Nampak Staff Pension Plan (the "Plan")

Statement of Investment Principles (the "Statement") – July 2023

Scope of Statement

This Statement has been prepared in accordance with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and subsequent Regulations).

The effective date of this Statement is March 2023. The Trustees will review this Statement and the Plan's investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

Consultations made

The Trustees have consulted with the employer, First Circle Packaging Limited, prior to writing this Statement and will take the employer's comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Plan. They have obtained written advice on the investment strategy appropriate for the Plan and on the preparation of this Statement. This advice was provided by their appointed professional investment adviser, Aon Investments Limited ("AIL") (the "Manager"), authorised and regulated by the Financial Conduct Authority.

Objectives and policy for securing objectives

The Trustees' objectives for setting the investment strategy of the Plan have been determined with regard to the Plan's Statutory Funding Objectives as set out in the Statement of Funding Principles.

The Trustees aim to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustees first considered the lowest risk asset allocation that it could adopt in relation to the Scheme's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

Choosing Investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Plan, its cashflow requirements, the funding level of the Plan and the Trustees' objectives.

The assets of the Plan are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment (or delegation where these powers have been delegated to an investment manager) in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes.

Assets held to cover the Plan's technical provisions (the liabilities of the Plan) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Plan.

The assets of the Plan are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed so as to avoid excessive risk exposure to a single counterparty or other derivative operations

The balance between different kinds of Investments

The Trustees delegate responsibility for managing their asset allocation to Aon Investments Limited ("AIL"). AIL, as the fiduciary manager for the Plan, decides on a long-term asset allocation designed to increase the likelihood of the Trustees achieving their objectives as outlined earlier. This allows the asset allocation of the Plan to be adjusted quickly in order to best meet the investment objectives of the Plan.

The asset allocation chosen by the Manager to meet the given investment objective may vary over time, including the allocation between the Hedging Component and the Growth Component and the asset allocation of the Growth Component. The Hedging Component aims to reflect the movement in the liability benchmark, whilst the Growth Component invests in a broad range of asset classes.

Investment risk measurement and management

The Trustees recognise that the key risk is that they have insufficient assets to meet their liabilities as they fall due. The Trustees have identified a number of risks which have the potential to cause deterioration in the funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the immediate liabilities ("cash flow risk"). The Trustees and their advisers will, together with the Manager, manage the cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers chosen by the Manager to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and Manager both on the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustees have delegated this decision to the Manager. This risk was considered by the Trustees and their advisers when setting the investment strategy. The Manager also considers this risk when implementing the strategy.
- The possibility of failure of the sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially).

The Trustees' intended policy is to monitor, where possible, these risks periodically. The Trustees receive quarterly reports showing:

- Performance versus the investment objective.
- Performance of the Manager and each underlying investment strategy.
- Performance of the investments versus the investment objectives.

Any significant issues with the fund managers chosen by the Manager that may impact their ability to provide the service agreed by the Trustees.

In addition, the Trustees will be notified by Aon of any significant issues that arise.

Custody

The Trustees have appointed BNY Mellon as custodian for the assets managed by AIL.

Expected returns on assets

The Trustees' aim is to invest the Plan's assets prudently to ensure that the benefits promised to members are provided as they fall due. In setting investment strategy, the Trustees first considered the lowest risk asset allocation that it could adopt in relation to the liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the liabilities.

> The overall objective is to set an investment strategy which targets an expected return on the assets to meet agreed Investment Objective over the liability benchmark net of fees over rolling three year periods.

Strategy

The investment objective was decided following review of the actuarial valuation results and Schedule of Contributions, in consultation with the employer. After taking expert advice from the Trustees' investment adviser, the objective was set to meet the Plan's requirements: to reduce risk while retaining a target return to achieve full funding and to better match movements in the Plan's liabilities.

The Trustees recognise the potential volatility in equity returns, particularly relative to the Plan's liabilities, and the risk that the fund managers chosen by the Manager do not achieve the targets set. When appointing the Manager, the Trustees considered advice from their investment adviser concerning the following:

- The need to consider a full range of asset classes (including alternative asset classes).
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

The Hedging Component is used to help track interest rate and inflation movements in the liabilities and replicate these movements within the asset portfolio.

Realisation of Investments/Liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. 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.

The Trustees and their advisers will, together with the Manager, manage the Plan's cash flows taking into account the timing of expected future payments.

The majority of the assets held are realisable at short notice through the sale of units in pooled funds.

Social, environmental or ethical considerations

In setting the Plan's strategy, the Trustees' primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

Environmental, Social and Governance (ESG) considerations

The Trustees consider investment risk to include ESG factors and climate change. These risks could negatively impact the Plan's investments. The Trustees consider these risks by taking advice from their investment adviser.

The Trustees have appointed the Manager to manage the Scheme's assets. The Manager invests in a range of underlying investment vehicles.

As part of the Manager's management of the Plan's assets, the Trustees expect the Manager to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying fund managers;
- Where relevant, incorporate investment opportunities that include an ESG screen or overlay to manage risk;
- Use its influence to engage with underlying fund managers to ensure the Plan's assets are not exposed to undue risk; and
- Report to the Trustees on its ESG activities as required.

Stewardship – Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as ultimately this creates long-term financial value for the Plan and its beneficiaries.

The Trustees have delegated all voting and engagement activities to the Plan's fund managers via the Manager. The Trustees accept responsibility for how the fund managers steward assets on their behalf, including the casting of votes in line with each fund managers' individual voting policies. The Trustees review manager voting and engagement policies on an annual basis from the Manager to ensure they are in line with the Trustees' expectations and in the members' best interest.

The Trustees annually review the stewardship activity of the Manager to ensure the Plan's stewardship policy is being appropriately implemented in practice. The Trustees receive annual reports on stewardship activity carried out by the Manager, these reports include detailed voting and engagement information from underlying fund managers.

As part of the Manager's management of the Plan's assets, the Trustees expect the Manager to:

- Ensure that (where appropriate) underlying fund managers exercise the Trustees' voting rights in relation to the Plan's assets; and
- Report to the Trustees on stewardship activity by underlying fund managers as required.

The Trustees will engage with the Manager as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of interactive dialogue via email and at regular and/or ad-hoc meetings as required and annual reporting which will be made available to Plan's members on request.

Fund managers are expected to vote at company meetings and engage with companies on the Trustees' behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management conflicts of interest).

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the Trustees' expectations.

Where voting is concerned the Trustees would expect the underlying fund managers to recall stock lending, as necessary, in order to carry out voting actions.

The Trustees may engage with the Manager, who in turn is able to engage with underlying fund managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustees will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Plan.

Members' Views and Non-Financial Factors

In setting and implementing the Plan's investment strategy the Trustees do not explicitly take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors" in the Pension Protection Fund (Pensionable Service) and Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2018).

Activism, and the exercise of the rights attaching to Investments

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 Manager on the Trustees' behalf. In doing so, the Trustees expect that the underlying 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.

The Trustees acknowledge the importance of ESG and climate risks within their investment framework.

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.

Through their consultation with the employer when setting this Statement of Investment Principles, the Trustees have made the 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, places on them.

Arrangements with asset managers

The Trustees have appointed Aon Investments Limited as their fiduciary manager, who they consider to be their asset manager. References in this policy to 'underlying asset managers' refers to those asset managers which Aon Investments Limited in turn appoints to manage investment on behalf of the Trustees.

The Trustees recognise that the arrangements with their fiduciary manager, and correspondingly the underlying asset managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that the fiduciary manager is incentivised to operate in a manner that generates the best long-term results for the Plan and its beneficiaries.

The Trustees receive regular reports and verbal updates from the fiduciary manager on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives and assess the fiduciary manager over three-year periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by their fiduciary manager, which supports the Trustees in determining the extent to which their engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this SIP, with the Plan's fiduciary manager and request that they review and confirm whether their approach is in alignment with the Trustees' policies.The Trustees delegate the ongoing monitoring of underlying asset managers to the fiduciary manager. The fiduciary manager monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Plan.

This includes monitoring the extent to which the underlying asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Before appointment of a new fiduciary manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. The Trustees believe that having appropriate governing documentation, setting clear expectations to the fiduciary manager, and regular monitoring of the fiduciary manager's performance and investment strategy, is sufficient to incentivise the fiduciary manager to make decisions that align with the Trustees' objectives and are based on assessments of medium- and long-term financial and non-financial performance.

Where the fiduciary manager is considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the fiduciary manager but could ultimately replace the fiduciary manager where this is deemed necessary.

There is typically no set duration for arrangements with the fiduciary manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that the fiduciary manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place. If relevant, the duration of certain underlying closed ended vehicles may be defined by the nature of the underlying investments.

Cost monitoring and evaluation

Cost Monitoring:

The Trustees are aware of the importance of monitoring their fiduciary manager's total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustees recognise that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by their investments.

The Trustees receive annual cost transparency reports from their fiduciary manager. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- the total amount of investment costs incurred by the Plan;
- the fees paid to the fiduciary manager;
- the fees paid to the asset managers appointed by the fiduciary manager;
- the amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the fiduciary manager;

  the Trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the fiduciary manager;
- any charges incurred through the use of pooled funds (custody, admin, audit fees etc);
- the impact of costs on the investment return achieved by the Plan.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The fiduciary manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the underlying asset managers appointed on behalf of the Trustees.

The Trustees benefit from the economies of scale provided by the fiduciary manager in two key cost areas:

- the ability of the fiduciary manager to negotiate reduced annual management charges with the appointed underlying asset managers;
- the ability of the fiduciary manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the underlying asset managers and achieve efficiencies where possible.

Evaluation of performance and remuneration:

The Trustees assess the (net of all costs) performance of their fiduciary manager on a rolling three-year basis against the Plan's specific liability benchmark and investment objective.

The remuneration paid to the fiduciary manager and fees incurred by third parties appointed by the fiduciary manager are provided annually by the asset manager to the Trustees. This cost information is set out alongside the performance of the fiduciary manager to provide context. The Trustees monitor these costs and performance trends over time.

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