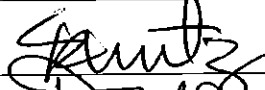
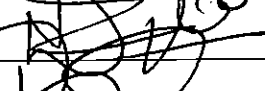
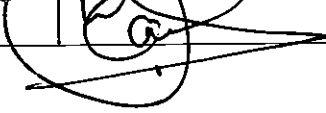


**GIPF**

*To guard, and to grow.*

## Statement of Responsible Investment Policies, Standards and Procedures

November 2014

	NAME	DESIGNATION	SIGNATURE	DATE
<b>POLICY ORIGINATOR</b>	C. Britz	GM: Investments		5/12/2014
<b>POLICY OWNER</b>	D. Nuyoma	Chief Executive Officer		05/12/2014
<b>GIPF APPROVAL</b>	M. Gaomab II	Chairman: Board of Trustees		05/12/14

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## 1. RESPONSIBLE INVESTMENT POLICY

The Government Institutions Pension Fund “GIPF” wishes to make sound investments in areas of social and developmental needs. The GIPF is the 1,000th signatory to the UN Principles for Responsible Investment (UN PRI). The UN PRI embodies an internationally accepted framework for investors to manage Environmental, Social and Governance issues in a manner consistent with improving long-term investment returns. With this goal in mind, we therefore present the Responsible Investment Policy that is guided by the broad ideology of environmental, social and governance investment focus. The Responsible Investment Policy “RI Policy” will be implemented in tandem with the provisions of the Proxy Voting Policy and the Investment Policy of the GIPF. The scope of the RI Policy has been drafted so that it is congruent and in support of the objectives of the above-mentioned policies. The RI Policy will assist with the implementation of Environmental, Social and Governance factors into the investment process as governed by the Investment Policy.

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that Environmental, Social, and Corporate Governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, and asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, we commit to the following six principles of the UN PRI:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

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## 1.1 Obligations

The Pension Funds Act No. 01 of 1956 (the Act) establishes the duties of the Board of Trustees "Trustees" when investing the Fund. In doing so, Trustees must therefore manage and administer the Fund in a manner consistent with:

- a) Best-practice portfolio management;
- b) Maximising return without undue risk to the Fund as a whole; and
- c) Avoiding prejudice to Namibia's reputation as a responsible member of the African- and World community.

No one of these obligations has precedence over the others.

This document outlines the Trustees Responsible Investment (RI) framework that is designed to meet these obligations. The RI framework is consistent with best practice portfolio management, and with avoiding prejudice to Namibia's reputation as a responsible member of the African and World community.

The RI framework is developed and maintained by the Trustees, and includes policies, standards and procedures to integrate Environmental, Social, and Governance "ESG" considerations into the investment process. RI actions can include investment, exclusion, engagement, voting and/or divestment.

In implementing the RI policy, the Trustees are aware that maximising returns without undue risk implies investing across a wide range of asset classes and regions. Whilst the Trustees decide on the strategic asset allocation and policy formulation, with most of the day to day buying and selling of securities are done by external investment managers. With such a breadth of investments, there will be, from time to time, stocks in the Fund that may need consideration within the RI framework.

The RI framework is regularly reviewed, and aspires to best-practice. In developing and maintaining the RI framework, the Trustees are conscious of the boundaries of responsibility, and the degrees of influence, that exist between shareholders and companies. While it is not the role of shareholders to interfere with the direct management of companies, they can seek to influence outcomes by raising concerns with company boards or management.

## 1.2 Responsibilities

The Board of Trustees is ultimately accountable for, and maintains oversight of, the Fund's RI Policy. The Board oversees the development of the RI policy and monitors its

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implementation. The RI Policy initiatives are reviewed at least annually and signed off by the Board of Trustees.

The RI Policy applies to all the Fund's assets under management. However, the operational practices of the Board may vary across these assets, dependent on the nature of investments (e.g. whether it is segregated or pooled), and investors' rights. The objective of the RI Policy is for the implementation of the goals into the respective mandates that the GIPF has with investment managers. The mandates of all investment managers will require amendment to reflect the envisaged goals and within those mandates, punitive measure will be incorporated that will ensure that there is adequate accountability with regards to the implementation of the RI Policy.

The GIPF Management is responsible for internal oversight of RI Policy with the Investment Department having specific accountability for the RI policy. The Investment Department will facilitate the implementation of the RI Policy and Procedures and keep abreast of good practice standards in this area. The GIPF Management will then report regularly to the Board on RI activities and produces discussion papers on specific issues at its request.

The Marketing and Corporate Communications Department is responsible for integrating RI into the Board of Trustees' Communications Strategy.

The Investment Committee ensures RI is included in the due diligence procedures for selection of new managers and investment mandates. The Fund's investment managers have requirements in their mandates to comply with directions given by the Board of Trustees. These directions may relate to RI issues. Investment managers are formally instructed of any exclusion or divestment decisions by the Board of Trustees.

### **1.3 Guidelines**

The Trustees consider responsible investment to be part of evolving best practice investment management. This RI policy has been developed to help the Trustees to manage the Fund in a manner consistent with:

- best practice portfolio management;
- maximising return without undue risk to the Fund as a whole; and
- avoiding prejudice to Namibia's reputation as a responsible member of the African and World community.

To the extent that it does not conflict with their obligations above, the Board, at their discretion, may consider other issues arising from the Fund's investments. In doing so, the Board may take into account factors including whether the issue is contrary to

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Namibian law and Namibia's international agreements, or is inconsistent with Governmental actions.

The Trustees are committed to the United Nations (UN) Principles for Responsible Investment and aim to encourage investee companies to meet internationally agreed standards for responsible corporate behaviour.

If companies in which the Fund holds securities are found to have corporate practices that breach the RI standards, the Trustees may consider engaging with the company, either directly, or in conjunction with other investors, and taking shareholder action as appropriate. In certain instances, Trustees may believe they can have a greater impact on company practices through dialogue with company management in conjunction with others and therefore this avenue should also be pursued.

There may be occasional circumstances where the Board may consider excluding a particular investment or divesting the Fund's holding.

The Board actions are guided by the considerations outlined in section 3 of this document.

## **2. STANDARDS**

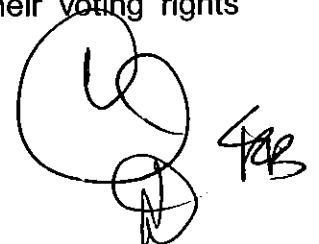
### **2.1 The UN Principles for Responsible Investment**

The GIPF is the 1,000<sup>th</sup> signatory to the UN Principles for Responsible Investment (UN PRI). The UN PRI embodies an internationally accepted framework for investors to manage Environmental, Social and Governance issues in a manner consistent with improving long-term investment returns. The UN PRI operates its own secretariat that helps international institutional investors collaborate and engage with companies in order to encourage sustainable business practices. The initiative advances the integration of Environmental, Social and Governance factors into investment process and analysis. The UN PRI provides tools to enable the Trustees to benchmark their own performance in the area of responsible investment.

### **2.2 Corporate Governance Voting Guidelines**

The Trustees believe that good corporate governance should maintain the appropriate balance between the rights of shareholders, and the needs of the company, corporate board and management, to effectively manage the company's affairs.

Voting rights are important to the Fund for maintaining shareholder oversight of directors and company policies. The Trustees are committed to exercising their voting rights



directly or indirectly across the Fund's portfolio. The Trustees aim to use their voting rights to promote corporate best practice in the long-term interests of the Fund.

The broad principles set out in the Proxy Voting guidelines presents the Boards view of the essential elements of good governance. Such principles include transparency, board alignment with shareholder interests, remuneration, business ethics and voting rights. The Board will generally vote as set out in these guidelines, but may respond to specific issues on a case-by-case basis.

The proxy voting guidelines are reviewed regularly and amended as developments in best practice occur or when there are changes to legislative or regulatory requirements.


### **3. PROCEDURES**

The Board of Trustees would ensure that they incorporate a number of procedures into their RI Framework, in particular:

- Improving the Trustees expertise in, and the effectiveness of, their shareholder activities through membership of relevant organisations;
- Maintaining a system for monitoring portfolio holdings against relevant standards through their respective investment managers;
- Implementing an engagement programme to encourage improvements in responsible corporate behaviour;
- Encouraging disclosure by companies, and consideration by investors, of material social and environmental information in order to better understand the impact of these issues on long-term shareholder value;
- Exercising votes at company meetings, including votes on responsible investment resolutions; and
- Utilising exclusion or divestment as appropriate.

#### **3.1 Monitoring**

The monitoring process must be the obligation of the Board of Trustees so as to ensure compliance to the RI Policy. It's critical that this process is adhered to and that it is integrated into the reporting that is carried out to the Board of Trustees.

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### 3.1.1 Listed Equities

The Board should have service level agreements in place to monitor the Fund's equity holdings against their RI standards. However, these arrangements do not cover all stock holdings due to practical constraints (e.g. the wide breadth of holdings, the fact that some equities are unlisted or pooled nature of some securities), and hence the Trustees also take into account other relevant sources of information.

The Trustees may receive, from external parties or through their own research, other valid reports of breaches of RI standards by companies in the Fund and will consider those on a case by case basis as outlined in section 3.2.

### 3.1.2 Sovereign Securities

The Board would then receive regular reports from their investment consultant, and from time to time other external advisors, on resolutions or sanctions imposed on an issuer of sovereign securities, or other breaches of the RI standards. On a six-month basis, the Board will submit a list of countries to their investment consultant to screen against their RI standards.

Where a breach of RI standards on sovereign securities is identified, the Board may elect to divest from the sovereign securities of that country.

### 3.1.3 Other Assets

The Board invest in private equity market assets that include infrastructure, property and private equity investments. RI considerations are also included in the Trustees decision-making on potential investments in private equity market assets. As best practice in RI develops, the Trustees aim to refine their RI standards and procedures to specifically encompass criteria for other asset classes.

## 3.2 Analysis

The Board may undertake further analysis on key issues, or breaches of RI standards, in order to assess the most appropriate shareholder response. This analysis is coordinated by the Board's internal RI team (namely the respective departments within GIPF) with assistance as necessary from external experts.

The Board assess investments against their RI standards using the guidelines outlined in section 1.3.

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The Trustees' analysis of RI issues may typically include:

- the nature of involvement by the company and the Fund;
- the materiality of the issue or breach of RI standards;
- the regulatory environment, including international conventions and Namibia law;
- the effectiveness of shareholder actions; and
- the impact on the Fund's portfolio.

The Trustees are aware that firms operate in different legal, cultural, and geographical contexts. The Trustees endeavour to understand individual circumstances if breaches of standards occur.

### **3.3 Engagement**

The Trustees utilise the RI monitoring and analysis process to prioritise their engagement activities. The Board may engage unilaterally with companies in which the Fund invests or with other investors. In most cases engagement will involve encouraging companies to address significant breaches of standards, and/or improve their policies and practices. The Trustees may also take a more general approach to engagement in order to raise awareness of relevant standards amongst business and investors.

Engagement with a company is often most effective through developing dialogue with the boards or senior management of companies. Establishing such a dialogue requires a degree of confidentiality and detailed or premature disclosure of discussions may be counter-productive to progress. However, within these constraints, the Trustees are committed to reporting on their engagement activities.

### **3.4 Exclusion and Divestment**

The Board may decide to exclude investment in, or divest from, certain securities. Any exclusion or divestment decisions made in accordance with this policy must be taken by the Board. When a decision is made to exclude or divest from a company that decision applies to any security issued by that company. The Trustees inform their investment managers of any decisions to exclude or divest securities from the Fund's portfolios. The security is then placed on an exclusion list which is monitored by the Board and their custodian.

### **3.5 Voting**

The Trustees encourage the adoption of good Corporate Governance standards through:

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- Promoting its Proxy Voting Guidelines;
- Encouraging investment managers to engage with companies as appropriate.

The Trustees also stay abreast of best practice through retained advisors and investment managers, attending international corporate governance networks, and communication with other institutional investors.

### 3.5.1 Exercising voting rights

The Board retains the ultimate right to exercise any voting rights attached to a security held by the Fund. The Trustees work with their appointed investment managers to cast votes in accordance with the established guidelines. The investment manager will revert for the Board's direction where necessary. The Trustees may also seek the advice of its investment managers. The Trustees retain the right to override any voting recommendations made by their investment consultant.

### 3.5.2 International Equities

In general, the investment manager will be delegated full responsibility to exercise voting rights for international equities, in accordance with its Proxy Voting Guidelines. A service level agreement sets out the monitoring and the reporting requirements in relation to corporate governance and voting activity.

### 3.5.3 Namibia Equities

For Namibia equities, the Board will generally vote as outlined in the Proxy Voting Guidelines. The appointed investment managers provide voting recommendations and highlight issues that are likely to attract widespread publicity, be contentious, or create a conflict of interest for the manager.

It is accepted that the Proxy Voting Guidelines will not cover all eventualities, and some resolutions will need to be considered on a case-by-case basis. Where the issue is very contentious and likely to attract widespread publicity, GIPF Management may request a report outlining:

- the issue;
- the recommendations of the investment manager(s);
- whether the Board of Trustees or the investment manager(s), have engaged with the company; and
- whether any further external advice on the issue has been sought by management.

The Board of Trustees will consider the recommendations of its managers and investment consultants and any direction from themselves, in exercising the vote.

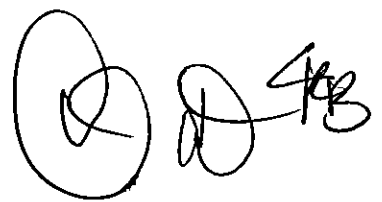
#### 4. TRANSPARENCY AND REPORTING

The Trustees recognise that the Namibian public have a legitimate interest in the Fund. There is a direct link for public enquiries and feedback on the Funds website. The Trustees will publish its Responsible Investment Policy and communicate regularly to the public on its responsible investment activities. The Board will assess progress against the responsible investment goals on an on-going basis.

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**5. CONTROL PAGE**

<b>Document Control</b>				
<b>Responsible Officer:</b> CEO	<b>Approval Date:</b> 2/11/2014	<b>Review Date:</b> After every two years	<b>Version:</b> 1.0	<b>Authority for Exceptions to Policy:</b> CEO

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