

Nampak Staff Pension Plan

Statement of Investment Principles

Barnett Waddingham LLP

September 2020

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1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustees of the Nampak Staff Pension Plan ("the Plan"). This statement sets down the principles which govern the decisions about investments that enable the Plan to meet the requirements of:
 - the Pensions Act 1995, as amended by the Pensions Act 2004;
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
 - the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustees have consulted Nampak Plastics Europe Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustees are set out in Clause 17 of the Definitive Trust Deed & Rules, dated 12 May 2008. This statement is consistent with those powers.

2. Choosing investments

- 2.1. The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. The Trustees have established an investment sub-committee which has the following objectives:
 - To discuss, analyse and make recommendations to the Trustees, having duly consulted with the sponsoring employer, as regards the high level investment strategy;
 - To appoint one or more investment institutions to implement the agreed investment strategy;
 - To consider, decide and implement any detailed changes to the investment arrangements which are consistent with the overall high level investment strategy, including an appropriate implementation timetable and any reasonable tactical changes. The ISC will report back to the Trustees on actions and decisions taken either through a formal report or through the ISC minutes as appropriate;
 - To undertake the Trustees' investment monitoring duties.

Further sub-committees may be formed from time to time to examine specific issues.

- 2.2. The day-to-day management of the Plan's assets is delegated to one or more investment managers. The Plan's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3. The Trustees review the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the Principal Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustees have discussed key investment objectives in light of an analysis of the Plan's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the overriding principles the Trustees have considered in arriving at their agreed investment strategy are:

- the need to generate sufficient returns such that the deficit is expected to be removed within a reasonable timeframe. In particular, the Trustees are keen to ensure that the assets are made to work hard and provide strong expected investment returns;
- in targeting strong returns, there is a need to mitigate risk such that the likelihood of a significant deterioration in funding position is reduced. The Trustees have therefore hedged against the risk that the deficit increases materially as a result of falling gilt yields and/or rising inflation (which in turn reduces the onus on the Employer to make good any increase in deficit); and
- the desire to increase diversification of the potential sources of investment return.

3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Plan's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Plan's objectives as best as possible.

4. Kinds of investments to be held

4.1. The Plan is permitted to invest in a wide range of assets including equities, bonds, cash, property, and alternatives as well as additional asset classes they deem appropriate within the investment strategy framework from time to time.

4.2. The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Plan's auditors.

5. The balance between different kinds of investments

5.1. The Plan invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.

5.2. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.

5.3. From time to time the Plan may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.

- 5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's asset allocation will be expected to change as the Plan's liability profile matures.

6. Risks

- 6.1. The Trustees have considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities, and has considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles. The Trustees hedge the majority of the Plan's exposure to interest rates and inflation.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employers' earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Plan's funding basis.
Asset allocation risk	The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustees.
Investment manager risk	The Trustees monitor the performance of each of the Plan's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Plan and concluded that ESG factors as well as climate risk are potentially financially material and will therefore continue to develop their policy to consider these, alongside other factors, when selecting or reviewing the Plan's investments.

Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cashflow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Plan's liabilities are denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

- 7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate, according to market conditions and the Plan's funding position. The Trustees meet the Plan's investment managers as frequently as is appropriate in order to review performance.

8. Realisation of investments

- 8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

9. Financially material considerations, the exercise of rights and engagement activities, and non-financial matters

Policy on financially material considerations

- 9.1. The Trustees believe that Environmental, Social and Governance (“ESG”) factors, including but not limited to climate change, are financially material – that is, they have the potential to impact the value of the Plan’s investments from time-to-time. The Trustees appreciate that the method of incorporating ESG in the investment strategy and process will differ between asset classes.
- 9.2. The Trustees have received training from their investment advisor and have reviewed the approach to ESG of all of the managers. The Trustees are comfortable that the funds currently invested in by the Plan are managed in accordance with their views on financially material factors, as set out in this policy. This position is monitored periodically, at least annually. The Trustees have the opportunity to meet the managers and question them on policies. The views set out below will be taken into account when appointing and reviewing managers.
- 9.3. A summary of the Trustees’ views for each asset class in which the Plan invests is outlined below.

Passive Equities

- 9.4. The Trustees accept that investment managers must invest in line with the specified index and, therefore, may not be able to disinvest if they have concerns relating to ESG. However, the Trustees believe that positive engagement on ESG issues can lead to improved risk-adjusted returns over the Trustees’ intended time horizon for the investment in question. Therefore, the Trustees look to the passive equity manager to positively engage with companies where there is scope to improve the way ESG issues are taken into account when running the company. However, engagement activities (including the exercise of rights) should be consistent with, and proportionate to, the rest of the investment process.

Diversified Growth Funds

- 9.5. The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Plan’s diversified growth fund managers over the Trustees’ intended time horizon for the investment in question. The investment process for any diversified growth fund manager should take ESG into account when selecting holdings. The Trustees also support engagement activities and, where relevant, the exercise of rights attaching to the investments by the Plan’s diversified growth fund manager. However, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Multi Asset Credit and Corporate Bonds

- 9.6. The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Plan’s credit holdings over the Trustees’ intended time horizon for the investment in question. The investment process for the managers should take ESG into account when selecting holdings. The Trustees also support engagement activities, although they appreciate that fixed income assets do not typically provide voting rights. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Liability Driven Investment

- 9.7. The Trustees believe that ESG issues are not financially material to the risk-adjusted returns achieved by the Plan's Liability Driven Investment strategy, given its sole purpose is to provide a hedge against the Plan's exposure to movements in nominal interest rates and inflation.

Policy on the exercise of voting rights and engagement activities

- 9.8. The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect/ that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.
- 9.9. The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Plan's investment consultant.
- 9.10. Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code, where they invest in equities on the Trustees' behalf.
- 9.11. The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.
- 9.12. The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.
- 9.13. The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Plan or as part of the pooled fund in which the Plan holds units.
- 9.14. The Trustees also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan.
- 9.15. Should an investment manager be failing in these respects, this should be captured in the Plan's regular performance monitoring.

- 9.16. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.
- 9.17. The Plan's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.
- 9.18. The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees, investment manager and the investee companies.
- 9.19. In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.

Policy for taking into account non-financial matters

- 9.20. The Trustees do not consider any non-financial matters, such as members' ethical views, when constructing the investment strategy and/or when selecting or reviewing fund managers.

10. Policy on arrangements with assets managers

Incentivising alignment with the Trustees' investment policies

- 10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Plan's investment consultant, and how their policies are aligned with the Trustees own investment beliefs.
- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.
- 10.3. The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Plan's membership and their aims, beliefs and constraints. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.
- 10.4. In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated.
- 10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.6. The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself.
- 10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 10.8. The Trustees expect investment managers to be voting and engaging on behalf of the Plan's holdings and the Plan monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

- 10.9. The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.
- 10.10. The Plan invests predominantly in pooled funds. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.
- 10.11. The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 10.12. The Trustees ask the Plan's investment consultant to assess if the asset management fee is in line with the market when the manager is selected.

Portfolio turnover costs

- 10.13. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.
- 10.14. During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial from both a risk and cost perspective.

Duration of arrangement with asset manager

- 10.15. For the open-ended pooled funds and the LDI portfolio in which the Plan invests, there are no predetermined terms of agreement with the investment managers.
- 10.16. The suitability of the Plan's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

11. Agreement

- 11.1. This statement was agreed by the Trustees, following consultation with the Principal Employer, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employers, the investment managers, the Scheme Actuary and the Plan's auditor upon request.

Signed:.....

Date:.....

On behalf of the Nampak Staff Pension Plan

Appendix: Investment policy of the Plan as at September 2020

1. The balance between different kinds of investment

The Plan has a strategic asset allocation as set out in the table below, which has been agreed after considering the Plan's liability profile and funding position, the expected return of the various asset classes and the need for diversification.

The Trustees recognise that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances.

Portfolio	Fund	Target Allocation
Non-LDI portfolio	Equities	5%
	UBS Life World Equity Tracker GBP Hedged Fund	5%
	Diversified Growth	10%
	Barings Dynamic Asset Allocation Fund	5%
	Schroder Life Diversified Growth Fund	5%
	Credit	45%
	Apollo Total Return Fund	15%
	CVC European Credit Opportunities Fund	15%
	RLAM Enhanced Buy and Maintain Credit Fund	15%
LDI portfolio	LDI	40%
	River and Mercantile LDI	40%

2. Choosing investments

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Plan:

- Barings Asset Management ("Barings");
- Schroders Pension Management ("Schroders");
- UBS;
- CVC Capital Partners ("CVC");
- River & Mercantile Derivatives ("RMD");
- Royal London Asset Management Limited ("RLAM").

The Trustees also have AVC contracts with Standard Life Assurance Limited and Utmost Life & Pensions for the receipt of members' Additional Voluntary Contributions (AVCs).

The investment managers are authorised and regulated by the Financial Conduct Authority. The AVC providers are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The investment benchmarks and objectives for each investment manager and AVC providers are given below:

Investment manager	Fund	Benchmark	Objective
UBS	Life World Tracker GBP Hedged Fund	FTSE Developed Index hedged to GBP, measured in Sterling	To track the benchmark
Barings	Dynamic Asset Allocation Fund	3 Month Libor	To outperform the benchmark by 4% p.a. net of all fees over the long term
Schroders	Diversified Growth Fund	UK CPI	To outperform the benchmark by 5% p.a. over a five to seven year period net of fees
Apollo	Total Return Fund	3 month USD LIBOR	LIBOR + 6-8% p.a. (gross of fees)
CVC	European Credit Opportunities Fund	Credit Suisse European LLI	8-12% return p.a. (gross of fees)
RLAM	Enhanced Buy and Maintain Credit Fund	n/a	To maintain a credit spread of 1.5% to 2.0% in excess of government bonds
RMD	Liability Driven Investment	Plan's liabilities	To protect the funding level from changes in interest rates and inflation

AVC Provider	Fund	Benchmark	Objective
Standard Life	Money Market Fund	ABI (Pension) Money Market Sector	To track the benchmark
Standard Life	Managed Pension Fund	ABI (Pension) Mixed Investment 40-85% Shares Sector	Long term growth with reduced risk from diversified assets
Utmost	Investing by Age strategy	n/a	To invest across a broad range of assets, de-risking based on age

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The AVC arrangement is reviewed from time to time.

3. Fee agreements

The fee arrangements with the investment managers are summarised in the Trustees' Investment Manager Arrangement Summary document.

4. Investments and disinvestments

Investment of new money and realisation of investments

Where possible, cash outflows will be met from the income of the Plan's investments in order to minimise transaction costs. Where the investment income is insufficient to meet these requirements, monies will be raised through the sale of assets in such a way as to move the portfolio closer to the strategic asset allocation, subject to consideration of liquidity issues, transaction costs, market conditions and the speed with which monies are required.

Similarly, where cash inflows are received, monies will be invested in such a way as to move the portfolio closer to the strategic asset allocation, unless market conditions suggest otherwise.

The Trustees will seek advice from the Plan's investment adviser with regard to the investment or disinvestment of these monies, as required.

Meeting collateral calls on the LDI funds

River and Mercantile Derivatives have a flexible approach to leverage. The LDI portfolio is fully segregated and, as collateral will be managed on a daily basis, there is a fluid approach to collateral management

within the portfolio. If additional assets were required for collateral purposes, a decision would need to be made regarding from where in the portfolio to make the disinvestment. The Trustees will seek advice from the Plan's investment adviser in this regard.

In the event that collateral payouts are made from River and Mercantile Derivatives, the Trustees will consider on a case-by case basis whether to invest these amounts or to retain them for benefit payment purposes.