy to leave such decisions to the Management Board. Only one Investment Portfolio will be utilised.
Tolerance for volatility of investment returns	Low
Capital Guarantee	There must be a high level expectation that investment returns will not be negative in any year.
Inflation risk	The Investment Portfolio must offer a reasonable chance of outperforming inflation over time, subject to providing a reasonable degree of capital protection.
Requirement for default Investment Portfolio to provide a good match for <u>all</u> possible options at retirement	High. Members have no investment choice, so the Investment Portfolio must provide a good “one-size-fits-all” match for all different retirement options (including cash).

A.2 SELECTION OF APPROPRIATE INVESTMENT PORTFOLIO

The Management Board has concluded that it is appropriate to utilise only one Investment Portfolio for SuperFund Easy (i.e. no investment choice is offered). This Investment Portfolio is therefore the default for this Investment Option.

- Although there is a very close overlap of Member characteristics with those of group “A” of the SuperFund Choice structure, the Management Board considers it appropriate to utilise a Single Investment Portfolio structure for SuperFund Easy
- Detail regarding the investment structure and rationale for the Investment Portfolio utilised is set out above.



B ANNEXURE B: SUPERFUND CHOICE

Under SuperFund Choice, the Participating Employer's selection defines the Investment Options applicable to a Member, and whether the Member has any right to move between Investment Options within SuperFund Choice. The Participating Employer's selection is described on the certificate of membership when a Member joins the Funds, and on the annual Member benefit statement. This information is also available on request through the SuperFund call centre.

B.1 SUPERFUND CHOICE MEMBERSHIP PROFILE ANALYSIS

The Membership profile analysis of Old Mutual SuperFund Choice reflects the characteristics summarised in the table which follows. These characteristics in turn suggest that Investment Portfolios must offer certain desired characteristics and that different Investment Options might suit each of the four membership profiles respectively.

B.1.1 Member characteristics

EMPLOYEE CATEGORY	A	B	C	D
Desire to be involved in investment decision-making	None – happy to leave the investment decision-making to the Management Board.	Limited. The Member is comfortable with a limited choice between different investment styles such as smoothing, index tracking, active management and multi-management.	The Member is comfortable with a flexible but limited choice of Investment Portfolios offering a range of investment styles and philosophies.	The Member wants to construct a mix of Investment Portfolios, usually with expert assistance. The Member will also want a choice between Old Mutual Group-managed investments and other Investment Providers.
Use of financial planners and investment consultants	Very limited use of financial planning and investment consultants.	Infrequent use of financial planning or investment consultants.	Infrequent use of financial planning or investment consultants.	Regular use of financial planning and investment consultants.
Understanding of financial products	Limited	Limited	Moderate	High
Earnings levels	Low through medium.	Low through medium.	Full range, but with a majority in "low through medium".	High.
Retirement savings outside own home	From none to some.	From none to some.	Some	Likely.
Age	Wide range.	Wide range.	Wide range.	Wide range.



EMPLOYEE CATEGORY	A	B	C	D
Job certainty	Low to moderate. Largely out of the control of the Member.	Moderate. Member is able to focus on retirement as opposed to earlier termination.	Moderate. Member is able to focus on retirement as opposed to earlier termination.	High. A change of employment is largely driven by the Member.
Likelihood of voluntary preservation on job loss or change	Low.	Moderate, depending largely on the financial sophistication of the Member	Moderate, depending largely on the financial sophistication of the Member	High
Tolerance of volatility risk	Low. Members prefer a low-risk type of investment with low likelihood of investment losses and less volatile investment returns than the market.	Tolerance will depend upon factors such as other assets and age. As the Member approaches retirement, tolerance drops to low levels.	This will be a matter of individual choice.	High. There may be a drop in tolerance as the Member approaches retirement, depending upon other investments.
Likelihood of annuitising at retirement	<p>Moderate. For many Members in SuperFund Choice who have had interrupted savings journeys, and for many provident fund Members who have not built up significant balance requiring annuitisation, they may fall short of the <i>de minimis</i> level. Such Members may elect to take their full balance in cash.</p> <p>Analysis of <u>all</u> SuperFund Members retiring during 2023 shows the following:</p> <ul style="list-style-type: none"> • Pension Fund: 29% of Members (by number) took their full balance in cash. 16% (by value) was taken as cash. • Provident Fund: 74% of Members (by number) took their full balance in cash. However, only 40% (by value) was taken as cash. <p>It is expected that the number of Provident Fund members taking cash will reduce over time as the annuitisation requirements introduced in March 2021 take effect, and Two-Pot requirements result in increased preservation.</p>			
Exposure to interest risk⁴⁸ on retirement	High, because it is likely that a life-guaranteed annuity will be selected where the law requires an annuity to be purchased.	Moderate to high, because a mix of life-guaranteed and living annuity policies may be selected where the law requires annuity to be purchased.	Moderate to high, because a mix of life-guaranteed and living annuity policies may be selected where the law requires annuity to be purchased.	Low to moderate, because it is more likely that living annuities will be selected where the law requires annuity to be purchased.
Exposure to inflation risk⁴⁹	High.	High.	High	High.

⁴⁸ Interest risk is the risk that the cost of purchasing a pension rises shortly before a Member's retirement as a result of a drop in long-term interest rates.

⁴⁹ Inflation Risk is the risk that over the long term the investment does not outperform inflation to expected levels.



B.1.2 Characteristics of Investment Portfolios

The analysis suggests that Investment Portfolios should address the following characteristics per membership profile:

EMPLOYEE CATEGORY	A	B	C	D
Management of investment selection by:	Management Board	Management Board, with the option for Members to vary their choice of broad approach according to personal preferences for style and cost	Member	Member
Guarantees	Yes	Some will want guarantees; some will be happy with reduction of volatility shortly before retirement.	Depends upon personal preference.	No.
Tolerance for volatility of investment returns	Low	In the earlier part of the Member's career it will depend upon the Member's risk tolerance, varying from low to high. In all cases, medium to low in the period shortly before retirement.	This will depend upon the personal preference of the Member. Options should allow the Member to reduce tolerance for volatility as the Member approaches retirement age.	Moderate to high. Options should allow the Member to reduce tolerance for volatility as the Member approaches retirement age.
Liquidity needs	High	High to medium	High to medium	High to medium
Inflation Risk	Investment Portfolios must offer a reasonable chance of outperforming inflation, except where inflation risk is less important than interest risk, or there is an intolerance for volatility in the period immediately before retirement			
Requirement for default Investment Portfolio(s) to provide a good match for all possible options at retirement	High. If Members have no investment choice, the Investment Portfolio must provide a good "one-size-fits-all" match for all different retirement options (including cash).	Medium, assuming Members can select from a small range of investment options to match their post-retirement investment strategy.	Medium to low, assuming Members can select from a range of investment options to match their post-retirement investment strategy.	Medium to low, assuming Members can select from a wide range of investment options to match their post-retirement investment strategy.



B.1.3 Investment Options to address Member characteristics

In turn, this suggests that it is appropriate to offer different Investment Options, which suit each of the four membership profiles respectively:

EMPLOYEE CATEGORY	A	B	C	D
Investment Option	<i>SuperFund Choice: Life Stage Default</i>	<i>SuperFund Choice: Other Life-stage</i>	<i>SuperFund Choice: Strategy</i>	<i>SuperFund Choice: Extended</i>
Features:	Management Board selected and managed Investment Portfolios structured into a smoothed life-stage option.	Management Board selected Investment Portfolios structured into four different life-stage options: <ul style="list-style-type: none"> • Index Tracking⁵⁰ • Smoothed • Active, sponsor managed, market linked⁵¹ • Active, multi-managed, market linked. These must all reduce volatility towards retirement age.	The life-stage options in B and the Management Board selected portfolio in A will be available as well as a limited range of Management Board selected Investment Portfolios (from the Old Mutual range) that would suit Members of different risk profiles.	Management Board defines a comprehensive range of Investment Portfolios for Members to choose from, covering widely different levels of volatility, expected returns and liquidity. Both Sponsor-managed and externally managed Investment Portfolios are available.
	High liquidity	High liquidity	High liquidity	Moderate to high liquidity
	No choice	Only one life-stage option may be selected by the Member at any time.	Members can mix Investment Portfolios	Members can mix Investment Portfolios
	High level of guarantees: at least 50% increasing to 80% as Member approaches retirement. Low volatility of returns	Volatility will be reduced as the Member nears retirement age.		

B.2 SUPERFUND CHOICE INVESTMENT OPTIONS

B.2.1 Investment Option selection

- Subject to qualifying criteria⁵², each Participating Employer (or Management Committee) chooses which Investment Option(s) their Members will have access to. The administration

⁵⁰ A choice is offered between Old Mutual and Nedgroup managed portfolios

⁵¹ A choice is offered between Old Mutual and Nedgroup managed portfolios

⁵² Qualifying criteria for Participating Employers for each Investment Option (in respect of number of Members, value of contributions, or value of assets) are reviewed by the Sponsor on a regular basis, and approved by the Management Board. The key consideration in setting the qualifying criteria is ensuring that costs are reasonable for the Members of the Sub-Fund.



fee increases with increasing choice. So, for example, the fee is lowest for “Default” or “Life-stage”, and increases for “Strategy”, and is highest for “Extended”.

- The Investment Options available to a Member will differ from one Participating Employer to another based on eligibility and the choices made by the Participating Employer.
- The Investment Options are incremental, so “Strategy” can only be offered if “Life-stage” and “Default” are also made available, and “Extended” can only be offered if “Strategy”, “Life-stage” and “Default” are also made available.
- Within each Investment Option, where more than one Investment Portfolio is offered, the Member chooses which Investment Portfolio(s) his account will be invested in. The Funds’ approach regarding Default Investment Portfolio(s) is described in Section 4.1.2.
- Where the Participating Employer or Management Committee permits it, a Member can migrate up the Investment Option range, getting more choice, but with the increase in the administration fee paid by the Member out of his investment account.

Alternative pricing model (default pricing model for new Participating Employers):

- With effect from Q4 2023, existing Participating Employers in SuperFund Choice are able to select an alternative pricing model, which simplifies the distinction between the different Investment Options. The new pricing model applies automatically to new Participating Employers.
- Under this model, the same Rand-per-Member-per-month administration fee applies across all the Investment Options. As a result, the Investment Option selected then only determines the Default Investment Portfolios applicable to that Employer’s Members, and the range of Investment Portfolios that Members can access.
- Under this model, an additional asset-based administration fee of 0.15% p.a. (including VAT) will apply in respect of any external (non-Old Mutual) Investment Portfolios selected by the Member. The asset-based administration fee is subject to a maximum Rand amount of R500 per month.



B.2.2 Life Stage Default Investment Option

After considering the Membership profile as set out in Annexure B.1 and as a result of the investment implications brought about by the Two-Pot retirement system, the Management Board has determined that the Investment Portfolio appropriate to Members for whom Life Stage Default is selected should have the following features:

- Within Life Stage Default, Members have no choice of Investment Portfolio. The Management Board will determine the Investment Portfolio(s) offered in this Investment Option.
- It will follow a life-stage approach, where the selected Investment Portfolio for use early in a Member's career aims at a relatively high return relative to inflation
- The underlying portfolios should be
 - A moderate-risk portfolio which aims at returns of the order of CPI plus 5% to 7% over the long term (after capital charges but before investment management fees) for the Growth Phase; and
 - A second portfolio targeting returns of CPI plus 4.5% to 6.5% over the long term (after capital charges but before investment management fees) for the Near Retirement Phase. The underlying portfolio should match the assets underlying the default annuity strategy used by the Funds and set out in the annuity policy statement (APS).
- The Investment Portfolio(s) should have smoothed investment returns to protect Members against volatility.
- There must be a medium to high level of guarantee. The Management Board has determined that a guarantee that capital values will not fall by more than 50% will satisfy this concern in respect of the Growth Phase Investment Portfolio and 20% in respect of the Near Retirement Phase Investment Portfolio.
- Switching and termination conditions must be explicit and regarded as fair.
- The investment portfolios must be daily priced.
- The underlying assets must comply with Regulation 28 investment limits on a look-through basis or be Regulation 28 exempt.
- The Investment Provider must be able to provide the necessary financial and regulatory reporting to the Fund.
- The asset management fees should be institutional fees and not retail based fees.
- Details regarding responsible investment requirements for the Life Stage Default Investment Option are set out in Section 7.

The Management Board has selected the Old Mutual Absolute Smooth Growth Portfolio and the Old Mutual Absolute Stable Growth Portfolio as the Growth Phase and Near Retirement Phase Investment Portfolio respectively.



Single Portfolio Default: Employer Choice:

A Participating Employer may instead of the Life Stage Default elect a Single Portfolio Default or Other Life-Stage Default for their Sub-Fund with the help of a FAIS-accredited intermediary or advisor. The Single Portfolio Default election is limited to:

- Unrestricted Investment Portfolio: An Investment Portfolio that is a one-size-fits-all default that provides a high growth expectation, smoothed returns and a capital guarantee; or
- A Shari'ah-compliant Investment Portfolio: An Investment Portfolio as a one-size-fits-all default for those Participating Employers which specifically require a Shari'ah-compliant investment approach.

Within the Single Portfolio Default Option, Members have no choice of Investment Portfolio. The Management Board will determine the Investment Portfolio(s) offered in this Investment Option

Unrestricted Investment Portfolio:

- The Investment portfolio(s) should be a moderate-risk portfolio which aims at returns of the order of CPI plus 4.5% to 6.5% over the long term (after capital charges but before investment management fees).
- The Investment Portfolio(s) should have smoothed investment returns to protect Members against volatility.
- There must be a medium to high level of guarantee. The Management Board has determined that a guarantee that capital values will not fall by more than 20% will satisfy this concern.
- Switching and termination conditions must be explicit and regarded as fair.
- The Investment Portfolio(s) must be daily priced.
- The underlying assets must comply with Regulation 28 investment limits on a look-through basis or be Regulation 28 exempt.
- The Investment Provider must be able to provide the necessary financial and regulatory reporting to the Fund.
- The asset management fees should be institutional fees and not retail based fees.

The Management Board has selected the Old Mutual Absolute Stable Growth Portfolio as the Unrestricted Single Portfolio Default.



Shari'ah-compliant Investment Portfolio:

The Management Board has determined that the Investment Portfolio utilised for this group of Members who specifically require a Shari'ah-compliant investment approach should have the following features:

- The Shari'ah compliant portfolio is required to offer an ethical investment that provides steady, long-term capital growth, as well as a moderate level of income via a portfolio that diversifies across asset classes and regional exposure. There must be a medium level of capital stability for the longer-term portfolio.
- Switching and termination conditions must be explicit and regarded as fair.
- The investment portfolios must be daily priced.
- The underlying assets must comply with Regulation 28 investment limits on a look-through basis or be Regulation 28 exempt.
- The Investment Provider must be able to provide the necessary financial and regulatory reporting to the Fund.
- The asset management fees should be institutional fees and not retail based fees.

The Management Board has selected the Old Mutual Albaraka Balanced Fund as a Shari'ah compliant Single Portfolio Default.

B.2.3 Other Life-Stage Default Investment Options: Employer Choice

- The Investment Portfolio structure within each life-stage option must reduce volatility risk as the Member approaches their selected retirement age. This will be achieved by transferring a set proportion of the Member's investment into a lower risk Investment Portfolio over the period leading up to the Member's selected retirement age. Between 7 and 4 years before the Member's selected retirement age, the Member's investments are transitioned from an Investment Portfolio with a high exposure to "growth" assets (and therefore greater volatility of returns) to one with a lower exposure to "growth" assets (and therefore lower volatility of returns) and lower volatility. By normal retirement age, the Member's whole investment is in the lower risk Investment Portfolio.
- The Near Retirement Investment Portfolio must be suited to the purchase of an annuity, i.e. the Investment Portfolio will be a moderate Investment Portfolio managed so as to provide lower volatility in line with the Funds default annuity strategy.
- The degree of choice exercised by a Member will be confined to a choice of broad style. After considering the likely choices that Members may want, the Management Board determined that there should be a choice between:
 - **Index tracking** life-stage structure, which offers a low cost, medium to low risk, life-stage structure;
 - **Actively managed** (single and multi-manager) life-stage structures, which are constructed either entirely from Investment Portfolios managed by organisations in the Old Mutual Group or where the multi-managers are in the Old Mutual Group, but they have the freedom to invest outside the Old Mutual Group. (Both of these actively managed life-stage structures should aim at high returns during much of a Member's career.)



B.2.4 Strategy Investment Option

The Strategy Investment Option gives Members a choice between a limited number of Investment Portfolios managed predominantly by the Old Mutual Group. The range includes:

- the Investment Portfolio selected for the Default option;
- the Investment Portfolios in the Life-stage option;
- Investment Portfolios designed specifically to meet particular needs, such as Shari'ah compliant (Islamic) Investment Portfolios or Index Tracking Investment Portfolios;
- Selected Smooth Bonus Products, as appropriate; and
- Investment Portfolios that achieve appropriate diversification with exposure to foreign assets within the limits imposed by legislation.

B.2.5 Extended Investment Option

The Extended Investment Option gives Members a choice between a much wider range of Investment Portfolios. These portfolios are managed either in the Old Mutual Group or outside it. The Extended range includes all the Investment Portfolios used in the other SuperFund Choice Investment Options.

- Grouping Investment Portfolios into categories and sub-categories according to broad risk and reward criteria, the Management Board will aim to include
 - A small number of the most appropriate⁵³ externally-managed Investment Portfolios that satisfy the criteria for inclusion in each sub-category.
 - The most appropriate Investment Portfolio of the Old Mutual Group⁵⁴ in the institutional space that satisfies inclusion in each sub-category, and possibly, the most appropriate Old Mutual Investment Portfolio in the retail space that satisfies those criteria, in both cases if the Sponsor consents to such inclusion.
- In all cases, the criteria will include the period over which performance will be measured. The inclusion of Investment Portfolios from the retail space recognises the convergence of institutional and retail Investment Portfolios within Old Mutual, as policyholders and Members are encouraged to review their investments holistically across both the institutional and retail spaces.
- Where an Investment Portfolio managed by the Old Mutual is the best performing Investment Portfolio of that type or approximately matches the best performing Investment Portfolio in terms of performance, the Management Board may include only that Old Mutual Investment Portfolio in its offering in that type of Investment Portfolio.

⁵³ "Most appropriate" will be assessed in terms of all the criteria for that type of investment fund, and not simply absolute return over the selected period.

⁵⁴ "Old Mutual Group" includes Old Mutual Limited and any of its subsidiaries or related companies.



B.3 SUPERFUND CHOICE INVESTMENT PORTFOLIO RISK PROFILE

The table set out below summarises the Investment Portfolios approved by the Management Board in each category and sub-category, including:

- The relevant CPI-objectives and portfolio benchmarks
- The Investment Portfolios available within each SuperFund Choice Investment Option.

The table is updated annually following the annual investment review process. The current table is applicable following the review as at June 2024.

Risk Profile	Investment Portfolio Profile	Investment Portfolio	CPI Related Reference Point	Portfolio Benchmark	SuperFund Investment Option				
					Life-stage	Single Portfolio: Alternative Employer Choice	Life-stage	Strategy	Extended
Low Reward/ Volatility	Money Market & Fixed Interest	FutureGrowth Core Money Market	CPI + 0% - 1%	STeFI 3 month					✓
		Taquanta Enhanced Cash	CPI + 0% - 1%	STeFI Composite					✓
		Nedgroup Inv Flexible Income Fund	CPI + 1% - 2%	110% STeFI Call					✓
		Taquanta Optimal Income Fund	CPI + 1% - 2%	STeFI Composite+2%					✓
	Smooth Bonus	Old Mutual CoreGrowth 100	CPI + 2% - 4%	*				✓	✓
	Market Linked (Active)	OMMM Inflation Plus 1-3% Strategy	CPI + 1% - 3%	CPI + 1-3% (rolling 3 yrs)				✓	✓
		Allan Gray Global Stable	CPI + 1% - 3%	AF 3-month deposit Index + 2%					✓
		Nedgroup Inv XS Guarded FoF	CPI + 1% - 3%	CPI + 3% (rolling 3 yrs)			✓	✓	✓
		OMIG Profile Capital	CPI + 1% - 3%	Strategic Asset Allocation Composite				✓	✓
	Market Linked (Tracker)	Nedgroup Inv Core Guarded FoF	CPI + 1% - 3%	CPI + 3% (rolling 3 yrs)			✓	✓	✓

*Universe of similar smoothed bonus fully guaranteed Investment Portfolios



Risk Profile	Investment Portfolio Profile	Investment Portfolio	CPI Related Reference Point	Portfolio Benchmark	SuperFund Investment Option					
					Life-stage	Single Portfolio: Alternative Employer Choice	Life-stage	Strategy	Extended	
Medium Reward/ Volatility	Smoothed Bonus	Old Mutual Absolute Stable Growth	CPI+ 4.5%- 6.5%	**	✓	✓	✓	✓	✓	
		Old Mutual Absolute Smooth Growth	CPI + 5% - 7%	**	✓		✓	✓	✓	
	Market Linked (Active)	Allan Gray Life Global Balanced	CPI + 3% - 5%	AF Global LMW (non-investable)					✓	
		Coronation Global Houseview	CPI + 3% - 5%	Median of peer group					✓	
		AlexForbes Performer	CPI + 3% - 5%	AF Global LMW (investable)					✓	
		OMIG Profile Edge28	CPI + 3% - 5%	Strategic Asset Allocation Composite				✓	✓	
		OMMM Fusion Plus 3-5% (w.e.f. Oct 2023)	CPI + 3% - 5%	CPI+ 3-5% (rolling 5 yrs)			✓	✓	✓	
		OMMM Fusion Plus 5-7% (w.e.f. Oct 2023)	CPI + 3% - 5%	CPI+ 5-7% (rolling 7 yrs)			✓	✓	✓	
		OMMM Inflation Plus 3-5% Strategy	CPI + 3% - 5%	CPI+ 3-5% (rolling 5 yrs)			✓	✓	✓	
		OMMM Inflation Plus 5-7% Strategy	CPI + 3% - 5%	CPI+ 5-7% (rolling 7 yrs)			✓	✓	✓	
		OMMM Managed	CPI + 3% - 5%	AF Global LMW (investable)				✓	✓	
		M&G Global Balanced	CPI + 3% - 5%	AF Global LMW (non-investable)					✓	
		Nedgroup Inv XS Diversified FoF	CPI + 3% - 5%	CPI+5% over rolling 5 years			✓	✓	✓	
		Old Mutual Retirement Driven Investment Defensive Portfolio (w.e.f. Oct 2023)	RDI objective	Composite benchmark			✓	***	***	
		Old Mutual Albaraka Balanced Fund [Shari'ah]	CPI + 3% - 5%	Shari'ah Composite Index		✓		✓	✓	
		Camissa Islamic Balanced [Shari'ah]	CPI + 3% - 5%	Mean of SA Multi-Asset High Equity Fund					✓	
		Market Linked (Tracker)	OMMM Moderate Tracker	CPI + 3% - 5%	CPI+ 3-5% over long term			✓	✓	✓
		Absolute Return	OMMM Defensive Balanced	CPI + 3% - 5%	CPI				✓	✓
	Coronation Global Absolute		CPI + 3% - 5%	CPI					✓	



Risk Profile	Investment Portfolio Profile	Investment Portfolio	CPI Related Reference Point	Portfolio Benchmark	SuperFund Investment Option				
					Life-stage	Single Portfolio: Alternative Employer Choice	Life-stage	Strategy	Extended
		M&G Inflation Plus Global	CPI + 3% - 5%	CPI + 5%					✓
		Vunani BCI Multi-Asset Fund	CPI + 3% - 5%	CPI + 5%					✓

Universe of similar smoothed bonus partially guaranteed Investment Portfolios | * Not available as a free-standing Investment Portfolio. Only available for selection as a life-stage solution.

Risk Profile	Investment Portfolio Profile	Investment Portfolio	CPI Related Reference Point	Portfolio Benchmark	SuperFund Investment Option				
					Life-stage	Single Portfolio: Alternative Employer Choice	Life-stage	Strategy	Extended
Higher Reward/ Volatility	Market Linked (Active)	Allan Gray Global Absolute	CPI + 5% - 7%	AF Global LMW (investable)					✓
		Coronation Managed Fund	CPI + 5% - 7%	Median return of peer group					✓
		Ninety One Managed	CPI + 5% - 7%	AF Global LMW (investable)					✓
		Old Mutual Retirement Driven Investment Growth Portfolio (<i>w.e.f. Oct 2023</i>)	RDI objective	Composite benchmark			✓	***	***
		OMMM Max28	CPI + 5% - 7%	Composite benchmark				✓	✓
	Market Linked (Tracker)	OMMM Balanced Tracker	CPI + 5% - 7%	CPI + 4-6% over long term			✓	✓	✓
		Nedgroup Inv Core Diversified	CPI + 5% - 7%	CPI + 5% over rolling 5 years			✓	✓	✓

*** Not available as a free-standing Investment Portfolio. Only available for selection as a life-stage solution.



B.4 SUPERFUND PRESERVER

- SuperFund Preserver is a separate section (a separate scheme as set up on the Funds' administration system) for all paid-up Members, within the SuperFund Choice framework.
- Paid-up Members are moved to the Preserver section, either immediately on completion of the necessary form requesting participation in Preserver, or else 120 days after termination of service with their employer (if they have not completed any exit documentation by this point in time).
- When a Member becomes a Preserver Member, they have the flexibility to select from the SuperFund Choice Default, Life-stage, Strategy and Extended Investment Options.
- A Preserver Member will remain invested in the Investment Portfolio(s) that were applicable at the date of termination of service (unless they make an alternative selection on transferring into Preserver).
- The Preserver Member may at any time make a fresh election, changing the Investment Option and/or Investment Portfolio(s) previously elected to any of the other options or Investment Portfolio(s) available within Preserver, subject to the terms relating to the option or Investment Portfolio. However, Preserver Members who transitioned from SuperFund Customised cannot make any new transfers into Investment Portfolios which are applicable to Customised only.
- Additional detail is set out in Section 4.3 of the IPS.

B.5 SUPERFUND DEFERRED RETIREMENT

- SuperFund Deferred Retirement is a separate section (a separate scheme as set up on the Funds' administration system) for all Deferred Retirees, within SuperFund Choice.
- Deferred Retirees are moved to the Deferred Retirement section on completion of the necessary form requesting participation in Deferred Retirement. This option can only be actively selected (i.e. a Member cannot be defaulted into the Deferred Retirement section).
- A Deferred Retiree will remain invested in the Investment Portfolio(s) that were applicable at the date of termination of service (unless they make an alternative selection on transferring into Deferred Retirement).
- The Deferred Retiree may at any time make a fresh election, changing the Investment Option and/or Investment Portfolio(s) previously elected to any of the other options or Investment Portfolio(s) available within Deferred Retirement, subject to the terms relating to the option or Investment Portfolio. However, Deferred Retirement Members who transitioned from SuperFund Customised cannot make any new transfers into Investment Portfolios which are applicable to Customised only.
- Additional detail is set out in Section 4.3 of the IPS.



C ANNEXURE C: SUPERFUND CUSTOMISED

C.1 INTRODUCTION TO SUPERFUND CUSTOMISED

The Management Board wishes to ensure that the investment structure and Investment Portfolios offered to Members:

- Are appropriate for the membership profile of the Sub-Fund;
- Provide long-term risk-adjusted returns appropriate for the requirements of the membership profile;
- Are transparent, well managed and well administered;
- Are properly communicated to the Management Committee and the Members of the Sub-Fund; and
- Are competitively priced.

However, where a properly constituted and well-governed Management Committee has elected to appoint an accredited Investment Consultant, the Management Board seeks to allow appropriate flexibility and choice regarding the investment structure and Investment Portfolios chosen by the Management Committee. There are a number of reasons why a Participating Employer and Management Committee might want to do this:

- They may wish to mirror an investment structure utilised in a free-standing retirement fund from which they have transferred.
- They might consider a different Default Investment Portfolio to be more appropriate for their specific Membership.
- They might desire to construct bespoke Investment Portfolios for that Sub-Fund with the assistance of their Investment Consultant.
- They could want to limit choice available to their membership, either from one of several bespoke Investment Portfolios or from the more general list of Investment Portfolios made available by the Management Board under the Choice Extended option.
- They may wish to utilise Investment Portfolios with clearly delimited target Investment Returns which are matched to the Members on an individual basis following analysis of what return those Members need to attain a specified replacement ratio on retirement.

The SuperFund Customised Investment Option caters for these needs. The extent of flexibility within SuperFund Customised depends on the value of assets and/or contributions in respect of each Sub-Fund.

- SuperFund Customised “Lite” for medium-sized Participating Employers:⁵⁵ This investment structure may utilise options from the list of Investment Portfolios already made available by the Management Board under the SuperFund Choice Extended option. The Default Investment Portfolio must be selected from a limited range of Board-approved default options. The Sub-Fund Investment Plan (prepared by the accredited Investment Consultant and

⁵⁵ This is available for Sub-Funds falling below a given threshold in respect of total assets and/or contributions. The thresholds are set by the Management Board in consultation with the Sponsor, and may vary from time to time. Participating Employers which have begun participation within SuperFund Customised under a particular dispensation may be permitted to continue, even if the threshold changes.



approved by the Management Committee) must set out appropriate analysis and motivation for the structure. The Sub-Fund Investment Plan must be approved by the Management Board. This option is available for Participating Employers who wish to limit the choice of their members within the parameters made available by the Fund.

- SuperFund Customised for large Participating Employers: This structure enables an accredited Investment Consultant to assist a Management Committee to motivate its own Default Investment Portfolio(s) and fully customised investment structure, which can utilise alternative Investment Portfolios (including segregated Investment Portfolios where appropriately motivated). The investment structure must be based on extensive analysis and clearly motivated in a Sub-Fund Investment Plan.⁵⁶

C.2 GOVERNANCE FRAMEWORK OF SUPERFUND CUSTOMISED

The governance framework set out in this section describes the current process for Participating Employers within SuperFund Customised. Participating Employers which have previously entered SuperFund Customised under a different dispensation may have slightly different arrangements, but in all cases the participation must be governed by appropriate contracts and mandates, and must have been approved by the Management Board.

C.2.1 Requirements for SuperFund Customised

There are nine key requirements for SuperFund Customised:

1. The Participating Employer must select SuperFund Customised and notify the Fund in writing. The Employer and the Fund must **sign a participation agreement**. The Participation agreement incorporates a mandate and constitution for the Management Committee and will out the powers and duties of the Management Committee.
2. The Participating Employer must **establish a Management Committee** to fulfil the functions provided for in the Master Rules, participation agreement and the IPS and to ensure that Member participation in the investment process takes place and proper Member communication is in place.
3. The Management Committee must **receive regular investment advice** from an accredited⁵⁷ Investment Consultant.
4. The Investment Consultant must provide the Management Committee with sufficient information for the Management Committee to **oversee the investment offering** and provide appropriate communication to Members of the Sub-Fund.
5. The Management Committee (with assistance from the Investment Consultant) must ensure that **appropriate investment-related communication is provided to Members**.

⁵⁶ The Sub-Fund Investment Plan within SuperFund Customised is referred to as a Customised Investment Plan in certain documentation. The term "Sub-Fund Investment Plan" is used in this IPS.

⁵⁷ The Investment Consultant must be accredited by Old Mutual (as an agent of the Fund) to provide investment consulting services to SuperFund Customised clients. This accreditation process must already have been completed by the Investment Consultant before they can advise a Management Committee Details regarding the criteria and process for accreditation are set out in Annexure C.9. The accreditation of the Investment Consultant will be reviewed annually to ensure that all criteria continue to be satisfied.



6. The Management Committee must provide the Management Board with a **fully completed and signed Sub-Fund Investment Plan**, which must be reviewed at least annually. The Plan is subject to approval by the Management Board.
7. The Sub-Fund may only utilise Investment Portfolios approved by the Management Board.⁵⁸ Investment Portfolios must be housed on an approved investment platform.
8. The Sub-Fund must **follow a Responsible Investment approach** to investing that incorporates environmental, social and governance (ESG) factors (including transformation and BBBEE) into investment decisions.
9. The Investment Consultant must **provide the Administrator with an investment instruction**, instructing the Administrator how to implement the Sub-Fund Investment Plan. Such investment instruction must be sufficiently detailed, and kept up to date.

The table on the following page provides an overview of the Customised governance framework, with key contractual or policy documents noted in dark red font.

⁵⁸ Where a Management Committee wishes to utilise an Investment Portfolio which is not currently approved by the Management Board, the Investment Consultant may motivate for the Management Board to approve the use of such new/ additional Investment Portfolios. The Investment Consultant must provide all information necessary for the Management Board and its appointed investment consultant to assess whether the proposed Investment Portfolio(s) satisfy the criteria set out in the IPS.



C.2.2 Summary of the Customised Governance Framework

A. Participating Employer	<ol style="list-style-type: none"> 1. The Participating Employer makes a decision to select SuperFund Customised and notifies the Fund in writing. 2. The Employer and the Fund sign the Participation Agreement <ul style="list-style-type: none"> • The Participation Agreement incorporates a Mandate and Constitution for the Management Committee. This sets out the powers and duties of the Management Committee.
B. Investment Consultant	<ol style="list-style-type: none"> 1. The Investment Consultant applies to the Fund to be accredited. <ul style="list-style-type: none"> • The Fund may delegate this function to Old Mutual to conduct the accreditation process (and Old Mutual in turn may sub-contract to Moonstone for some components). • All requirements in the IPS must be satisfied in order to be accredited. 2. If accreditation is successful: Old Mutual (as an agent of the Fund) issues an accreditation letter confirming approval of both the Financial Services Provider and the particular individual(s) who are accredited. The Fund and the Investment Consultant enter into a Master Agreement. <ul style="list-style-type: none"> • The Master Agreement sets out the overarching legal terms and conditions and high-level roles and responsibilities of the Fund and the Investment Consultant 3. On an annual basis or as required: The accreditation is reviewed to ensure all criteria continue to be met, and the accreditation letter is updated.
C. Management Committee	<ol style="list-style-type: none"> 1. All preliminary steps as per the Participation Agreement must be completed before the Management Committee is formally empowered to act. <ul style="list-style-type: none"> • (i.e. the Management Committee must be constituted, elections & appointments must take place, an Expense Policy must be agreed, etc.) 2. The Management Committee then selects an Investment Consultant from the list of <u>accredited</u> Investment Consultants. (The Investment Consultant must <u>have completed the steps in B already</u>). 3. The Management Committee negotiates the services that the Investment Consultant will provide and agrees the fees payable (subject to the IPS). 4. The Management Committee requests the Fund to enter into a contract (the Sub-Fund Schedule) with the Investment Consultant. <ul style="list-style-type: none"> • The contract is comprised of BOTH the Master Agreement AND the Sub-Fund Schedule 5. The Management Committee and Investment Consultant craft the proposed investment structure, taking into account all the requirements in the SuperFund IPS and the needs of the membership. <ul style="list-style-type: none"> • The proposed investment structure must be motivated and documented in the Sub-Fund's Sub-Fund Investment Plan. This is only valid once it has been reviewed and approved by the Management Board. • If relevant: The Investment Consultant and the Management Committee must motivate any new portfolios to be added, prepare draft contracts with investment providers, address unitisation requirements, address Regulation 28 certification, etc. These must be comprehensively motivated with all relevant detail to enable the Fund to approve and implement.



C.3 OPERATION OF A CUSTOMISED SUB-FUND

C.3.1 Establishment and operation of the Management Committee

- The Sub-Fund Management Committee primarily fulfils functions on behalf of the Participating Employer in relation to the operation of the Funds, but can also be duly authorised by the Management Board to assist the Management Board with the smooth running of the Sub-Fund. The assistance given by the Management Committee will generally be in the form of recommendations to the Management Board and communication with Members of the Sub-Fund on investments.
- The Sub-Fund Management Committee must be established and mandated in the manner as set out in the Participation Agreement.
- At all times, the Management Committee must remain compliant with the requirements set out in the Participation Agreement and the Rules.

C.3.2 Appointment of an accredited Investment Consultant

- The Sub-Fund Management Committee must select an accredited Investment Consultant to provide investment advice to the Management Committee. The Investment Consultant's role is to work with the Management Committee to analyse the profile of the Sub-Fund membership and recommend an investment structure and Investment Portfolios appropriate for those Members, and provide ongoing investment consulting to the Management Committee.
- The Sub-Fund Management Committee must select from the list of Investment Consultants which have already been accredited to provide such advice to SuperFund Customised clients⁵⁹, and with whom the Funds have already entered into a Master Agreement.
- The Management Committee must confirm in writing to the Funds:
 - The selected Investment Consultant;
 - The fee basis that has been negotiated with the Investment Consultant (including quantification as an estimated Rand amount per year in total and per Member); and
 - The services to be delivered for that fee (where the Management Board may set parameters to guide the assessment of fees).
- These details shall then be included in the Sub-Fund Schedule. The Sub-Fund Schedule must be agreed to and signed by the Investment Consultant and the Funds.
- *For certain Sub-Funds which participated in SuperFund Customised prior to 2017, the Participating Employer appointed the Investment Consultant and entered into a contract with such appointed Investment Consultant based on its specified requirements. The Participating Employer mandates the Management Committee to appoint the accredited Investment Consultant (on behalf of the Participating Employer) to work with the Management Committee. The Participating Employer then contracts with the Investment Consultant which will specifically govern the relationship between the Investment*

⁵⁹ Details regarding the criteria and process for accreditation are set out in Annexure C.9.



Consultant, the Participating Employer, the Sub-Fund Management Committee and the Sub-Fund Members. The Participating Employer is liable for ensuring that the services, terms, conditions and fee basis comply with the Rules and the Funds' IPS.

- *In respect of the balance of Sub-Funds, it is the Funds which contract with the selected Investment Consultant, based on a request from the Management Committee and subject to such conditions as the Management Board stipulates.*

C.3.3 Crafting the investment strategy and structure

C.3.3.1 Analysis of the membership profile and recommendation of suitable Investment Portfolios

The responsibility for analysing the membership profile and recommending an appropriate structure, Default Investment Portfolio(s) and Investment Portfolios for the membership of a Sub-Fund rests with the appointed Investment Consultant. The Sub-Fund Investment Consultant is expected to perform the following activities and express the result in a Sub-Fund Investment Plan, which sets out and motivates the proposed investment structure:

- **Analyse the membership**, splitting it, where appropriate, into groups. Each group, or the Sub-Fund as a whole, should have a profile that takes into account factors such as the Members' ages, retirement savings accrued in the Funds, possible replacement ratios on retirement, financial understanding and risk tolerance.
- **Propose an overarching investment structure and strategy** which is appropriate for the membership. It is the responsibility of the Investment Consultant to ensure that such proposed structure can be implemented by the Administrator, and to ensure that all Administrator requirements can be met.
- **Propose and motivate an approach appropriate for the Sub-Fund in respect of Responsible and Sustainable Investment and Transformation.** The Sub-Fund's approach must take cognisance of the Management Board's policies in respect of Responsible and Sustainable Investment and Transformation, as set out in the IPS.
- **Motivate the Default Investment Portfolio(s)** that are appropriate in respect of this membership profile. The Investment Consultant must ensure that the selection of the Default Investment Portfolio(s) complies with Regulation 37 to the Pension Funds Act.
- **Propose, if appropriate, a range of Investment Portfolios** from which Members can select:
 - SuperFund Customised "Lite" for medium-sized Participating Employers: Investment Portfolios can only be selected from the range approved by the Management Board for SuperFund Choice.
 - SuperFund Customised for larger Participating Employers: Investment Portfolios can be selected from the range previously approved by the Management Board either specifically for this Sub-Fund, specifically for this Investment Consultant, or more generally from the SuperFund Choice range. Where the Investment Consultant recommends an Investment Portfolio that is not on the current approved list, the Investment Consultant must motivate and obtain the approval of the Management Board before this Investment Portfolio is included in the Sub-Fund Investment Plan for the Sub-Fund. The motivation will need to satisfy the due diligence and risk



management criteria specified in Regulation 28, as well as the criteria for the selection of Investment Portfolios set out in the IPS.

- **Motivate the appropriateness of the Investment Portfolios** in respect of the membership profile (or a particular sub-group) of the Sub-Fund.
- **Recommend suitable benchmarks and/or return objectives to the Management Committee** against which to measure the performance of the Investment Portfolios.

The Investment Consultant must present and discuss their recommendations with the Management Committee. The Management Committee must review the Investment Consultant's recommendations and, in consultation with the Investment Consultant, agree on the investment structure and strategy. This must then be documented in the Sub-Fund Investment Plan.

C.3.3.2 Requirements of the Sub-Fund Investment Plan (SFIP)

The Sub-Fund Investment Plan forms an integral part of the IPS, constituting an extension relating to the Sub-Fund in question. It must therefore be consistent with the overarching criteria defined by the Management Board.

The SFIP must cover the following elements:

- It must set out reasons as to why the Management Committee considers that SuperFund Customised is appropriate for the relevant Participating Employer Sub-Fund.
- It must describe the investment principles and beliefs of the Management Committee.
- It must include a statement regarding the Management Committee's approach to risk levels and risk management.
- It must include an analysis of the membership profile of the Sub-Fund, including:
 - Level of understanding of investment matters;
 - Age spread;
 - Earnings levels;
 - Projected replacement ratios (or some other measure of the adequacy of retirement savings);
 - Tolerance for volatility; and
 - Staff turnover rates.
- It must include a synopsis of the key needs of the membership profile that the Investment Plan is seeking to meet.
- It must specify the default structure and Default Investment Portfolio and motivate why it is appropriate for the Sub-Fund membership, with specific focus on compliance with Regulation 37 as regards the Default Investment Portfolio(s).
- It must motivate why any other selected Investment Portfolio(s) and the recommended structure are appropriate for the membership profile of the Sub-Fund.
- It must reflect the Investment Portfolios being utilised and whether these are on a segregated or pooled basis and provide the required level of detail on Investment Provider



selection. The minimum set of requirements and criteria must be met by Investment Providers of specialised mandates.

- It must address any practical requirements to enable implementation of the proposed investment structure (e.g. how any life-stage model would work; any unitisation requirements; any transition management required; any platform requirements; etc.).
- It must include a description of:
 - The benchmarks and/or return objectives against which the Investment Portfolio(s) will be measured;
 - The periods over which they will be measured, where at least 3- or 5-year periods should be considered;
 - Where appropriate, an inflation-related target over rolling periods to be monitored by the Management Committee; and
 - Where appropriate, a peer-related target with regard to risk-adjusted performance.
- It must include details and motivations regarding the Management Committee's approach to the following matters (and, where appropriate, address the requirements of Guidance Note 1/2019):⁶⁰
 - Responsible and Sustainable Investing;
 - Active ownership; and
 - Transformation and BBEE.
- It must include details and motivations regarding compliance with Regulation 28 asset limits at a member level, as well as (where appropriate) the principles set out in Regulation 28. Every Investment Portfolio available to a Member must comply in its own capacity with all of the asset limits and aggregate exposures set out in Regulation 28(3). The primary responsibility for compliance with the detail of Regulation 28 asset limits will rest with the Investment Provider or Investment Consultant.
- It must include detail regarding communication to and education of Members in respect of the Sub-Fund's investments.
- It should include detail regarding the fee paid to the Investment Consultant, quantified as an estimated Rand amount per year in total and per Member.
- It should include details regarding the roles and responsibilities of the Management Committee, the Investment Consultant and any other relevant parties.

The finalised Sub-Fund Investment Policy must be:

- Approved by the Management Committee.
- Signed by the chairperson of the Management Committee (or another duly authorised representative of the Management Committee).
- Signed by the Investment Consultant.

⁶⁰ The Sub-Fund's approach to these matters must take cognisance of the Management Board's policies in respect of Responsible and Sustainable Investment and Transformation, as set out in the IPS.



C.3.3.3 Investment instruction to the Administrator

- The Investment Consultant must provide the Administrator with an investment instruction, instructing the Administrator how to implement the Sub-Fund Investment Plan. Such investment instruction must be sufficiently detailed, and kept up to date.
- It must address any practical requirements to enable implementation of the proposed investment structure (e.g. how any life-stage model would work; any unitisation requirements; any transition management required; etc.).
- It must address the investment of any Sub-Fund Reserve Accounts.
- The Investment Consultant is responsible to ensure that he/she has an appropriate understanding of the Administrator's system and requirements, and to work with the Administrator to ensure correct set-up and implementation of the proposed investment structure.
- It is recommended that engagement with the Administrator is done in parallel with the process of obtaining approval of the SFIP by the Management Committee and the Management Board, to ensure that all practical requirements are addressed and to prevent delays in implementing.

C.3.3.4 Approval of the SFIP by the Management Board

- The Management Board must review the Sub-Fund Investment Plan with the assistance of its own investment consultant.⁶¹ If the Investment Plan complies with the Investment Policy Statement and the appropriateness of the Investment Portfolios (including the recommended Default Investment Portfolio(s) for the relevant Members of the Sub-Fund) is motivated to the satisfaction of the Management Board, and the Default Investment Portfolio complies with the Default Regulations, the Management Board will generally approve the Investment Plan.
- The Management Board retains the right to reject an Investment Plan if it does not conform to this Investment Policy Statement, Regulation 37 and any criteria specified by the Management Board as part of the Investment Policy Statement, and to consider removing accreditation of a Sub-Fund Investment Consultant if he or she does not act in a manner consistent with this Investment Policy Statement.
- If the Management Board rejects an Investment Plan, the Management Board will refer the Investment Plan back to the Sub-Fund Management Committee and its Investment Consultant, giving its reasons as to why it rejects the Plan. The Sub-Fund Management Committee and its Investment Consultant may make representations as to why the issues raised by the Management Board have no substance. If the Management Board accepts these representations, the Management Board will approve the Investment Plan. Otherwise, the Sub-Fund Management Committee must amend the Plan, which amended Plan shall be subject to the approval of the Management Board.

⁶¹ The Management Board may delegate responsibility for review and approval to its investment consultant.



C.3.4 Implementation of the investment structure

As part of the approval of the investment strategy and structure (as documented in the Sub-Fund Investment Plan), the Investment Consultant and Management Committee may need to address additional specific details in order to effect the implementation of the investment structure. This may include:

- Addition of any new Investment Portfolios (i.e. those not currently in use by SuperFund).
- Unitisation of any bespoke or segregated Investment Portfolios.
- Transition management.

Additional detail is set out in Annexure C.5.

C.3.5 Ongoing monitoring and compliance

C.3.5.1 Review of the Sub-Fund Investment Plan (SFIP)

- The Management Committee must review the Sub-Fund Investment Plan at least annually with the assistance of their Investment Consultant. Following a review, it must be submitted to the Management Board for approval if any material amendments are proposed.
- The Management Committee must provide a signed copy of the reviewed SFIP to the Management Board at least annually.
- The Management Board shall review the SFIP (with the assistance of the Funds' investment consultant) at least once a year.
- The SFIP should be reviewed more frequently if any of the following changes occur:
 - Major change of the membership profile: e.g. a change of 20% or more in the membership of the Sub-Fund;
 - An Investment Portfolio included in the Investment Plan is closed or culled by the Management Board;
 - Major change in Sub-Fund benefit structure;
 - Material change in legislation affecting the Sub-Fund or investment conditions;
 - Change in economic factors affecting investment conditions: e.g. a significant change in inflation, or a major market movement, which alters asset values by more than 20% over one month;
 - Major change in asset structure: e.g. introduction of new investment channels, if applicable; and
 - Major change in the Management Committee – so as to ensure continuity of information.

C.3.5.2 Monitoring: Customised “Lite” for medium-sized Participating Employers:

- The Investment Portfolios utilised in Customised “Lite” can only be selected from the range offered under SuperFund Choice. These Investment Portfolios are therefore monitored closely by the Management Board within the SuperFund Choice framework.



- The Management Committee must (with the assistance of their appointed Investment Consultant) monitor investment performance of the Sub-Fund's selected Investment Portfolios to ensure their ongoing appropriateness for their particular group of Members.

C.3.5.3 Monitoring: Customised for larger Participating Employers:

- The Management Committee must (with the assistance of its Investment Consultant) monitor and review:
 - The performance of the Investment Portfolio(s);
 - Compliance with their mandates by the Investment Provider;
 - Compliance with Regulation 28; and
 - Continued compliance with the criteria for selection of Investment Providers and Investment Portfolios as set out in the Funds' IPS.
- The Management Committee must (with the assistance of the Investment Consultant) report any matters of concern to the Management Board.
- The Management Committee must ensure that its Investment Consultant provides the Management Board's investment consultant with such information as required in order to monitor performance of the Investment Portfolios used in the Sub-Fund Investment Plan. At a minimum, this should include:
 - Quarterly performance reports.
 - Quarterly Total Expense Ratio (TER) and/or Total Investment Charge (TIC) information.
 - Any investment fact sheets prepared for the membership.
 - Timeous reporting regarding Regulation 28 compliance and any Regulation 28 breaches.
- If performance of any of the Investment Portfolios persistently fails to satisfy the benchmark established by the Management Committee and no satisfactory explanation is provided by the Sub-Fund Investment Consultant and/or Investment Provider, or the Investment Provider has breached the investment mandate for that Investment Portfolio, or the Investment Provider fails to satisfy the qualifying criteria, the Management Board will review the continued inclusion of the Investment Portfolio.

C.3.5.4 Monitoring and review by the Management Board

- The Management Board will (with the assistance of the Funds' investment consultant) monitor the performance of all the Investment Portfolios on an ongoing basis.
- The Management Board will (with the assistance of the Funds' investment consultant) review on an annual basis the performance and management of all the Investment Portfolios and compliance with their mandates.
- In order to enable the Funds' investment consultant to conduct such review in appropriate detail, each Management Committee's appointed Investment Consultant must provide information as requested to the Funds' investment consultant. This will typically include:



- Daily or monthly gross unit prices or investment returns in respect of all Investment Portfolios utilised;
 - Breakdown of the TER and TIC in detail for each investment portfolio and/or strategy;
 - Qualitative detail regarding the Investment Portfolios and the Investment Providers;
 - Details regarding the Sub-Fund's approach to Responsible Investing, Climate Risk and Transformation;
 - Details regarding compliance with relevant legislation and regulations;
 - Details regarding compliance with the Funds' IPS and Rules; and
 - Copies of investment-related communication provided to Sub-Fund Members.
- If concerns are identified by the Management Board as a result of such review, this will be referred to the relevant Management Committee for review of the Plan and the Investment Portfolios included within the Plan.
 - After such referral, the Management Committee may decide, on the advice of its Investment Consultant, on an appropriate course of action to remedy the matter of concern, and such course of action should be communicated to the Management Board. The Management Board must then decide whether to accept the proposed course of action, or whether the Management Board needs to take unilateral action to address the matter of concern.
 - The Management Board will (with the assistance of the Funds' investment consultant) review on an annual basis the continued accreditation of the investment consultants as per the details set out in C.9.

C.4 COMMUNICATION

The Management Board is responsible for providing all communication to Members that is required in terms of the Act or Regulations. This may be delegated in part to Management Committees in respect of the Members of the SuperFund Customised Sub-Fund, in which case such delegated investment-related communication must comply with the Funds' requirements, the Act and Regulations.

The Management Committee is responsible to ensure that the communication material made available to Members meets the criteria set by the Management Board, as described below.

- The Management Committee is responsible to:
 - Ensure that appropriate and accurate communication takes place to Members at least annually regarding the default Investment Portfolios, any other Investment Portfolios made available, and any life-stage structures in place;
 - Ensure that any changes to Investment Portfolios or the investment structure are adequately communicated to Members; and
 - Ensure that Members are able to access the Sub-Fund Investment Plan.
- Communication material must be readily accessible for each Investment Portfolio available to the Member. This communication material must:
 - Summarise the strategy of the Investment Portfolio;



- Give the specific investment portfolio performance benchmark return or targeted return;
 - Set out the investment track record over appropriate periods of time;
 - Set out the fees applicable, with the TER and/or TIC clearly communicated;
 - Note the relative volatility that might be expected of the Investment Portfolio; and
 - Be expressed in language that the Member can reasonably be expected to understand.
- Communication to Members in respect of Default Investment Portfolio(s) must comply with Regulation 37 and related Guidance Notes. This includes the following:
 - Fact sheets must be distributed at least annually;
 - Fact sheets must include asset composition;
 - Fact sheets must include performance vs benchmarks;
 - Fact sheets must include Top-10 holdings by value;
 - Fact sheets must include portfolio returns for at least the last 3 years (or since inception if shorter); and
 - All fees & charges must be disclosed at least annually.
 - Copies of all investment-related communication to Members should be emailed to the Funds' investment consultant for record-keeping purposes.

C.5 ADDITIONS OR CHANGES TO INVESTMENT PORTFOLIOS

C.5.1 Addition of a new Investment Portfolio

- The Investment Portfolios used in SuperFund Customised must be approved by the Management Board.
- An accredited Investment Consultant may recommend the inclusion of Investment Portfolios not currently offered by the Management Board, in which case the Investment Consultant must provide the Management Board and its investment consultant with such information as required in relation to the Investment Provider and those Investment Portfolios. Specifically, this information will need to satisfy the due diligence and risk management criteria specified in Regulation 28, as well as the criteria for the selection of Investment Portfolios set out in the IPS.⁶²
- Where specialised mandates are utilised, the Management Committee of the Sub-Fund and Investment Consultant must undertake to the Management Board to monitor and ensure compliance with Regulation 28 at Sub-Fund level.

C.5.1.1 Contracting with the Investment Provider:

- The Investment Consultant and/or Management Committee must negotiate and agree all salient terms in respect of the contract with the Investment Provider. This should include:

⁶² See Section 5.1 and Annexure C.5.1.3



- The terms and conditions of any such contracts specifically entered into in respect of the Sub-Fund with an Investment Provider, a unitisation provider, a custodian and / or an investment platform provider, as appropriate.
- Details regarding all fees payable.
- The Sub-Fund Management Committee and their Investment Consultant must confirm in writing to the Management Committee and Management Board that these are as agreed between them and the relevant service provider(s).
- Such terms must be incorporated into the draft contract(s), and the Investment Consultant must confirm in writing that the contract is as agreed between the Sub-Fund and the investment service provider(s).
- The Fund will then review and sign the contract with the investment service provider(s).

C.5.1.2 Addition to an Investment Platform

- Any new Investment Portfolio must be added to an investment platform which satisfies the Administrator's and the Funds' requirements in respect of unitisation and administration.
- The Investment Consultant must work with the platform provider to affect the addition of the Investment Portfolio to the platform.

C.5.1.3 Additional Criteria for adding Investment Portfolios to SuperFund Customised

Where a motivation is considered to add an Investment Portfolio within SuperFund Customised (which is not currently utilised within SuperFund Choice), the following criteria will be considered in addition to those set out in Section 5.1 of the IPS.

The Sub-Fund's Investment Consultant must provide the Funds' consultant with appropriate information to enable the Funds' consultant to conduct analysis.

- The Investment Portfolio must satisfy quantitative measures as follows:
 - Snap-shot performance over 1, 3- and 5-year periods.
 - Long-term performance over rolling 3-year periods (or 1-year periods if the Investment Portfolio has a short history), measured on a quarterly basis for the 10-year period (or since inception if more recent) .
- The following quantitative measures will be used to analyse these periods:
 - Return: Portfolio return;
 - Risk: Portfolio volatility;
 - Reward for Risk: *Sortino ratio* (required rate of return = inflation-related target for the category); and
 - Downside Protection: *Maximum drawdown*
- Performance will be compared to peers (using a percentile approach where appropriate) using a model as considered appropriate by the Funds' investment consultant.
- The track record must be acceptable over a period determined by the Management Board. In particular the risk-adjusted investment performance of the Investment Portfolio must not fall persistently within the bottom quartile of its peer group over rolling 5 year periods unless



the Investment Provider has satisfied the Funds' investment consultant and the Investment Sub-Committee that there are good reasons why such under-performance will not be repeated.

C.5.1.4 Categorisation

- The relevant category for each Investment Portfolio must be specified by the Investment Consultant wishing to include the Investment Portfolio under SuperFund Customised. Where an Investment Consultant believes that an Investment Portfolio does not fit neatly into this categorisation, an appropriate motivation should be provided, with a proposal regarding which peer group(s) it should be compared against
- The Old Mutual SuperFund investment universe is categorised as per the table below (which table may be updated periodically). Each Investment Portfolio should be categorised within this framework to allow for comparison with peers.

Category	CPI-Related Objective	Peer Benchmark
Low Risk - Low Reward		
Money Market	CPI + 0% - 1%	STeFI
Fixed Interest	CPI + 1% - 2%	BEASSA ALBI
Smoothed Bonus (100% Guarantee)	CPI +2% - 4%	Universe of similar smoothed bonus portfolios
Market-linked (incl. Shari'ah & Index Tracking)	CPI + 1% - 3%	AF Global LMW Conservative
Medium Risk - Medium Reward		
Smoothed Bonus	CPI +4.5% - 5.5%	Universe of similar smoothed bonus portfolios
Market-linked (incl. Shari'ah & Index Tracking)	CPI + 3% - 5%	AF Global LMW Median or AF Global LMW BIV Median
Market-linked: Absolute Return	CPI + 3%-5%	CPI + 3%-5%
High Risk - High Reward		
Market-linked	CPI + 5% - 7%	AF Global LMW Median, AF LMW Dynamic or AF Global LMW BIV Median

C.5.2 Unitisation of segregated Investment Portfolios

- Where a bespoke or segregated Investment Portfolio (made up of building blocks which are not each unitised) is approved for use, the Management Committee must recommend the appointment of a service provider to administer the underlying Sub-Fund's Investment Portfolios and unitise whatever mix of portfolios is accessed at Member level.
- The unitisation process must meet the requirements set out in Section 5.3 of the IPS.

C.5.3 Transition management

- In the event of a material transfer of assets from another Investment Portfolio (including an external portfolio), it may be necessary to utilise the services of a transition manager. Such transition should be appropriate in terms of Member and/or Sub-Fund circumstances and



market conditions and the structure and complexity of the relevant Investment Portfolios, and must comply with the terms of any applicable contracts.

- The Management Board shall have the right to use a transition portfolio and to appoint a transition manager in order to effect a change or switch or disinvestment or alteration, if this is deemed appropriate.
- The Management Board shall have the right to allocate costs related to the change or switch or disinvestment or alteration in the manner which they consider equitable and pragmatic.

C.6 OPERATIONAL CONSIDERATIONS

SuperFund Customised “Lite” for medium-sized Participating Employers:

- All of a Participating Employer’s Eligible Employees in the corresponding Sub-Fund automatically participate under this Investment Option and do not have the option to select an alternative Investment Option.
- In-service Members of a Sub-Fund may not switch to an Investment Portfolio of any kind which falls outside the Investment Portfolios specified in the Sub-Fund Investment Plan.
- If the Management Board decides that an Investment Portfolio should be closed to new investment or should be culled, or should be replaced by another Investment Portfolio, and that Investment Portfolio is used in terms of the Sub-Fund Investment Plan, the following process shall apply:
 - The Management Board, through their investment consultant, will inform the Investment Consultants of affected Sub-Funds which include such Investment Portfolio of their intention to close or cull that portfolio.
 - The Sub-Fund Investment Consultant will be required to propose an alternative Investment Portfolio to the relevant Management Committees and to amend the Investment Plans within such period as determined by the Management Board of being notified of the Management Board’s decision.

SuperFund Customised for larger Participating Employers:

- All of a Participating Employer’s Eligible Employees in the corresponding Sub-Fund automatically participate under this Investment Option and do not have the option to select an alternative Investment Option.
- In-service Members may not switch to an Investment Portfolio of any kind which falls outside the Investment Portfolios specified in the Sub-Fund Investment Plan.
- If the Management Board decides that an Investment Portfolio should be closed to new investment or should be culled, or should be replaced by another Investment Portfolio, and that Investment Portfolio is used in terms of a Sub-Fund Investment Plan under SuperFund Customised, the following process must be undertaken before that decision is finalised:
 - The Management Board, through their investment consultant, will inform the Investment Consultant of the Management Committee/Participating Employer of their intention to close or cull a particular Investment Portfolio.



- The Investment Consultant and Management Committee will be invited to make representations to the Management Board if they consider that the Investment Portfolio remains appropriate for the needs of the Sub-Fund's Members.
- The Management Board will consider any such representations and take action as appropriate (e.g. to permit continued utilisation of the Investment Portfolio by that Sub-Fund, or to require the Sub-Fund to select an alternative Investment Portfolio).

C.7 DEFAULT INVESTMENT PORTFOLIOS

C.7.1 Approved defaults for Customised “Lite”

For medium-sized Participating Employers in Customised “Lite”, the following Investment Portfolios are available as Default Investment Portfolios for all Members or for use in the growth or near-retirement portfolios within a life-stage default. This list will be updated periodically.⁶³

- Old Mutual Absolute Smooth Growth;
- Old Mutual Absolute Stable Growth;
- Old Mutual Multi Managers Max28;
- Old Mutual Multi Managers Inflation Plus 5-7%;
- Old Mutual Multi-Managers Balanced Tracker Fund;
- Old Mutual Retirement-Driven Investment Growth Portfolio*;^{*} and
- Old Mutual Albaraka Balanced Fund

The following Investment Portfolios are available in the near-retirement phase in a life-stage default only:

- Old Mutual Multi Managers Inflation Plus 3-5%;
- Old Mutual Retirement-Driven Investment Defensive Portfolio*;^{*}
- Old Mutual CoreGrowth 100; and
- Old Mutual Multi-Managers Moderate Tracker Fund.

*Not available as a free-standing Investment Portfolio. Only available for selection as a life-stage solution

C.7.2 Default requirements for larger Participating Employers

- The Sub-Fund Investment Plan must set out a detailed motivation regarding the selected Default Investment Portfolio(s), which addresses each of the requirements set out in Regulation 37 and which references the Membership analysis to demonstrate why the defaults are appropriate.

⁶³ The list presented here is applicable as at 1 September 2023. A Participating Employer which selected Default Investment Portfolio(s) from a previously approved list will be generally be permitted to continue utilising those options. However, the Management Board may require a Participating Employer to change their Default Investment Portfolio(s) if they consider they are no longer appropriate.



- The Management Board will review the motivation for appropriateness, taking into account the criteria utilised by the Management Board in selecting the Default Investment Portfolios for other Investment Options.

C.8 PRESERVATION AND DEFERRED RETIREMENT

- When a Member becomes a Preserver Member or Deferred Retiree, the SuperFund Customised Investment Option shall cease to apply to the Member. However, the Member shall remain invested in the same Investment Portfolio(s) applicable at date of transfer into Preserver or Deferred Retirement. Further detail is provided in Annexures B.4 and B.5.

C.9 ACCREDITATION OF INVESTMENT CONSULTANTS

C.9.1 Criteria for accreditation

The Management Board has defined a set of criteria for an Investment Consultant to be accredited to SuperFund Customised, as set out below. In order to be accredited, both the firm-level aspects and the individual consultant aspects must be met satisfactorily.

Once accreditation has been completed successfully, the Accreditation Letter will list the names of the individuals of the particular firm who have been accredited.

C.9.1.1 Licensing & Contractual Requirements:

- Be suitably licensed by the FSCA⁶⁴ and have appropriately qualified Key Individual/s and Representative/s;
- Be accredited by Old Mutual (where Old Mutual acts as an agent of the Fund) for the SuperFund Customised Option; and
- Enter into the required contract (Master Agreement) with the Funds and provide the agreed indemnity to the Funds.

C.9.1.2 Competence Requirements:

- Demonstrate to the satisfaction of Old Mutual that the Investment Consultant possesses sufficient skill and experience to provide investment advice.
- Employ personnel with appropriate investment qualifications:
 - CFA charter holders;
 - Actuaries; or

⁶⁴ For the purposes of this application, a FAIS Category 1 licence with the relevant subcategories is needed. Given the nature of the investment consulting provided within SuperFund Customised, it is necessary to be licensed in respect of the subcategories dealing with investments such as shares, money market instruments, debentures, bonds, derivatives, Forex Investment Business, etc. (Subcategories 1.8 – 1.15). Where an investment consultant recommends the construction of a portfolio from underlying asset class building blocks, careful attention needs to be given to appropriately unitise such a portfolio and ensure full compliance with both the asset class limits. In all cases, the investment consultant must consider and address the principles set out in Regulation 28. An investment consultant to SuperFund Customised clients must therefore have the appropriate experience in the investment related subcategories as per the Act. For example, it is necessary to have the experience to render advice on all of the specialised asset classes that make up a traditional investment portfolio within the retirement fund industry (i.e. shares, bonds, money market instruments and other asset classes).



- Other qualifications that, in the opinion of Old Mutual, meet the requirements of being suitable in the provision of investment advice (which need to be specifically motivated and approved in writing).⁶⁵
- Demonstrate a track record of at least 5 years of having provided investment advice in respect of groups of Members.⁶⁶

C.9.1.3 Process Requirements:

- Provide evidence of an adequate advice process that:
 - Is repeatable and consistent;
 - Considers the relevant profiles, objectives and situations of Members;
 - Considers relevant economic and investment factors;
 - Considers the financial literacy of Members;
- Provide evidence of the adequate (FAIS) recording and archiving of advice provided;
- Demonstrate that the Investment Consultant has appropriate governances and controls in place (FAIS);
- Demonstrate acceptable quality of reporting and education of Participating Employers and Management Committees; and
- Provide evidence that advice is appropriately reviewed and signed off prior to presentation to the Management Committee.

C.9.1.4 Ethics and Conduct Requirements:

- Confirm adherence to the relevant professional code of conduct (e.g. Actuaries and CFA Charter holders);
- Demonstrate that the Investment Consultant exercises prudence, diligence and care in the provision of advice;
- Demonstrate that the confidentiality of client information is preserved;
- Demonstrate that the Investment Consultant adequately discloses fees, conflicts of interest and other relevant details to Management Committees, Participating Employers and Members; and
- Where an Investment Consultant uses their own implemented investment solutions:

⁶⁵ All the requirements of the “Competence Requirements” section should be read together. All three elements are considered together (i.e. skill and experience; qualifications; and track record). When read together, it means that consideration will be given to other suitably qualified and experienced investment professionals. No specific qualification list is applied, but rather an appropriate investment-related qualification combined with the skill, experience and track record of the Investment Consultant is considered (and emphasis is placed on past experience in providing investment consulting services as an appointed investment consultant).

⁶⁶ The general experience requirement as determined by FAIS and related legislation states that an FSP and representatives must have adequate and appropriate experience in the rendering of a particular financial service in respect of a particular financial product for which it is authorised. The legislation further elaborates and sets out the minimum experience that is required in relation to the various financial products. To this extent, in order to be considered as an Investment Consultant, it is expected that one should have adequate and appropriate experience to consider and analyse a range of different investment vehicles and asset class specific mandates in order to construct an investment strategy that is always in the best interest of the members. The consultant should be able to clearly articulate and demonstrate that the portfolio/strategy being proposed has at least taken into account all of the relevant investment risks associated with each type of asset class and each type of investment vehicle, which also includes local and foreign asset class views.



- The Investment Consultant must contrast the implemented investment solutions against similar options available on SuperFund Choice;
- This comparison should include (but is not limited to) analysis of investment strategy, fees and historic performance.

C.9.1.5 Capacity Requirements:

- Demonstrate that the Investment Consultant is adequately funded or insured to carry the associated advice risks particularly taking cognisance of the structure of their organisation (e.g. where regional offices are separate registered companies);
- Demonstrate that the Investment Consultant has adequate staff capacity to deal with their clients on a regional and / or national level, as appropriate;
- Provide evidence of the capacity to provide suitable, appropriate information, communication and education to Participating Employers and Management Committees; and
- Provide evidence of appropriate indemnity cover on an annual basis.

C.9.2 Accreditation process

- On application by an Investment Consultant who meets the relevant criteria, Old Mutual (as an agent of the Fund) will accredit the Investment Consultant to advise Sub-Fund Management Committees and (where appropriate) their Members on the selection of Investment Portfolios suited to their particular circumstances.
- The Fund will then enter into a **Master Agreement** with the accredited Investment Consultant.
- The Master Agreement entered into between the Fund and the Investment Consultant does not include the appointment to provide advice to a particular Sub-Fund Management Committee. Rather, for each Sub-Fund, an additional **Sub-Fund Schedule** must be entered into between the parties.
- Old Mutual is responsible to ensure that the Investment Consultants adhere to the processes set out in the contract and that they are appropriately licensed, registered and accredited.
- Old Mutual is responsible to ensure that the Investment Consultants are provided with the appropriate product information regarding the Funds and the Investment Portfolios offered by the Funds, in order that the Investment Consultants are able to provide appropriate advice.

C.9.3 Annual accreditation review process

The Management Board will (with the assistance of the Funds' investment consultant) review on an annual basis the continued accreditation of Investment Consultants as per the details set out in C.9.1 (where Old Mutual Corporate Consultants (OMCC) is not the appointed investment consultant).

In respect of OMCC's accredited Investment Consultants, the Management Board will conduct their own review.



D ANNEXURE D: OMSLA

D.1 INTRODUCTION TO OMSLA

The OMSLA is an in-fund living annuity offering. Effective 1 April 2024, the Master Rules were revised to accommodate the OMSLA offering. The OMSLA is anticipated to initiate a pilot with a pre-selected Participating Employer, with subsequent expansion to other employers in due course. It is an extension of SuperFund's existing annuity strategy⁶⁷, aimed at providing Members with a sustainable income in retirement from within the Fund. The offering is designed to be simple to understand, offer good value for money and be easily accessible by Members.

When a Member (i.e. an in-service Member, a Preserver Member or a Deferred Retiree) elects the OMSLA, their Member Account (less any cash commutation and any other annuities purchased) will be transferred into a corresponding Living Annuitant Account within SuperFund, and they become a Living Annuitant in the Fund. The nature of the liability changes from a pre-retirement (accumulation phase) liability to a post-retirement (decumulation phase) liability, as Living Annuitants begin to receive a regular income through drawdowns from SuperFund.

A Member who selects the OMSLA can benefit from the following:

- Lower asset management fees and administration fees than applicable in the retail market;
- Seamless transfer from pre-to-post retirement, thereby reducing the risks associated with market timing, as is the case when transferring to an 'out-of-fund' option;
- Potentially better investment choices (because the applicable Investment Portfolios are closely monitored by the Funds for appropriateness and competitiveness); and
- Access to advice where the cost of such advice may be paid by the Fund via the debiting of the relevant Member's Member Account.

The Old Mutual SuperFund Living Annuity Investment Option is being developed in stages, where the launch offering (the "minimum viable proposition", or "MVP") is limited to a small range of options. The offering is expected to be expanded over time.

D.2 LIVING ANNUITANT MEMBERSHIP PROFILE

As a new offering, there are not currently any Living Annuitants in the Funds. However, the make-up of the OMSLA membership is expected to have diverse characteristics. The membership is likely to include:

- Members from all of the pre-retirement Investment Options. Members will therefore be transitioning from a range of Investment Portfolios (either actively selected by the Members, or defaults) into the OMSLA.

⁶⁸ Retiring Members may have been invested in any of the Fund's pre-retirement Investment Portfolios, and in the MVP it is not possible or desirable (i.t.o. Regulation 39) to make the complete range of pre-retirement options available. The Funds have therefore elected to provide a close match to the SuperFund Easy and SuperFund Choice default Investment Portfolios. The range of portfolios available may be extended for later iterations of OMSLA.



- A wide range of Living Annuitant Account balances (subject to any minima), and a corresponding wide range of drawdown amounts (subject to Regulation 39 drawdown limits and other applicable limits).
- Varying circumstances with regard to retirement and other savings outside the Funds.
- Wide diversity in terms of culture, age, gender, income level, language, financial literacy, and access to financial advice.
- Wide range of needs in terms of tolerance of volatility and capital loss.

The Funds conduct an annual analysis of the options selected by retiring Members. This provides additional insight into Member preferences and trends, and some of this information can be extrapolated to the expected membership of OMSLA. This analysis is addressed in the Funds' Annuity Policy Statement.

D.3 INVESTMENT PORTFOLIOS

Regulation 39(3) of the Pension Funds Act requires that *"... living annuities may be paid directly from the fund or through a fund owned policy or sourced from an external provider as part of the annuity strategy; provided that in each case, the investment choice is limited to four investment portfolios, which portfolios are compliant with Regulation 28 and 37 and drawdown levels are compliant with a prescribed standard."*

The Investment Portfolios available within the OMSLA offering should:

- Be closely aligned with the Funds' pre-retirement investment framework, to enable Members to match their pre- and post-retirement investment approaches as closely as possible⁶⁸;
- Provide scope for sufficient growth in excess of inflation, while providing appropriate management of downside volatility; and
- Satisfy the requirements of Regulation 39 and related guidance, as well as the requirements of Regulation 37.

Based on these factors, OMSLA offers four primary investment portfolios for selection. Recognising that some Members may require a Shari'ah-compliant option, the Funds have included an additional Shari'ah-compliant portfolio. Members may choose from the available portfolios to invest in, but are restricted to investing in no more than four portfolios at any given time. Investment Portfolios which are available to Living Annuitants. These options, set out in the table below, provide a close match to the SuperFund Easy and SuperFund Choice default Investment Portfolios.

⁶⁸ Retiring Members may have been invested in any of the Fund's pre-retirement Investment Portfolios, and in the MVP it is not possible or desirable (i.t.o. Regulation 39) to make the complete range of pre-retirement options available. The Funds have therefore elected to provide a close match to the SuperFund Easy and SuperFund Choice default Investment Portfolios. The range of portfolios available may be extended for later iterations of OMSLA.



Investment Portfolio	Type	Inflation Target (net of fees)	Investment Management Fee p.a.
Old Mutual Absolute Stable Growth Portfolio	Smooth Bonus	*CPI + 4.5%-6.5% p.a.	0.55% (+ 0.7% Capital Charge)
Old Mutual Absolute Smooth Growth Portfolio	Smooth Bonus	*CPI + 5%-7% p.a.	0.55% (+ 0.2% Capital Charge)
Old Mutual Multi-Managers Moderate Tracker	Index Tracker	CPI + 3%-4% p.a.	0.35%
Old Mutual Multi-Managers Inflation Plus 3-5% Strategy	Multi-manager	CPI + 3%-5% p.a.	0.98%
Old Mutual Albaraka Balanced Fund B1 Class	Shari'ah	CPI + 3.0% to 4.0% p.a.	0.86%

*Net of capital charges

The Old Mutual Absolute Stable Growth Portfolio is the default portfolio.

The Investment Portfolio range offered seeks to address the following key criteria:

- A simple Investment Portfolio range is offered with passive, protected and actively managed options.
- The Investment Portfolios are compliant with regulatory requirements.
- The range is appropriate for use within living-annuities.
- The range is in line with the current smoothed, passive and active life-staging options (i.e. the default Investment Portfolios in SuperFund Choice).
- The range is expected to meet retirees' needs as they are expected to be more conservative than the average Member before retirement. No aggressive investment option is therefore offered.
- These investments are compliant with Regulations 28 and 37 of the Pension Funds Act and, where applicable, the smooth bonus conduct standard.