ZIMBABWE ELECTRICITY INDUSTRY PENSION FUND

"Retirement Security. Today and Tomorrow"

INVESTMENT POLICY STATEMENT

SECOND EDITION SEPTEMBER 2019

OWNERSHIP AND CONTROL	
Reviewer	Finance, Investment and Procurement Committee
Owner	Board of Trustees
Custodian	General Manager
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SECTION 1: GENERAL INFORMATION

1.1 INTRODUCTION

Zimbabwe Electricity Industry Pension Fund (ZEIPF), "the Fund", is made up of various sponsoring employers which include Zimbabwe Power Company (ZPC), Zimbabwe Electricity Transmission and Distribution Company (ZETDC), Rural Electrification Agency (REA), ZESA Enterprises (ZENT), Powertel Communications ZESA Holdings and any other company or organization which with the consent of the Board of Trustees has been admitted into the Fund.

The Investment Policy Statement (IPS) adheres to the requirements of the Pensions and Provident Funds Act Chapter 24.09.

The main objective of the Fund is to provide benefits for employees upon retirement. The Trustees have also noted that members could leave the Fund prior to retirement for a number of reasons, such as:

- Resignation,
- Retrenchment,
- Dismissal, and
- Death

The Fund is a Defined Contribution Pension Fund, which is subject to all the applicable laws and regulations in Zimbabwe.

The members' benefits (Member's Accumulated Credit) are determined as the accumulated value of member and employer contributions towards retirement and any transfers paid by the member, together with investment returns earned, added in accordance with the Rules of the Fund. In line with the characteristics of a Defined Contribution Fund, members and beneficiaries bear investment risk, which is the risk of investment returns not achieving the required levels.

This document has been prepared to record the issues considered by the Trustees of Zimbabwe Electricity Industry Pension Fund (ZEIPF) ("The Fund") in establishing an appropriate Investment Policy, as well as recording the investment strategy that the Fund will implement, in accordance with the policy.

The Investment Policy document will be reviewed and updated from time to time (*as outlined in the report*) and as circumstances dictate.

1.2 PURPOSE

The purpose of this Investment Policy Statement is to outline the process taken by Trustees in making investment-related decisions. The process illustrates the underlying philosophies and processes for the selection, monitoring and evaluation of the investment strategy and Investment Managers appointed by the Fund.

The broad aims of this Investment Policy Statement are:

a) To define the Fund's investment objectives;
b) To govern the investment process and guide the Trustees in the investment decision making process;
c) To define the roles of those responsible for the Fund's investments;
d) To set out the criteria and procedures, for appointing Investment Managers;
e) To identify the investment risks faced by the Fund and to recommend methods of managing these risks;
f) To establish investment procedures, measurement standards and monitoring procedures;
g) To set out any limitations that the Trustees may have imposed on any asset class or Investment Manager; and,
h) To establish a clear understanding for all parties involved, of the investment objectives for the Fund, specifically to offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.

SECTION 2: INVESTMENT OBJECTIVES AND RISKS

2.1 INVESTMENT OBJECTIVES

Overall, the Fund's investment objective sets out to achieve a real rate of return in order to meet the various objectives as set below. The investment objectives of the Fund are to:

2.1.1 Maximize the investment return subject to an acceptable level of risk allowable under each investment option;

2.1.2 Offer Trustees of the Fund a suitable range of investment strategies taking into account the Fund's membership and their attitudes towards investment risk;

2.1.3 Provide competitive investment returns comparable to investment returns for other similar investment options, bearing in mind the administrative and management costs associated with the Fund's investments;

2.1.4 Provide a suitably diversified investment strategy which will meet the risk/return profile of each member;

2.1.5 Target a reasonable level of income replacement at retirement for the members of the Fund. In particular, the Trustees aim to target a pension which would replace approximately 60-80% of the Member's Final Pensionable Salary at retirement for members who join the Fund before age 30 (or an equivalent replacement level of service if the member had joined the Fund at that stage), and

2.1.6 Comply with regulatory set benchmarks as advised from time to time.

2.2 INVESTMENT RISKS

2.2.1 Liquidity Risk

The Fund will ensure that they balance the need to hold sufficient liquid assets to meet their expected net cash outflows (with particular attention to payment of pension annuities) with the market exposure requirements to maintain suitable returns.

To minimize the possibility of a loss occasioned by the untimely sale of illiquid assets such as equities when forced to meet a required payment, the Trustees will periodically provide the Investment Manager with an estimate of expected net cash flows. The Trustees will notify the Investment Manager in a timely manner, to allow sufficient time to build up necessary liquid reserves.

2.2.2 Inflation Risk

This is the risk of nominal returns falling below the rate of inflation, hence a loss in the real value of assets. This risk will be reduced by investing in assets that hedge against inflation, that is, real assets such as equities or properties. The returns benchmarks will be used to measure the severity of the risk.

2.2.3 Capital Preservation

Capital Preservation is the protection and preservation of the Fund's portfolio assets against loss in real value. To achieve Capital Protection, the Fund Board of Trustees is expected to develop appropriate asset allocation and portfolio composition to consistently achieve and maintain long term real investment returns. Note that this is also used as a performance measurement.

2.2.4 Credit risk/Counterparty Risk

The risk of loss due to the inability or unwillingness of a counterparty to meet their obligations as and when they fall due. The Trustees believe this to be an important risk and will require disclosure of limits in terms of credit exposure applied by all the Fund's asset managers and Fund Management.

a) Counterparty risk management

i. Investing in Financial Institutions (Banks)

a. The Fund Trustees believe that counterparty banks need to be rated and categorized into two tiers.

Tier 1 banks are financially good rated banks and Tier 2 banks, are second rated banks from a financial strength perspective using a performance matrix. The ratios of money market investments in tier 1 banks and tier 2 banks will be **5:3**.

The Fund will therefore develop a credit rating matrix and the banks will be reviewed half yearly looking into their attributes as per the rating matrix. Refer to Annexure 1 for the Tier 1 and Tier 2 banks. Total investments in money markets will be **62.5%** tier

1 and **37.5%** tier 2 respectively.

b. Total money markets investments will be a maximum of 10%.

c. Investment in a single bank under tier 1 should be a maximum of **3%** of total Fund and investment in a single bank under tier 2 should be a maximum of **1.125%** of the total fund.

d. Investing in a holding company/ sponsoring employer

The Fund will invest not more than 10% of total assets in the holding company or a related company that is where its membership is drawn from.

2.2.5 Default Risk.

The risk of default on assets is greater where there is a concentration of investments with counter party or bank. The Fund will therefore strive to protect the investments through regular assessment of counter parties and reducing concentration per single counter.

Managing default risk

a) Diversification

The Fund will ensure that the investment strategy selected has a suitably diversified set of underlying assets. The choice of assets will allow for the different risk tolerance levels of members. The Fund will further ensure that the Fund's assets are managed in accordance with the Pension and Provident Fund Act as well as investment guidelines as issued by the Insurance Pension Commission (IPEC) from time to time.

Limit of exposure per counter

i. The Fund shall not have more than 10% shareholding in a single company.

ii. The Investment Manager shall not invest more than 15% of the Fund values into a single counter.

b) Assets quality

Further protection will be achieved by requiring the vehicles in which Assets are held to be financially sound and compliant with all relevant regulatory and solvency requirements as stipulated by the Commissioner. The asset manager shall report on the quality of the investment quarterly. The report shall encompass the financial soundness of the company, compliance of the company to the regulations, corporate governance issues and management of the Company.

2.2.6 Market risk

The risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and price of properties and equities. The General Manager will establish a framework for measuring enterprise level risk for both the Total Fund Portfolio and established benchmarks, including any transition benchmarks employed during asset allocation shifts. At minimum the framework must include quantified estimate of downside risk (e.g. value at risk ("VAR"), estimated shortfall, or parametric and non-parametric statistics. The General Manager will monitor the relative positioning of the Total Fund Portfolio against benchmark monthly.

2.2.7 Benchmark risk

The Fund will adopt appropriate benchmarks against which Fund Management and Investment Managers will be measured. The benchmarks will be structured to be consistent with the Fund's overall investment objectives.

It is accepted that active management will involve deviating from Benchmarks to allow for additional returns. This introduces active risk, which is the risk of underperforming when measured against the set Benchmark. To reduce this risk, Trustees will set appropriate ranges of deviation from set Benchmarks from time to time.

2.2.8 Legal risk

The risk that the investment contracts can expose the Fund to legal issues. Legal documentation for all contracts, external investment managers, investments in private equities and any other investment contracts will be reviewed by legal counsel and Fund Management. The due diligence will ensure that the contracts are legally binding and enforceable in a suitable venue.

2.3 Performance Monitoring Framework.

2.3.1 Basis for monitoring performance

a) The on-going monitoring of investment options must be a regular and disciplined process. This is the mechanism for revisiting the investment strategy selection process and confirming that the criteria originally satisfied remain in force and that each investment strategy continues to be a valid choice.

b) While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is a regular, on-going process.

c) The General Manager will monitor performance on a quarterly basis with consultation of the actuary when necessary.

2.3.2 How returns of the Fund should be monitored

a) This Investment Policy aims to ensure that member's assets are invested in the most appropriate and risk-managed manner.

b) The investment performance of the portfolios will be measured on the following double benchmark basis;

i. The first benchmark is an index benchmark, which compares portfolio performance against general market performance for similar asset class distributions. For instance, Trustees will expect the returns from the equities portfolio to perform above the industrial index on the Zimbabwe Stock Exchange.

ii. The second benchmark compares performance of the Fund's portfolios against an appropriate peer-group, to compare performance against other similar-mandate asset managers.

iii. The following benchmarks will be used to measure investment performance;

Asset Class	Return above Benchmark	Return Above Peers
Money Market	Treasury Bill rate	0.25-0.5%
Bonds	Government Bonds rate	1-2%
Equities	1-2% above ZSE	1-2%
Property	1-2% Above market average	1-2%

iv. The return from unquoted equities will be expected to be 2-3% above that of ZSE or Listed Property Index to match the risk associated with this investment vehicle.

v. The investment performance should be monitored over the following rolling periods per each risk profile;

Risk Profile	Rolling Period
Money Market	12 Month Period
Bonds	36 Month Period
Property & Equity	36 Month Period

2.3.3 Frequency of monitoring and reporting

i. Reporting will occur on a quarterly basis and will include returns achieved by the assets of the Fund, calculated using a time weighted rate of return formula.

ii. The performance of the Fund Management and Investment Managers will be measured in terms of their ability to meet required rate of return, rolling over a 3-year time horizon evaluated quarterly. Investment Managers will also be measured relative to appropriate peer group over 3 year rolling period evaluated quarterly.

iii. Unusual, notable or extraordinary events should be communicated by the Investment Managers immediately to the Trustees. Examples of such events include strategy manager or team departure, violation of investment guidelines, material litigation against the firm or material changes in firm ownership structure; or announcements thereof.

iv. This Investment Policy Statement will be reviewed at least annually, and, where appropriate, be amended to reflect changes in the capital markets, Fund membership or other factors relevant to the Fund.

v. Following the above reviews, if the Trustees are satisfied with the investment options, no further action is required. However, if areas of dissatisfaction exist, the Investment Manager, under directive of the Trustees must take steps to correct the cause of the unsatisfactory performance. If, over a reasonable period, the manager is unable to resolve the issue, termination of the strategy or manager may result.

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2.4 Risk management Compliance Cure Periods and Remedies

a. **Passive breach-** A passive breach occurs when the portfolio breaches a prescribed asset limit as the result of changing market or credit conditions. The General Manager will report the breach to the Board and will remedy the breach within 90 days of the breach or prepare a written action plan that must be approved by the Board resolution to extend the cure period beyond 90 days.

b. **Active breach-** An active breach is caused by entering into an agreement or investment that breaches the asset limit at inception or thereafter through failure to monitor. In this case, a thorough analysis of controls and asset allocation will be ensured. The General Manager will report the breach to the Board and seek to remedy the breach when possible. In instances where it will be costly to do the correction instantly, the General Manager will develop a corrective action plan to remedy the breach within a reasonable time (Not more than 90 days).

SECTION 3: INVESTMENT STRATEGY AND GOVERNANCE PRINCIPLES

3.1 STRATEGY CONSIDERATIONS

The strategy considerations given below are subject to the general Rules of the Fund.

3.1.1 Liability Profile

The liability profile of ZEIPF Pension Fund was based on the 2018 Financial Review results as these were based on the latest audited Financial Statements. The liabilities as at 31 December 2018 are as tabulated below;

Age Band	Total Liability	%
Actives below 40	55 095 124	27%
Actives between 40 and 55	101 499 591	51%
Actives over 55	20 036 098	10%
Pending, Paid Exits & Pensioners	21 123 252	11%
Stabilisation and Data Reserves	2 859 959	1%
Total	**200 614 024**	**100%**

Table 1: Liability profile as at 31 December 2018.

The assets of the Fund should be invested so as to match the liabilities given their differing risks. The broad investment strategy for the major categories of the Fund are outlined below:

3.1.2 Pensioners

The Trustees aim to match expected pension payments with appropriate bonds and cash holdings.

This matching will be implemented at the discretion of the Trustees subject to availability and affordability of matching instruments and so as to ensure a spread of instruments across individual providers. The extent of matching will be subject to on-going review.

The balance of assets will be invested with the aim of achieving sufficient investment returns to allow for pension increases to be granted at a targeted level of 100% of inflation in accordance with the Rules and the Fund's pension increase policy. This will be achieved by investing in predominantly domestic equities and, once legislation allows, offshore portfolios.

In addition, a small balance will be retained in cash for liquidity purposes.

3.1.3 Active Members

Taking the nature of the active member liabilities, Trustees will invest the assets in order to achieve the best possible long-term rate of return subject to relative rate of risk. The strategy will also be continuously reviewed to ensure that it always captures the Fund's investment objectives as well as the underlying liability profile.

3.1.4 Asset Mix Considerations from Liability Profile as at 31 December 2018

In order to recommend an appropriate Asset Allocation, it is necessary to analyse the liability profile of the Members and carry out an asset liability modelling exercise. This is done below.

Age Band	Total Liability	%	Risk Appetite	Investment Principle	Recommended Asset Class
Actives below 40	55 095 124	27%	high	aggressive	Mostly Real Assets than Fixed Assets
Actives between 40 and 55	101 499 591	51%	medium	moderate	Almost Balanced in Real & Fixed Assets but shifting towards Fixed. But in view of the prevailing economic conditions rather have more in Real Assets as an inflation hedge.
Actives over 55	20 036 098	10%	very low	conservative	Mostly Fixed Assets than Real Assets
Pending, Paid Exits & Pensioners	21 123 252	11%	very low	conservative	Exclusively Fixed Assets
Stabilisation and Data Reserves	2 859 959	1%	low to none	very conservative	Mostly Fixed Assets
Total	200 614 024	100%			

Table 3: Appropriate assets for each liability profile

3.1.5 Other limits

Any and all other limits prescribed by legislation (including regulations and/or subordinate legislation and/or circulars) or any subsequent legislation (including regulations and/or subordinate legislation and/or circulars) replacing these, must be complied with.

3.1.6 GOVERNANCE PRINCIPLES

Good standards of governance should ensure that the Fund's investments are managed appropriately and will collectively reduce the risk of material failure of an investment strategy. Governance principles hence define the framework of an investment policy.

The Fund is firstly governed by the Pension and Provident Act Chapter 24.09 (last revised in 1996).

3.1.7 Investment constraints

IPEC Guidelines

The Pensions and Provident Act Chapter 24.09 and Statutory Instrument 323 provide for prescribed assets at 35% of book value. However, the Minister of Finance amended the regulations to 10% of market value in 2010 and subsequently increased the level to 20% in 2019 in his budget statements which were then put in a circular by IPEC.

Asset Class	*Maximum*
Cash	*10%*
Fixed Income Instruments	*45%*
Prescribed Assets	*40%*
Quoted Equities	*50%*
Unquoted Equities	*10%*
Property	*50%*
Other	*10%*

- The cash in any one bank should not exceed 5% of total investments.
- Quoted shares and property combined should not exceed 70%.
- A pension fund should not invest or lend more than 10% to the employer.
- No more than 10% of a fund should be invested in a single bank.
- No more than 10% of a fund should be invested in a single listed equity counter".

Prohibited investments include, but are not limited to the following:

- Futures Contracts
- Options
- Offshore investments

Prohibited transactions include, but are not limited to, the following:

- Short-Selling
- Margin Transactions

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3.2 INVESTMENT CLASSES OFFERED

The main investment classes that the Fund would typically consider investing in are cash, shares, bonds, property and alternative investment. The main features of each of these investment classes are discussed below:

3.2.1 Cash

Cash consists of bank notes, certificates of deposit, call accounts, short term treasury bills etc. The principal investment characteristics of cash are:

- It is a short-term investment,
- It has a fixed nominal value and nominal return,
- It is a liquid investment, that is, it can be disposed very quickly, and,
- It generally offers excellent security of the principal investment.

The above characteristics result in cash being an investment which produces stable, predictable returns in the short term with little risk of default. Cash can therefore be seen as a low risk investment but coupled with this lower risk are expected lower returns over the longer term when compared to most other asset classes. We would expect the investment returns on cash to, at best, match inflation over the longer term.

Cash is however a suitable investment class to meet expected benefit payments due in the near future. This is especially the case where the amount of the benefit payment is fixed (or largely fixed) in nominal terms.

3.2.2 Shares

A share (or equity) investment entitles the purchaser to future profits in a company. The company can be either listed on a stock exchange or be unlisted. The investment return from a share consists of dividends and capital appreciation (change in the share's value). The principal investment characteristics of shares are as follows:

- There is no investment term and the right to future profits in a company remains as long as the company continues to exist;

- Most companies aim to keep dividends relatively predictable from year to year. However, the market value of a share can be extremely volatile;
- Liquidity depends on the size of the company and whether the share is listed or not. For larger listed companies, shares liquidity is usually very good with smaller unlisted shares being highly illiquid; and,
- The security of a share depends critically on the underlying company.

The above characteristics result in shares being an investment which tend to produce volatile returns in the short to medium term. Over the longer term, a diversified portfolio of shares should provide inflation beating returns. Shares can therefore be seen as an investment with significantly higher investment risks but coupled with this, higher returns are expected higher inflation beating returns over the longer term.

A diversified portfolio of shares is a suitable investment class for Liabilities that are expected to increase with, or in excess of, inflation over the longer term.

3.2.3 Bonds

Bonds are long term debt instruments issued by government, local authorities, parastatals and companies.

Bonds provide a fixed interest payment (or coupon) which is usually payable annually or half-yearly plus a fixed redemption value at the end of the bond's term. The principal investment characteristics of bonds are:

- Bonds have varying terms from as low as 3 years, up to 30 years or longer;
- The coupon payments and redemption values are fixed in nominal terms. Only the prices of the bond vary with changes in interest rates;
- It is a liquid investment i.e. it can be sold very quickly; and,
- Depending on the issuer, bonds offer differing levels of security.

The above characteristics result in bonds being an investment which produces known investment returns if held until redemption. Bonds carry an inflation risk (i.e. the return on the bond could ultimately be below inflation).

Bonds are a suitable investment class to meet fixed (or largely fixed) benefit payments due in the medium to longer term.

Bonds are also suitable to meet regular fixed income from coupon payments, for example pension payments.

3.2.4 Property

Property investments involve the purchasing of physical buildings, which are usually rent producing. It also involves indirectly investing in property through buying shares from companies that own properties. The investment return from property consists of rental payments and capital appreciation (change in the property's value). The principal investment characteristics of direct investment of property are:

- There is no investment term as the property can be held indefinitely;
- Rentals tend to be stable from year to year often with inflation related increases. The market value of property is usually difficult to determine and is therefore only determined at annual or less frequent intervals. Market values can be volatile but tend to be more stable than those of shares;
- The purchase of a single property will require a significant amount of money. Ideally a property portfolio should contain a diversified group of properties for risk management purposes and this will in turn require a large amount of money. Hence direct property investment is only feasible from a prudent investment viewpoint for investors with significant resources.
- Properties are costly to maintain, insure etc., and hence property investment contains significant costs.
- Since each property is unique and does not have a readily available market value, property investments are extremely illiquid; and,
- The security of a property investment is high given that it is a physical investment but the ownership rights attaching to the property may be less secure.

Property investment is often considered as a mixture between a bond (it provides a steady income stream) and a share (one can expect some inflation related growth in both income and market value).

Property investment returns should, over the longer term, exceed inflation with a slightly lower return, (coupled with less volatility) than shares.

The Fund will also consider investment products briefly described below.

3.2.5 Managed Funds

A managed fund offers no investment guarantees and the return reflects that achieved on the underlying assets, usually predominately equities. Investing in managed funds therefore offers the Fund exposure to equity returns.

3.2.6 Money Market Funds

A money market fund offers no investment guarantees and the return reflects that achieved on the underlying assets, usually predominately cash instruments. Investing in a money market therefore offers the Fund exposure to cash returns. The term of money market is usually short. It ranges from 1 day to 365 days.

3.2.7 Deposit Administration Funds

A Deposit Administration Fund (DA) offers the investor a mixture of guaranteed and a bonus rate of interest. The underlying assets of a DA are equities, property and cash. To some extent the investment income of DA mimic that of a bond portfolio. By and large investing in a DA will give a bond like exposure to the Fund.

3.3 RECOMMENDED ASSET ALLOCATION

3.3.1 Liability Profile

In light of the Fund's liability profile as at 31 December 2018, considerations from the asset liability modeling in **paragraph 3.14** above and the Regulator's investment guidelines, the following asset mix will be adopted:

Asset Class	IPS Strategic Allocation	Tolerance Range	IPEC Upper Limit
Money Market	10%	5%-15%	10%
Bonds (Arrear contributions, mortgages, prescribed Assets)	20%	20%-30%	45%
Equity	25%	15%-25%	50%
Property	35%	30%-40%	50%
Alternative Investments	10%	5%-15%	10%
Total	**100.00%**		

N.B: *The Fund's choice of real asset investments is more biased towards properties than equities. As such, properties have been given a higher weighting than equities.*

The asset mix will be reviewed annually to ensure that it always matches the liability profile.

3.3.2 Investment Profile

The Investment profile as at 31December 2018 was follows:

Asset Class	Mix at 31 December 2018	Recommended Mix
Property	21%	35%
Equity	9%	25%
Bonds	52%	20%
Money Market and Other	18%	10%
Alternative Investments	0%	10%
Total	**100%**	**100%**

SECTION 4: ROLES AND RESPONSIBILITIES

Those responsible for the investment and administration of the Fund investments include, but not limited to:

4.1 TRUSTEES

The Trustees of the Fund are ultimately responsible for the ongoing operations (including investment operations) of the Fund. The Trustees are charged by law with the responsibilities for the management of the Assets of the Fund. The Trustees shall discharge their duties solely in the interest of the Fund, with due care, skill, prudence and diligence, acting as if it were their own affairs.
In particular the Trustees are responsible for:

4.1.1 Adhering to all applicable legislation;

4.1.2 Considering the Fund's and its members' financial needs and communicating such needs to the Investment Managers on a timely basis. Also determining the Funds risk tolerance and investment horizon and communicating these to the appropriate parties;

4.1.3 Selecting the Investment Managers and come up with a suitable investment strategy for members.

4.1.4 Providing Fund members with sufficient information to enable them to make informed decisions on how their retirement contributions are to be invested;

4.1.5 Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Fund's assets and maintaining this Investment Policy Statement;

4.1.6 Prudently and diligently selecting qualified investment professionals, including Investment Managers, Investment Consultants and Custodians;

4.1.7 Periodically evaluating the Fund's investment performance and that of the individual investment managers, based on the levels of risk and associated risk time horizons of the investments;

4.1.8 The investment strategy shall be evaluated regularly in consideration of the income replacement ratio of 60% to 80%.

4.1.9 The Trustees can choose to reserve their voting rights for securities in the Fund's name or can choose to allow the Investment Manager to exercise these rights on behalf of the Fund.

4.2 PRINCIPAL OFFICER/GENERAL MANAGER

The Trustees are assisted by the Fund's Principal Officer, (who, in this case, is the General Manager of the Fund). The Trustees with the assistance of the Principal Officer are responsible for the governance of the Fund. The Principal Officer ensures legal compliance and that decisions made by the Trustees are executed.

4.3 CHAIRPERSON

The Chairperson of the Trustees is responsible for managing meetings (this includes confirming the agenda and reviewing the minutes), and most importantly, leading the Trustees impartially.

4.4 FINANCE INVESTMENT AND PROCUREMENT COMMITTEE (FIPC)

The duties of the FIPC is to recommend financial and investment issues to the Board of Trustees.

4.5 INVESTMENT MANAGERS

The Investment Managers are responsible for making reasonable and prudent investment decisions consistent with the mandate given. Specifically, Investment Managers' responsibilities will include:

4.5.1 Discretionary investment management including decisions to buy, sell or hold individual securities and to alter asset allocation within the guidelines established in this statement.

4.5.2 Reporting, on a timely basis, monthly investment performance results.

4.5.3 Communicating any major changes in economic outlook, investment strategy or any other factors which affect implementation of investment process or the investment objective progress of the Funds investment management.

4.5.4 Informing the Trustees regarding any qualitative change to investment management organization. Examples include changes in strategy management personnel, ownership structure, investment philosophy, risk ratings etc.

4.5.5 Voting proxies on behalf of the Fund and communicating such voting records to the Trustees in a timely manner. (Unless the Trustees reserve this responsibility.)

4.6 CUSTODIANS

The Board of Trustees may appoint an outside individual or entity, such as a bank, to be a Custodian. Such Custodian must be appropriately registered. The Custodian will assume fiduciary responsibility for the administration of Fund's assets.

4.9 ADDITIONAL SPECIALISTS

Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants and others may be employed by the Board of Trustees to assist in meeting its responsibilities and obligations to administer the Fund's Assets prudently.

Trustees have ultimate control over and responsibility for the Fund's Assets. However, they appoint Fund Management as the experts for the day to day investment decisions. Fund Management will be held responsible and accountable to achieve the objectives herein stated and to operate within the appropriate laws and regulations

SECTION 5: SELECTION AND TERMINATION OF INVESTMENT MANAGERS CONTRACTS

The selection of Investment Managers for the Fund is a primary responsibility of the Trustees. The considerations and guidelines employed in fulfilling this fiduciary responsibility are set out below.

5.1 MINIMUM CRITERIA

Each Investment Manager must meet the following minimum criteria:

5.1.1 It must be a registered Bank, Insurance Company, Investment Company or an authorized Investment Adviser.

5.1.2 It should be in good standing with the Regulators and clients, with no material pending or concluded legal actions.

5.1.3 It should, from time to time, provide detailed additional information on the history of the firm, its investment philosophy and approach, and its principals, clients, locations, fee schedules and other relevant information.

5.1.4 It must have good governance and compliance procedures in place.

5.1.5 It must have a proven track record.

5.2 GENERAL CONDITIONS

Assuming the minimum criteria (stipulated above) is met, the strategy selected by the Trustees should meet the following standards:

5.2.1 Performance should be equal to or greater than the risk-appropriate benchmarks over a specified time period.

5.2.2 Adherences to Investment Discipline – Investment Managers are expected to adhere to the investment management styles for which they were contracted. Investment Managers will be evaluated regularly for adherence to investment discipline, particularly as these relate to the risk profile of the chosen strategy.

5.2.3 Fees should be reasonable compared to similar investments.

5.2.4 The Investment Manager should be able to provide all information regarding performance and asset holdings.

5.2.5 Any use of derivatives by the Investment Manager is to be authorized and approved by the Trustees.

The Trustees' selection of Investment Managers shall be based on prudent due diligence procedures. A qualifying Investment Manager should be a registered investment advisor. The Trustees require that each Investment Manager provides, in writing, acknowledgement of fiduciary responsibility to the Fund and receipt of the Investment Policy Statement, its objectives and guidelines.

5.3 INVESTMENT MANAGER TERMINATION

This section covers the termination of an Investment Manager's contract by the Fund.

5.3.1 GROUNDS FOR TERMINATION

An Investment Manager's appointment should be terminated forthwith by the Trustees when the manager has failed to carry out either of the following:

5.3.1.1 Achieve the minimum criteria set out in Section 5.1;

5.3.1.2 Achieve performance and risk objectives consistently on an ongoing basis;

5.3.1.3 Comply with investment guidelines;

5.3.1.4 Comply with legislation or regulations;

5.3.1.5 Comply with reporting requirements;

5.3.1.6 Maintain a stable organization and retain key relevant investment professionals; or,

5.3.1.7 Instill in the Trustees the confidence that they have the ability to, inter-alia, comply with and/or perform as anticipated in this Investment Policy Statement.

5.3.2 PROCESS FOR TERMINATION

The Investment Manager's contract shall be terminated using one of the following approaches:

- Remove and replace (map assets) with an alternative manager;
- Freeze the assets managed by the terminated manager and direct new assets to a replacement manager;
- Phase out the manager over a specific time period; or,
- Continue with the manager but add a competing manager.

SECTION 6: CASH FLOW INVESTMENT

6.1 INVESTMENT / DISINVESTMENT

The following investment/disinvestment principles will be followed:

Investment:

The monthly net positive cash flow for investments will be invested in accordance with the chosen investment strategy.

Disinvestment:

Disinvestments will take place in proportion to the relevant investment strategy. Measures should be taken to ensure that the Fund is sufficiently liquid at any point in time.

SECTION 7: INVESTMENT MANAGER REMUNERATION

7.1.1 Investment Manager's fees in Zimbabwe range between 0.5% and 1.5%.

7.1.2 Compensation of Investment Managers for services shall be:

(i) A basic minimum % fee of market value of Funds under management and or

(ii) A performance bonus determined over a 3-year rolling period. The performance bonus will be equal to a % of managers' outperformance against overall Fund benchmark over the 3-year rolling period subject to a maximum fee. The performance bonus should be calculated by the Fund Actuary, based on a formula as agreed from time to time.

SECTION 8: MISCELLANEOUS

8.1 RESERVE ACCOUNTS AND SURPLUS

Any surplus accrued in the Fund, as well as any specific Reserve Accounts established by the Trustees will be invested as decided upon by the Trustees.

8.2 MEMBER INFORMATION AND COMMUNICATION

The Fund will, from time to time, communicate any relevant information to members.

8.3 CO-ORDINATION WITH RULES OF THE FUND

Notwithstanding the foregoing, if any term or condition of this Investment Policy Statement conflicts with any term or condition as stipulated in the Rules of the Fund, the terms and conditions of the Rules of the Fund shall apply.

9.0 DISCLOSURE OF VESTED INTERESTS

9.1 DISCLOSURE

Within any Fund there is a potential for conflict of interest to arise. The following principles should be followed to ensure that any conflict of interest is disclosed:

9.1.1 Each Trustee should:

a) Disclose any actual or potential conflict of interest as far as the investments of the Fund's assets are concerned at each and evert Board of trustees meeting. If there is no such conflict to disclose, a suitable declaration should be made.

b) Declare any financial gain, direct or indirect, accruing as a result of the investments of the Fund.

9.1.2 Each advisor to the Fund, including both the Investment Consultant and the Actuary (where the Actuary is involved in the selection of Investment Managers or the giving of investment advice), should:

a) Declare any financial interest, direct or indirect, accruing to them or to their employer as a result of the investment strategy followed by the Fund.

b) Declare the level of their independence in giving investment advice.

9.2 INDEMNITY

The Trustees of the Fund are to ensure that they always hold indemnity insurance in accordance with the Rules of the Fund.

9.3 LEGISLATION

This Investment Policy Statement will be governed by and interpreted according to the law of Zimbabwe and the Rules of the Fund. Where any of the provisions of this Investment Policy Statement or the Rules shall be found to conflict with or differ from the law, the provisions of the law shall prevail.

10. CONCLUSION: RESOLUTION OF THE TRUSTEES OF ZEIPF

This document represents the Investment Policy Statement of the Zimbabwe Electricity Industry Pension Fund. This document records the issues considered by the Trustees of the Fund in establishing an appropriate strategy for the Fund and records the strategy.

It is hereby certified that the above resolution has been adopted in accordance with the duties of the Trustees of the Zimbabwe Electricity Industry Pension Fund.

20/11/2019

Committee Chairperson: Date

25/11/2019

Board Chairperson: Date

Annexure 1: Tier 1 & Tier 2 Financial Institutions as at 31 December 2018

TIER 1 BANKS	***62.5% of Money Market Funds***
INSTITUTION	
BancABC	
First Capital Bank	
CABS	
CBZ Bank	
Ecobank	
FBC B/Society	
FBC Bank	
Stanbic	

TIER 2 BANKS	***37.5% of Money Market Funds***
INSTITUTION	
Agribank	
IDBZ	
MBCA	
NBS	
NMB	
POSB	
ZB Bank	