

Nedbank United Kingdom Pension Fund

Statement of Investment Principles – November 2024

Introduction

The Trustees of the Nedbank United Kingdom Pension Fund (the “Fund”) have drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019.

The Statement is intended to confirm the investment principles that govern decisions about the Fund’s investments. In preparing this Statement the Trustees have previously consulted the principal employer, Nedbank Limited (“the Employer”), who acts on behalf of all the participating employers in this regard, and the Scheme Actuary.

Governance

The Trustees make all major strategic decisions including, but not limited to, the Fund’s asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives;
- Agree the level of risk consistent with meeting the objectives; and
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed.

When making such decisions, and when appropriate, the Trustees take proper advice. The Trustees’ investment consultants, Capita Pensions Solutions Limited, are qualified by their ability and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice.

Investment Objectives

The Trustees are required to invest the Fund’s assets in the best interest of members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Fund’s assets which is consistent with the assumptions made by the Scheme Actuary in determining the funding of the Fund;
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and volatility of the Employer’s contribution requirements.

The Trustees understand, following discussions with the Employer, that the Employer is willing to accept a degree of volatility in the Employer’s contribution requirements in order to aim to reduce the long-term cost of providing the Fund’s benefits.

Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Fund. The Trustees believe that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustees further believe that the current investment strategy is appropriate given the Fund's liability profile. The Trustees' policy on risk management is as follows:

- The primary investment risk faced by the Fund arises as a result of a mismatch between the Fund's assets and its liabilities. A principal focus of the Trustees in setting investment strategy is therefore taking into account the nature and duration of the Fund's liabilities.
- The Trustees recognise that whilst increasing investment risk can potentially increase long-term returns, it can also increase the short-term volatility of the Fund's funding position.
- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation strategy in place results in an adequately diversified portfolio. Due to the size of the Fund's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The Trustees recognise that, where appropriate, the use of active management involves a risk that the assets do not achieve the expected return. However, they believe this risk can be outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others.
- The safe custody of the Fund's assets is delegated to a professional custodian.

Should there be a material change in the Fund's circumstances, the Trustees will review whether the current risk profile remains appropriate.

Investment Strategy

Given their investment objectives, the Trustees have agreed to the strategic asset allocation detailed in the table below – further details are shown in the Appendix. The Trustees believe that the investment risk arising from the investment strategy is consistent with the overall agreed level of risk.

Asset class	Strategic asset allocation (%)
UK Equities	10.0%
Overseas Equities	10.0%
UK Corporate Bonds	25.0%
UK Index-Linked Gilt funds	55.0%
Total	100%

The above benchmark is implemented with tolerance ranges for the asset class exposures as shown in the Appendix. The Trustees will monitor the Fund's actual asset allocation at least quarterly and will decide how to proceed. This may involve redirecting cash flows, a switch of assets, or taking no action. The Trustees will take into account any advice received from the investment consultant.

Expected Return

The Trustees anticipate the return on assets to be consistent with the investment objectives and investment strategy outlined above.

This strategy is based on the Fund's assets generating a return, over the long term, of approximately 1.0% pa, net of expenses, above a portfolio of long-dated UK Government bonds – which are considered to broadly change in value in a similar way to the Fund's liabilities. This return is a "best estimate" of future returns that has been arrived at given the Fund's strategic asset allocation.

The Trustees recognise that, over the short term, actual performance may deviate significantly from this long-term expectation. This "best estimate" should be higher than the assumption used for funding purposes for the actuarial valuation of the Fund's technical provisions. For funding purposes, a prudent estimate of returns is used, as agreed by the Trustees on the basis of advice from the Scheme Actuary.

Platform Provider

The Trustees have appointed Legal & General Investment Management ("the Platform Provider") to manage all of the assets of the Fund. The Platform Provider is regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets have been delegated to the Platform Provider via a written agreement, including the realisation of investments.

Investment Mandates

The Trustees have selected Legal and General Investment Management Limited ('LGIM') as the appointed investment manager ('the Investment Manager') to manage the assets of the Fund. The Investment Manager is regulated under the Financial Services and Markets Act 2000.

The Trustees have a rolling contract with their Investment Manager.

The Trustees monitor the performance of their Investment Manager on a quarterly basis. This monitoring is contained in a report provided by their advisors.

The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

Investment Manager Remuneration

The Trustees monitor the remuneration, including incentives, that is paid to their Investment Manager and how they reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they should ensure that this policy is in line with their investment strategy.

Investment Manager Philosophy and Engagement

The Trustees monitor the Investment Manager's process for assessing the businesses they invest in, and whether business performance over the medium to long-term involves a holistic look beyond mainly accountancy measures. The Trustees consider if the Investment Manager is incentivised to make decisions on a short-term basis or on a medium to long-term basis and whether this coincides with the business assessments. The Trustees are conscious of whether the Investment Manager is incentivised by the agreement with the Trustees to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance.

Financially material considerations over the Fund's time horizon

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Fund's members. The Trustees believe that ESG considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Fund. The Trustees recognise that this is a defined benefit Fund with members across a wide age range. Accordingly, the Trustees believe that an appropriate time horizon for the Plan will be over 11 years, which gives plenty of scope for ESG considerations to be financially material.

The Trustees have elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustees will consider these policies in all future selections and will seek to deepen their understanding of their existing managers' policies by reviewing these at least annually. In cases where they are dissatisfied with a manager's approach, they will take this into account when reviewing them. They are also keen that all their managers are signatories of the UN Principles of Responsible Investment, which is currently the case.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that their managers can explain when, and by what practical methods, the managers monitor and engage with relevant persons about relevant matters in this area. They will be liaising with their managers (including their passive managers) to obtain details of the voting behaviour (including the most significant votes cast on the Trustees' behalf). The Trustees are also keen that their managers are signatories of the UK Stewardship Code. This is currently the case.

The Trustees will monitor the voting being carried out by their Investment Manager and custodian on their behalf. They will do this by receiving reports from their Investment Manager which should include details of any significant votes cast and proxy services that have been used.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment managers. To that end they dedicate time regularly to the discussion of this topic and intend to review and renew their approach periodically with the help of their investment consultants, where required. Consequently, the Trustees expect the Plan's Investment Managers to have effective ESG policies (including the application of voting rights) in place and look to discuss the investment managers' ESG policies with them when the managers attend Trustee meetings.

Non-financial matters, including members' views are currently not taken into account.

Investment Manager Portfolio Costs

The Trustees will monitor the costs of buying, selling, lending and borrowing investments and they will look to monitor the costs breakdown annually, as long as the investment manager provide these costs using the Cost Transparency Initiative template. They will also ensure that, where appropriate, their Investment Manager monitors the frequency of transactions and portfolio turnover. If there are any targets, then they will monitor compliance with these targets.

Compliance with Myners' Principles

The Trustees believe that they comply with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

Employer-Related Investments

The Trustees' policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

The Platform Provider is paid a management charge on the basis of the assets under management.

The investment consultant is paid on a time-cost or fixed fee basis, as agreed between the Trustees and the investment consultant from time-to-time.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension fund investments.



Trustee

19 December 2024

Date

Signed on behalf of the Trustees of the Nedbank United Kingdom Pension Fund

Appendix – summary of investment mandate

The Trustees have chosen the Investment Manager to manage the assets of the Fund, via a single policy with the Platform Provider. The Investment Manager and Platform Provider are regulated under the Financial Services and Markets Act 2000. Details of the investment funds used are set out below:

Asset class	Fund	Style of Management	Initial Strategic Asset Allocation (%)	Control Ranges (%)
Global Equities*	L&G Global Equity Fixed Weights (50:50) GBP Hedged	Passive	10.0	± 2.50
Global Equities*	L&G Global Equity Fixed Weights (50:50) Index	Passive	10.0	± 2.50
Corporate Bonds	L&G Active Corporate Bond - Over 10 Year	Active	25.0	± 1.50
UK Index-Linked Gilts	L&G 5-15 Year Index-Linked Gilts Index	Passive	55.0	± 3.25
UK Index-Linked Gilts	L&G Over 5 Year Index-Linked Gilts Index	Passive		
UK Index-Linked Gilts	L&G Over 15 Year Index-Linked Gilts Index	Passive		
UK Single Stock Index-Linked Gilts	L&G 2042 Index-Linked Gilt Fund	Passive		
UK Single Stock Index-Linked Gilts	L&G 2050 Index-Linked Gilt Fund	Passive		
UK Single Stock Index-Linked Gilts	L&G 2058 Index-Linked Gilt Fund	Passive		
Total			100.0	

*Global Equity Funds are invested 50% in UK Equities and 50% overseas equities