OLD MUTUAL EMPLOYEE GROUP IN SUPERFUND

A grouping of Sub-Funds under the Old Mutual SuperFund Pension Fund

CUSTOMISED INVESTMENT PLAN

DATE REVIEWED: MAY 2020

1 EXECUTIVE SUMMARY

INTRODUCTION	The Old Mutual Employee Group in SuperFund ("OMEGS") is a grouping of participating employers (all part of the Old Mutual grouping of companies in South Africa), which participate in the Old Mutual SuperFund Pension Fund (Customised option). Old Mutual Emerging Markets Ltd is the principal employer in this grouping.
METHOD	The OMEGS investment structure is based on a system of Member Level Investment Choice ("MLIC"). Members are able to choose a portfolio or combination of portfolios, into which they would like to invest their retirement monies. The Joint Management Committee ("JMC") is responsible for the selection of the investment portfolios available to members and the selection of the underlying managers. The JMC must also select the JMC Choice Portfolio, which is the default portfolio available to members of OMEGS.
RISK AND RETURN	The investment portfolios available to members are divided into the following categories: Default, Market-Linked, Smooth Bonus, Shari'ah and Money Market. Higher returns are expected from the portfolios available in the Market-Linked category, whilst lower, but less volatile returns, are expected from the Money Market category. The portfolios available in the Smooth Bonus category are designed to protect capital by offering different levels of capital guarantees (while members remain invested) as well as reducing volatility over the short term. The portfolios that target higher returns generally have a large exposure to high growth assets and as such, the possibility of achieving negative returns in the short term is relatively high.
INFLATION TARGETING	Each investment portfolio available to members has a specific Headline Inflation based target, against which it will be measured over a specified period. These targets are designed to ensure that members receive real growth over the lifetime of their investment.

MANAGER	Old Mutual Corporate, OMIG, Coronation and Prudential are the selected managers/product providers, and details of the available portfolios are included on the OMEGS and SuperFund websites.
FUTURE STRATEGY	At an investment strategy workshop in 2018, the JMC philosophically agreed to retain MLIC and the SuperFund Customised Option. The current range of portfolio options was designed to simplify choice for members and ease the communication of MLIC as a Sub Fund structure and as such is more restrictive than the full range of investment options available under SuperFund. This enables OMEGS to offer more attractive investment management and administration fees whilst continuing to meet the needs of the majority of the OMEGS membership. The available options will be evaluated regularly to ensure that they continue to best meet the needs of the majority of OMEGS' members and additional options may be added should sufficient members have a specific need, which is not addressed by the existing range of choices. In terms of number of portfolio options, the JMC follows a philosophy of offering as few as possible investment options to members but up to a maximum of 15 investment options could be provided, if there are compelling reasons.

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2 DEFINITIONS

- **CIP**: Customised Investment Plan (previously known as the Sub-Fund Investment Policy Statement) – this document setting out the investment strategy of OMEGS.
- **Default Portfolio:** The default investment portfolio available to members, which is also the JMC Choice portfolio.
- **ESG:** Environmental, Social and Governance
- **Investment Consultant(s):** Either the independent Primary Investment Consultant or the Secondary Investment Consultant or both
- **Joint Management Committee ("JMC"):** A jointly constituted management committee of the Participating Employers overseeing OMEGS with both employer appointed and member elected officials, which acts in terms of the Mandate as granted by the Participating Employers through the Principal Employer, and which committee acts as the management committee required in terms of the Rules of the Superfund.
- **Management Board**: The Management Board of the Old Mutual SuperFund Pension Fund.
- **Mandate:** The mandate document setting out the obligations and powers delegated to the Joint Management Committee by the Participating Employers and the Management Board.
- **MLIC:** Member Level Investment Choice
- **OM Membership**: The grouping of all Old Mutual employees who are members of SuperFund within OMEGS.
- **OMEGS**: Old Mutual Employee Group in SuperFund – the grouping of Old Mutual-related sub-funds participating in SuperFund.
- **Participating Employers:** The Principal Employer and its associates, which have been admitted as participating employers of SuperFund and whose participation has not been terminated. An associate means a participating employer of the SuperFund with whom the Principal Employer is associated, allied or related within the same group of companies, and which participating employer has mandated the Principal Employer to act on its behalf for purposes of granting the Mandate.
- **Principal Employer:** Old Mutual Emerging Markets Limited, which acts on behalf of all the Participating Employers and is represented by the appointed Human Resources Director of Old Mutual Emerging Markets Limited.
- **RI:** Responsible Investing
- **SuperFund**: Old Mutual SuperFund Pension Fund
- **SuperFund IPS**: The Investment Policy Statement of SuperFund
- Where other terms are capitalised in this CIP, their definition is as per the definition in the SuperFund Rules or SuperFund IPS.

3 INTRODUCTION

3.1 SuperFund Customised

Superfund offers an extensive range of investment packages which contain ranges of risk profiled investment options and allows Participating Employers to specify which package options will be available to members.

The SuperFund Customised option allows the JMC (as mandated by the Participating Employers) to fully define the investment structure and options for their members with the assistance of an approved Investment Consultant. In order to participate in the SuperFund Customised option, the SuperFund IPS requires that the following must be met:

- There must be a management committee mandated by the participating employer to oversee the investment strategy of the sub-fund and to assist the Management Board with directing, controlling and overseeing the smooth running of the sub-fund;
- There must be a CIP in place which defines the investment strategy of the sub-fund, based on a careful analysis of the needs of the membership of that sub-fund;
- The management committee must appoint an accredited and independent Investment Consultant to assist them with regard to the investment strategy and oversight.

3.2 OMEGS participation in SuperFund Customised

The JMC selected the Customised option under SuperFund for the following reasons:

- The ability for OMEGS to retain the preferential fee and contract conditions of their current investment portfolios;
- The attractive administration fee proposal applicable under this option;
- The ability to retain the existing investment options, which were well understood and valued by members, while limiting the number of portfolios made available to members;
- To ensure that OMEGS retains a relevant set of investment options that is best suited to the current OM membership;
- The ability to customise investment options further in the future;
- The ability to customise the communication of all aspects of OMEGS to members;
- The ability to retain the services of an independent investment consultant.

In 2016, after careful consideration, the JMC agreed that the SuperFund Customised Option remains appropriate.

3.3 Benefit Design Structure

SuperFund is a defined contribution pension fund. OMEGS contains active members only, as all pensions are purchased. The contributions to OMEGS are both Employer and Members' own contributions. Benefits are defined in terms of the SuperFund Rules and the

OMEGS Special Rules and are dependent on the performance of the investments. The member thus carries the risk of an inappropriate investment portfolio selection or that the investments perform badly.

3.4 OMEGS Customised Investment Plan

The purpose of this OMEGS CIP is to:

- Define the factors and philosophy that influenced the development of OMEGS' investment strategy;
- Capture the agreed objectives and the investment strategy for OMEGS and enable it to be clearly communicated to all stakeholders including the SuperFund Management Board, new JMC members, members and other interested parties;
- Define the decision-making structure and responsibilities for the implementation of the CIP;
- Define the method for monitoring the investment performance;
- Meet the requirements of the SuperFund IPS.

This CIP will be available on the OMEGS website for the benefit of members, appointed investment managers, the relevant regulatory authorities and the Management Board of Superfund.

This CIP must comply with the requirements set out in the SuperFund IPS and the SuperFund Rules, which take precedence over this CIP.

This CIP must be reviewed at least annually. It should also be reviewed in the event of material changes to the OM Membership, the JMC composition, the retirement fund environment or the investment environment which may impact on the investment strategy.

4 FACTORS INFLUENCING THE OMEGS INVESTMENT STRATEGY

4.1 Analysis of OMEGS Membership Profile

The JMC conducts a detailed analysis of the membership at least once a year. It is evident that the membership of OMEGS is very diverse. It is skewed towards young, lower-earning, short-duration members with relatively low Member Account Balances. However, there are also significant numbers of members with high earnings, long service, and high Member Account Balances.

This diversity of membership would suggest that some form of choice is appropriate to cater for different needs, and that the default investment must be able to accommodate a spectrum of needs.

The high proportion of members in the Red and Amber categories of Retirement Planning Status indicates that there should be a sufficient range of investment portfolios offered to members that provide investment returns similar to or better than assumed in the underlying basis used by Old Mutual SuperFund in its Retirement Planning Status calculations (i.e. CPI + 5.5% p.a.). This also influences the return target of the Default Portfolio, given the high proportion of members (86%) who are invested in this portfolio.

4.2 Tolerance for volatility and negative returns

A member's tolerance for volatility and negative returns is primarily impacted by three factors, which are discussed below.

- **Member understanding and preferences regarding volatility and negative returns**

  Based on engagements with members and feedback in past member surveys, it is evident that the typical OMEGS member invested in the default is not very familiar with how their Member Account Balance is invested. These members have a preference for low volatility and no negative investment returns.

  Those OMEGS members who actively make investment choices are typically more familiar with the workings of investment markets, and are comfortable with a moderate volatility and the risk of negative returns.

- **Member choices at exit**

  The Management Board and the JMC encourage members to preserve their Member Account Balance on exit (due to resignation, retrenchment or dismissal). SuperFund Preserver provides members with a seamless preservation option, and members who do not actively make a choice within 120 days of exit are automatically transferred into SuperFund Preserver.

  The JMC is cognisant that many members elect to take a cash benefit. However, this approach is not consistent with the purpose of a retirement fund, and therefore the investment strategy will not be specifically tailored to this scenario.

Given that the recommended option at exit is for a member to preserve their Member Account Balance (and therefore to remain invested in the market), the JMC will not prioritise the reduction of volatility and negative returns for exiting members.

- **Member choices before and at retirement**

  At retirement, members must use at least two-thirds of their Member Account Balance to purchase an annuity. Members are able to select from a range of annuity options with different underlying investment approaches. Each retiring member's tolerance for volatility and negative returns is therefore different, depending on their selected annuity and proportion of cash benefit taken.

  It is reasonable to assume that the majority of members do not actively match their pre- and post-retirement investment strategies.

Given the factors discussed above:

- It is preferable that the Default Portfolio should provide some form of protection against volatility and negative returns, provided this does not result in a material reduction in potential returns;
- At least one portfolio that provides complete capital protection will be considered;
- At least one portfolio that provides an approximate hedge against annuity prices will be considered;
- Portfolios without explicit volatility protection could be considered for those members who do not need to manage their volatility.

4.3 Net Replacement Ratios and return objectives

OMEGS makes use of the notion of projected replacement ratios to establish suitable return objectives for members. A projected replacement ratio provides an indication of the quantum of pension (i.e. income in retirement) that a member can expect, by expressing this as a percentage of the member's expected pensionable earnings at retirement.

A member's projected replacement ratio is affected by several factors:

a) The age at which they retire;
b) The number of years for which they contribute and keep their savings invested;
c) The level of increases in real pensionable earnings over time (although this is very hard to predict);
d) The net real investment return (i.e. return in excess of inflation and investment management fees) earned on their investments;
e) The type of annuity selected and related assumptions used in calculating the projected replacement ratio.

OMEGS has therefore considered various combinations of factors (a) and (b) to identify what real investment return may be required to achieve a particular projected net replacement ratio (NRR). The required investment return will thus affect the amount of investment risk appropriate for the Default Portfolio (as well as other portfolios) in order to achieve a certain expected return and expected level of benefits.

The table below summarises the estimated required net real returns for several scenarios. The results have been calculated using the same basis and assumptions as are used by SuperFund for member benefit statements.

Net combined contribution towards retirement funding	**Period of saving (years)**	**NRR**	**Required net real return to retire at age 61**	**Required net real return to retire at age 58**
17.5%	35	60%	**4.1%**	4.3%
17.5%	30	60%	**5.5%**	5.8%
17.5%	35	70%	**4.9%**	5.1%
20.3%	31	70%	**5.0%**	5.2%
18.6%	31	70%	**5.5%**	5.8%
14.0%	35	60%	**5.3%**	5.5%
11.3%	38	60%	**5.6%**	6.6%

The following details are of relevance to these calculations:

- Retirement Age: The normal retirement age for Old Mutual employees is 61.
- Contribution towards retirement funding:
    - Office Staff (i.e. employees on a Total Guaranteed Package) can contribute between 13.0% and 27.5% (including the Employer contribution) of pensionable earnings towards risk and retirement funding.
    - Field Staff (i.e. employees with an incentive/commission component of pay) can contribute between 18.5% and 27.5% (including the Employer contribution) of pensionable earnings towards risk and retirement funding.
    - Total deductions for risk benefits and expenses are expected to average 1.75% or lower.
- Net replacement ratio: The JMC considers that employees should target a NRR of at least 70% of their pensionable earnings to be able to provide appropriately for their needs in retirement.

It is evident from the table above that **a net real investment return of between 4.0% and 6.0% is an appropriate target** to enable members to be able to achieve a 70% NRR, provided that they have suitably long service and have made contributions at appropriately higher levels (i.e. it is the combination of the net contribution rate, period of contributory service and investment strategy that enables members to achieve a sound retirement outcome).

The table also illustrates a reduction in NRR is possible, despite the investment strategy having delivered as intended and an adequate period of contributory service, as a direct result of a lower contribution rate.

Given that over 86% of OMEGS members are invested in the Default Portfolio, the JMC therefore considers it appropriate to target a net real return of between 4.0% and 6.0% for the Default Portfolio. The consistency of meeting CPI + 4% - 6% over time is also an important consideration in the selection of the Default Portfolio.

The JMC also considers it appropriate to offer other investment portfolios (excluding those intended to prevent any chance of negative returns) which are expected to provide a net real return of at least 4.0%, and to include some portfolios which have the potential to earn a net real return in excess of 6.0%.

5 AGREED INVESTMENT STRATEGY

5.1 Investment objectives

The assets of OMEGS are invested for the main purpose of providing the maximum retirement, death, withdrawal and ill health benefits in terms of the registered rules of SuperFund to its beneficiaries.

The JMC has four fundamental objectives with regard to the investment of OMEGS assets:

- To maximise the real return on OMEGS assets within each category subject to the relevant levels of risk;
- To ensure there are assets available to pay benefits when these are due (i.e. ensure sufficient liquidity);
- To provide members with sufficient risk/return profile investment portfolios in recognition of members' differing needs and tolerance for risk;
- To ensure that the Default Portfolio meets the needs of the majority of the members in a cost-effective manner.

5.2 Member Level Investment Choice

The investment of OMEGS's assets must be effected to match the members' needs and risk/return profile. **In recognition of the members' differing needs and tolerance for risk, the JMC considers it appropriate to offer investment choice at a member level**.

In 2016, after careful consideration, the JMC confirmed that there was no reason to stop offering MLIC as there was no strong evidence that members were making poor choices or switching excessively and hence destroying value.

Members may switch daily between portfolios at market value. Book value switches are permitted on 31 March and 30 September with 1 months' notice for the Default and Smooth Bonus categories.

The full investment return (net of charges) earned on the assets is allocated to Member Account Balances on a daily basis. The return that is allocated corresponds with the portfolio(s) in which the member is invested.

Under a MLIC structure, each member needs to comply with Regulation 28. To this end, only Regulation 28 compliant or exempt portfolios will be made available to members.

5.3 Investment Structure – Categories and Portfolio Options

The JMC considers it appropriate to offer different risk/return profiled investment portfolios in different categories, as follows:

- **Default Category:** A JMC Choice Portfolio is available, which is also the Default Portfolio for members not making or wanting to make an active investment selection.

- **Market-Linked Category:** Members are able to select between a small number of Old Mutual and non-Old Mutual portfolios in the Market-Linked category. The non-Old Mutual portfolios are managed differently from the Old Mutual portfolios and are there to offer members an alternative management style to the Old Mutual portfolios. A low cost tracker portfolio and a multi-manager portfolio are also included in the Market-Linked category.
- **Smooth Bonus Category**: Members are able to select from two smooth bonus portfolios, one of which offers a 100% guarantee.
- **Shari'ah Category**: Members are able to invest in a Shari'ah compliant portfolio based on specific religious or ethical requirements.
- **Money Market Category:** Members are able to invest in a money market portfolio as an investment planning choice prior to exit or as a means to ensure high predictability of returns and/or high capital preservation for a short period of time. This portfolio is not intended for use for any extended period of time.

The current agreed categories and selected risk/return profile portfolios are detailed on the OMEGS or SuperFund websites.

The JMC has adopted the following philosophical principles regarding the number of risk/return profile portfolios:

- Members should not be given too many choices, since this can lead to decision paralysis and destruction of value;
- The JMC is of the view that it is possible to provide an appropriate range of options and 7 to 9 portfolios is preferable;
- Where there is a compelling reason, a maximum of 15 investment portfolios could be provided.

5.4 Default Portfolio

The key requirements of the Default Portfolio are as follows:

- It must provide sufficient expected long-term real investment returns to enable members to have a realistic chance of achieving a satisfactory replacement ratio. Based on analysis in section 4, a long-term return of CPI + 4% to 6% is required;
- It must be suitable for the majority of OMEGS members at all ages and all life stages;
- It is preferable if it reduces volatility and the risk of negative returns; however, such volatility reduction must not result in a material drag on investment performance.
- It must be compliant with Default Regulations as per Regulation 37 of the Pension Funds Act.

The following methods of limiting volatility are considered appropriate for the Default Portfolio:

- **Diversification**: The volatility associated with investing in high return assets can be reduced by investing in a range of different types of assets (equities, property, bonds, alternative assets, overseas assets, etc.). As the returns from different asset classes are not highly correlated, the volatility is reduced for a given expected return.
- **Smoothing**: Smoothing is a strategy that involves holding back some investment returns (not passing them on to members) during periods of good returns, in order to be able to boost returns to members when investment returns are poor.

Smoothing returns thus meets the JMC requirements of targeting maximum growth in the longer term whilst providing the members with reduced volatility, which they value. However, it is important that the method of smoothing does not disadvantage those members who remain in OMEGS for the longer term. This is because the ultimate long term return to members is of greater relevance than short term protection or low volatility.

The appropriate level of guarantee for the Default Portfolio has been carefully considered. A guarantee does not provide significant value for members with longer investment terms, who can usually afford to wait for a market recovery before accessing their funds. In certain circumstances a guarantee can be of value for members close to retirement, but in general the investment time horizon of such members should look beyond retirement date, unless they have a specific need for cash at retirement. In this event, such members should be encouraged to utilise the MLIC choices they have, as the Default Portfolio cannot cater for all of the members' needs. It was thus agreed that a portfolio with the lowest guarantee was the most suitable option as the Default Portfolio, taking into account the overall needs of the membership.

Having considered these requirements, the JMC decided that **a diversified, smoothed bonus investment portfolio with a high proportion to growth assets, consistent returns and a low guarantee** is the best option as a Default Portfolio.

This selection has the following advantages:

- It permits a relatively aggressive investment strategy with a higher exposure to growth assets;
- Despite the high allocation to growth assets, volatility is significantly lower than for a market-linked portfolio with the same asset allocation;
- The risk-adjusted return, which is an important consideration under Regulation 28, is much higher;
- The low guarantee means that there is not an excessive capital charge causing a drag on investment returns.

The JMC believes that the Default Portfolio is compliant with Regulation 37 for the following reasons:

- The Absolute Smooth Growth is appropriate for members who are automatically placed in the investment portfolio as per the reasons set out above;

- Members are adequately informed of the composition of the assets and the performance of the Default Portfolio through a dedicated Communications Consultant, a dedicated website www.omegs.co.za, product fact sheets, performance fact sheets, quarterly investment reports and annual disclosure reports as published on the Old Mutual and Superfund websites;
- The Default Portfolio is reasonably priced and competitive relative to other smooth bonus funds in the market;
- All fees and charges are disclosed in the Annual Smooth Bonus Disclosure report but if necessary further transparency will be sought from the product owner over time;
- The Absolute Smooth Growth includes both passive and active investment strategies;
- No loyalty or complex fee structures apply to the Absolute Smooth Growth portfolio;
- While OMEGS members are allowed to make two "book value" switches per annum, they are entitled to switch into and out of the Default Portfolio at any time. Members are therefore not locked into the Default Portfolio.
- The JMC reviews the appropriateness of the Default Portfolio and all other investment options at least annually when reviewing the Customised Investment Policy.

5.5 Portfolio selection and evaluation criteria

The following criteria will be used to guide the selection of OMEGS investment portfolios:

- Portfolios must be suitable for retirement fund investments, have institutional pricing and must comply with Regulation 28 or be Regulation 28 exempt.
- The selected investment portfolios, except for the money market portfolio, must diversify across asset classes to achieve optimal risk-return outcomes.
- The JMC are of the view that it has historically been possible in South Africa for professional investment managers to add value through active portfolio management and therefore an active asset allocation approach is preferable.
- The JMC feels that it is possible for managers to add value by active stock picking and fundamental research, thus an active, research-driven investment approach will be adopted. This does not mean that index tracking managers do not have a place within a fully diversified portfolio. However, in acknowledgement that the belief in active management is not universal, a low-cost index tracking portfolio will be made available for selection by members.
- Unless inappropriate for the mandate, for risk reduction purposes, the maximum permissible offshore allocation will be the legal limit for each manager's portfolio. Managers will be expected to determine the appropriate level within the limit.
- Suitable managers must exhibit stability in investment process and investment personnel.
- The JMC will take into consideration portfolio management and associated fees in the selection process.

- When selecting managers, specific criteria for suitable managers will be identified. Such criteria will be based on the criteria specified above but will be expanded to relate to each specific mandate. All managers will then be evaluated in the degree to which they meet the agreed criteria and a short list of managers will be identified. The criteria and evaluation process will be fully transparent and will be documented for review by future JMCs.
- Portfolios must be daily unitised as an administration requirement.
- Where appropriate, the JMC will try to offer a range of investment portfolios which utilise different investment styles.
- The JMC will take into consideration the investment manager's approach to RI in the selection process. Other factors as set out in the OMEGS Sub-Fund RI Policy and the FSCA's Guidance Notice 1 of 2019 on sustainability of investments and assets will also be considered. While the FSCA Notice is simply guidance at this stage as opposed to a directive, OMEGS will endeavour to comply with its requirements where it is practical to do so and where it is in the members' best interests.
- The JMC is cognisant that many employees will wish to invest in Old Mutual portfolios, and is also cognisant that it is the preference of the Participating Employers that Old Mutual portfolios are available to members. The following approach will be adopted in selecting investment portfolios:
    - Where only one portfolio is offered in a particular category, that portfolio will usually be an Old Mutual portfolio, provided the Old Mutual portfolio is competitive relative to other alternatives.
    - Where more than one portfolio is offered in a particular category, external investment portfolio(s) may be offered, especially where these provide an alternative investment style or manager approach.

5.6 Appointment of Investment Managers

The JMC is responsible for making available appropriate investment options to members but will delegate the responsibility for management of the assets of OMEGS to investment managers (which includes multi-managers). The appointment of all investment managers is subject to the approval of the Superfund Trustees. The Primary Investment Consultant, independent from all investment managers, will assist with manager selection. Criteria for the selection of investment managers are set out in section 5.5 and the appointment process shall be completely transparent.

The number of portfolios made available shall be determined by the JMC after consideration of the options available in the market and any constraints imposed by the Superfund administration system.

5.7 Mandates

Portfolios will be selected based on the suitability of their mandates to the applicable category. The mandates of selected portfolios will be clearly defined and must, in the opinion of the JMC meet the key characteristics of each category.

Investments are restricted to pooled investment portfolios offered through policies of insurance or collective investment schemes due to the need for daily unit prices.

Given that OMEGS invests in pooled mandates, it is not always possible to set specific mandate restrictions with an investment manager that would align with the exact needs and requirements of OMEGS. Preference is therefore given to investment portfolios that are closely aligned with OMEGS' investment beliefs and philosophy and to managers who demonstrate a willingness to accommodate OMEGS' specific restrictions and requirements.

Within the parameters of the mandate, the investment managers will not be limited in their ability to invest in any investment vehicle, except as prescribed by Prudential Investment Guidelines and any other applicable legislation. The JMC accepts that the responsibility for performance rests with the investment manager at all times and will not influence any decisions made by the investment managers. The JMC, however, retains the right to question any decision made by the investment managers.

5.8 Responsible Investing and Environmental Social and Governance factors; Broad-Based Black Economic Empowerment; and Proxy Voting Policy

The Absolute Smooth Growth portfolio, in which the majority of OMEGS members are invested, has a strong focus on RI through its direct allocation to investments with strong ESG characteristics but also through the integration of ESG factors within the underlying investment managers' processes. This was yet another reason for selecting this portfolio as the Default Portfolio.

In 2016, the JMC agreed to set a separate RI Policy, which not only describes OMEGS' approach to RI but also demonstrates OMEGS' strong commitment to this issue. The RI Policy dedicates more time and attention to the consideration of ESG and RI issues, which the JMC believes may assist in mitigating long-term risks for members. The RI Policy also sets out OMEGS' approach to Broad-Based Black Economic Empowerment and Proxy Voting.

5.9 Derivative Use

Derivatives may be utilised by the selected investment portfolios; however such use is restricted to the prevailing limits set out in Regulation 28 or the Long Term Insurance Act (as applicable). They may be used to implement asset allocation decisions or for hedging purposes. The use of derivatives for speculative purposes will not be permitted. Each underlying manager must have a formal derivative policy in place (where applicable), which must be available on request by the JMC.

5.10 Commission and Withholding Tax recapture schemes, soft dollar and other similar arrangements

In the case of pooled mandates it is not as easy for the JMC to monitor the underlying activities of the investment manager relative to segregated mandates. Managers however, will be expected to declare any income earned from such activities. It is expected that such activities should only be undertaken if they are in the best interest of OMEGS and any associated risks must be clearly communicated to the JMC prior to appointment.

5.11 Scrip Lending

Since OMEGS invests in life-wrapped pooled investments, it does not own the underlying assets directly. The insurer in this case, OMLACSA, owns the underlying assets and does engage in securities lending activities through OMSFIN.

OMLACSA must comply with all applicable and relevant Long-term Insurance Directives relating to Securities Lending. At least annually, OMLACSA should confirm the following with OMEGS in writing:

- confirm its compliance with relevant Directives and highlight any breaches (if any);
- warrant that the controls and procedures utilised by OMSFIN are comprehensive and sound;
- confirm how securities lending revenue is split between OMSFIN and policyholders.

5.12 Liquidity Requirements

OMEGS is ongoing with regular monthly inflows. In the longer term these monthly inflows generally exceed outflows, thus the sub-fund has no significant short term liquidity requirements. This can, however change and termination conditions should be clearly understood prior to any investments being made.

5.13 Employer Surplus Account

The assets in respect of the Employer Surplus Account will be invested in the Default Portfolio, based on instruction from the Participating Employers.

5.14 Unclaimed benefits

Unclaimed benefits will be invested in line with SuperFund's Investment Policy Statement, and are not the responsibility of the JMC.

5.15 Addressing low member familiarity with investment matters

The JMC is cognisant that the majority of OMEGS members may not have sufficient knowledge of investment matters to be confident in determining the most appropriate investment strategy for their needs. This issue has been addressed as follows:

- Encouraging members to seek financial advice if they are uncertain regarding an investment-related decision. A range of financial advisors have been accredited by OMEGS (i.e. specifically trained on OMEGS benefits) and are available to members;
- Limiting the number of portfolios available to ease the decision process;
- Ongoing education on OMEGS investment options, primarily via the OMEGS website;
- Ensuring that the Default Portfolio meets the needs of the majority of members should they elect not to make a decision.

6 MONITORING

6.1 Monitoring performance and compliance

6.1.1 Inflation-related targets

The JMC's objective is to achieve real returns in the longer term for all members. All of the categories, except the money market category, will aim to achieve a certain real return net of fees and tax over rolling 5-year periods. The money market category will aim to achieve this objective over rolling 3-year periods. The risk of losses as well as the potential for short term volatility will increase in line with the respective return targets of the portfolios.

The return achieved by each individual portfolio will be compared quarterly to its objective using Headline Inflation as published by Statistics SA as a measure of inflation.

Appendix III contains the return objectives of each of the available investment portfolios.

6.1.2 Benchmark and peer comparisons

The JMC wishes to ensure that its selected investment portfolios are competitive relative to comparative peer portfolios and appropriate benchmarks. The JMC has therefore set an objective that the investment manager should outperform the agreed portfolio-related benchmark over any rolling 5 year period, except the money market portfolio, which will be expected to outperform the agreed portfolio-related benchmark over any rolling 3 year period. A peer comparison and comparison relative to the portfolio-related benchmark where applicable will also be undertaken on a quarterly basis as per the process set out in section 6.4 below.

The 5 year period should be sufficient to allow some underperformance due to strategic investment decisions taken by the investment manager, but not too long so as to limit delays before switching to alternative portfolios.

The JMC recognises that investment managers make decisions in light of certain economic views. When reviewing performance, managers will be given sufficient time for their strategies to emerge.

All managers and portfolios will be monitored on an ongoing basis. A special review may be necessary due to changes in the managers' investment philosophy, process or personnel. Whilst performance will be a strong evaluation tool, short term underperformance will not be a strong consideration in removing a particular portfolio, especially if the portfolio's performance is being driven by a particular style that may temporarily be out of favour from the market's perspective.

6.1.3 Monitoring compliance

Managers and portfolios will be monitored for compliance with Regulation 28 and compliance with their mandates. This will be done with the assistance of the Investment Platform and the Secondary Investment Consultant.

6.2 Review and replacement of managers, portfolios or categories

The JMC reviews the structure of OMEGS (including the categories utilised, the risk profile portfolios and the appointed managers) on a regular basis. A full review of the portfolios offered will be conducted every 3 years, or more frequently if concerns arise regarding a selected manager or portfolio. On review the JMC may:

- Recommend the addition of another mandate within a risk category;
- Recommend the replacement of the appointed manager or portfolio to a specific mandate; or
- Recommend the termination of a mandate.

The principle adopted is that members select a mandate, however the JMC selects the categories and underlying portfolio or manager. When managers or portfolios are replaced, all members invested in the portfolio will be given time to exercise an alternative selection. Those members who do not make a selection may be automatically switched to an alternative portfolio (usually the Default Portfolio) at the discretion of the JMC. However, the JMC's intention in this regard will be communicated to members in advance of the change to enable members to make an alternative selection if they wish.

The following "red flags" will be used when determining whether to terminate a mandate:

- Change in the Portfolio Manager and/or key personnel in the investment team;
- Change in investment process or philosophy or deviation from the stated philosophy or process;
- Negligence or fraud;
- Non-compliance with regulation or sanction from the regulator;
- Change in corporate structure;
- Change or weakness in operational structure;
- Not being able to meet the requirements of the Investment Platform.

The list above is not exhaustive and the JMC will treat each mandate on a case by case basis.

6.3 Monitoring of member investment selections

The JMC is cognisant of the risk that members may select an investment portfolio which is inappropriate for their particular life situation. The JMC recognises that members will have a wide range of needs depending on their individual circumstances, and therefore the JMC aims to provide suitable notifications to members who appear to be inappropriately invested, but not to prevent members from making such choices.

An analysis is conducted twice a year to identify cases where members may be inappropriately invested. A standard set of criteria is used to identify potential issues of concern.

In instances where a member is identified as being invested more conservatively than is typical for a member of their age, the member may be notified that their choice represents an outlier, highlighting the long term nature of retirement investments and the importance of earning an appropriate investment return over their saving lifetime, but recognising that specific member needs may justify their investment choice.

In instances where a member is invested in more volatile portfolios than is typical for a member of their age, the member may be notified that their choice represents an outlier, highlighting that volatility of investments may result in a mismatching risk with their return expectations, but recognising that specific member needs may justify their investment choice.

6.4 Role of the Investment Consultants

The JMC is responsible for the monitoring of the performance of the Investment Managers. This task will be delegated to the OMEGS' Investment Consultants. The JMC has elected to appoint two Investment Consultants in the interests of good governance and ensuring independent advice. The Primary Investment Consultant will focus on strategic investment matters while the Secondary Investment Consultant will provide standard reporting functions. A second opinion on the Primary Investment Consultant's recommendations may be sought from the Secondary Investment Consultant for potentially complex decisions or matters that may have a material impact on OMEGS.

The Primary Investment Consultant must review the CIP at least annually and deal with all strategic matters including investment strategy, the structure of OMEGS, the selection of suitable risk/return profile portfolios and the selection and review of suitable managers.

The Secondary Investment Consultant must submit a quarterly report to the JMC which will include the following:

- Performance of the OMEGS managers net of investment managers' fees, custodial fees and transaction costs reflecting both shorter and longer term performance.
- Relative performance over 1, 2 and 3 years will be measured against peers.
- Relative performance over 1,2 and 3 years will be measured against the portfolio related benchmark where applicable.

Reporting will occur quarterly, six weeks after quarter end. The Investment report should be available for the quarterly meetings of the JMC when they take place after this date and both Investment Consultants must attend such meetings to discuss investment related issues.

Both Investment Consultants should keep the JMC informed of any investment related industry developments.

6.5 Role of the Investment Managers

Investment managers will be required to present monthly statements of the OMEGS' investments and report personally to the JMC when required. Investment managers will be required to set out their approach to RI at each report back presentation to OMEGS.

A principle of full disclosure and transparency must be endorsed by all managers and their monthly statements must clearly indicate their remuneration earned.

Managers are expected to inform the JMC of any changes within their organisation with regard to ownership, investment philosophy or investment personnel, which can be expected to have a material impact on the JMCs' view of the manager and may result in a manger review.

Only portfolios which comply with Regulation 28 or are Regulation 28 exempt may be utilised. The appointed managers are required to have systems in place to monitor compliance with Regulation 28 on a daily basis and procedures in place to ensure that any breaches are dealt with as prescribed by regulation. The managers will be required to provide reports of Regulation 28 compliance on request and to certify Regulation 28 compliance on an annual basis.

7 RISK MANAGEMENT

7.1 Due diligence of assets prior to investing

The OMEGS has delegated the responsibility of the selection of underlying assets to the incumbent investment managers. As such, investment managers will be expected to perform adequate and reasonable due diligence on investment opportunities prior to investing in a specified asset. This includes not relying entirely on credit ratings determined by credit rating agencies. Investment managers must consider other factors such as:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

When selecting an Investment manager, the JMC shall satisfy themselves that the investment manager's investment process includes such reasonable evaluation of investment risks and opportunities.

7.2 Due diligence of investment managers

Since OMEGS has delegated the responsibility of the selection of underlying assets to the investment managers, OMEGS will focus on the initial due diligence of investment managers and ongoing monitoring of them.

OMEGS has dedicated time to consider strategy and risk management considerations at each Benefit and Investment Sub-Committee meeting. This assists in identifying emerging risks (both from the market and from the manager itself) in advance and allows OMEGS to be proactive in terms of mitigating these risks. By being more cognisant of risk (and not only return), the JMC can have more informed engagement with its appointed investment managers at each report-back presentation.

7.3 Conflicts of interest

The JMC recognise that conflicts of interest will arise. Members of the JMC and all service providers are expected to avoid conflicts of interest where possible. Where this is not possible, such conflicts must be declared and the JMC will decide on how these conflicts should be addressed.

7.4 JMC Education

The JMC recognize the need for continued education on issues surrounding OMEGS and its investments. They shall make use of the services of the Investment Consultants to assist in this regard on a continual basis.

8 SIGNATORIES

This Customised Investment Plan has been set and approved by the JMC:

…………………………………………………	…………………………………………………
CHAIRMAN OF THE JMC	MEMBER OF THE JMC
…………………………………………………	…………………………………………………
MEMBER OF THE JMC	DATE