Risk Management Policy: Cape Peninsula University of Technology Retirement Fund

1. Overview of policy

1.1. The Board of Trustees have considered the key risks to the Cape Peninsula University of Technology Retirement Fund across the following dimensions:

- Investments
- Administration
- Financial soundness
- Risk benefits
- Communication
- Legislative
- Cost control
- Employer
- Trustee decision-making
- Service providers
- Systems, data and disaster risks
- Reputational risk to Fund and Trustees.

1.2. The risk management programme for each of these dimensions is assessed relative to the probability of the event occurring, the financial impact, and how effective risk mitigation strategies are likely to be.

A rating scale from very low (1) to high (5) is used to assess the probability and the impact of a specific event. The risk mitigation strategies are ranked in terms of how much of the risk they unable to offset from 0% (all of the risk is able to be mitigated) to 100% (risk is unable to be mitigated or measure is unlikely to be effective). The “value” ascribed to the probability, impact and risk mitigation is set out in Annexure I.

The total effect is calculated as the product (multiple) of the three scores, with a high score implying a material risk. The Fund has decided to treat weightings of 2.0 or more as representing material risks, requiring specific management focus.

The Board recognises that such a quantitative analysis, while assisting in identifying some risks, does not easily capture the possible external or unquantifiable concerns. To assist in capturing this element the special risk subcommittee was asked to apply their minds to the risks which they are the most concerned about over the coming year.

1.3. The legacy for the controls status in tables below are as follows:

- ✓: Implemented
- (✓): Implementation in progress
- x: Still to implement

2. Summary of the findings of the risk assessment

2.1. The next paragraphs analyse the various risks in detail. Based on the ratings referred to in paragraph 1.2 in this document, the most significant risks faced by the Fund are listed below with the risk assessment weightings in brackets. We have also included the other risks, which were not highlighted via the quantitative analysis, but are believed to require focus over the coming year. It is on these areas that the Trustees need to spend the most time. It is worth highlighting that, in assessing these six main risks, it is assumed that the risk mitigation strategies are applied effectively – to allow for the risk that this is not the case, there is a seven material risks.

- Investment portfolios under-perform their performance targets and members end up with poor retirement benefits (4.8)
- An investment manager incurs a large loss for the Fund (3.5)
- Poor experience in Fund results in the need to amend or reduce benefits (3.8)
- Government drive towards consolidation into larger funds (2.4)
- New legislation is introduced and this affects the Fund adversely (2.8)
- Lack of continuity of institutional knowledge between Board members (2.2)
- CyberRisk at service providers and Trustees (2.7)

The 7th risk is that the risk mitigation strategies assumed in managing the risk fail to be implemented, meaning that the risk is not mitigated to the extent assumed.

2.2. The assessed materiality of the above risks is based on a Fund-specific assessment.

2.3. It should be noted that some of these are systematic (e.g. varying capital market returns, or legislative changes) and as such the Trustees have little control. The other key risks can be mitigated to a greater extent if the Trustees can build a strong “governance budget” over time – i.e. have the time and expertise to design an organizational structure to manage the Fund effectively.

3. Investment risks

3.1. The table below sets out the assessment of the key investment risks faced by the Fund:

Risk	Prob.	Impact	Un-Mitigate	Total	Risk management controls	Status at signature date	Comment on x
Investment portfolios under-perform their performance targets significantly	3.25	3.5	43%	4.8	• Strengthen the investment governance budget of Trustees, e.g. via Trustee training • Invest close to the maximum percentage allowed offshore, for diversification of SA country risk and access to a wider opportunity set across asset classes and industries/sectors • Evaluate performance quarterly • Systematic selection and evaluation of investment managers in accordance with a written evaluation process • Increase engagement with investment managers • Diversify across asset classes and investment managers The "unmanaged risk" is a major financial event in SA or globally, which leads to significant decline in markets (e.g. major failure of financial system, terrorism), but this is systematic risk that is difficult to mitigate	(✓) ✓ ✓ ✓ ✓ ✓	
Investment manager incurs a significant loss because of e.g. internal failure, very poor strategy.	2.75	3	25%	2.0	• Evaluate performance of selected managers quarterly • Choose firms with significant reputation risk, e.g. a "brand" to protect • Limit exposure to small / start-up managers, and ideally invest with them only via segregated mandates (assets owned directly by Fund) if it's feasible to do so • Ensure investment manager reports at least once in an 18-month cycle on due diligence and risk management in investment process • Monitor level of professional indemnity cover held by the investment managers • Interview each asset manager once at least once in an 18-month cycle • Increase manager diversification through the number of managers and their investment approaches / styles • Use passive index tracking strategy to reduce tracking error (this will be implemented in the SA equity asset class)	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓	

Changes in strategy **or** managers resulting in a loss of value for members	1.5	3.5	38%	2.0	• Controls and measures would be reviewed and assessed ahead of any proposed change. Control selected should be relevant to the proposed change and reflect expert advice.	✓	
Members exercise poor investment choice and sue the Fund for this	1.75	2.25	40%	1.6	• Regular communication • Quality control of member choices, via the administration report • The "unmanaged risk" is that members act irrationally in spite of regular communication and quality control of choices	✓ ✓	
Impacts of ESG on the Fund's investments and wider environment	2	2	40%	1.6	• Trustees should have a clear view on ESG in the context of the Fund's investment strategy • Include ESG as an item for all manager feedback sessions	✓ ✓	
Wrong design of life stage model	1.5	2.5	38%	1.4	• Review design of life stage model triennially • Communicate thoroughly to members the key assumptions underlying the model • Allow members to opt out of the model and recommend members seek expert advice	✓ ✓ ✓	
Living annuity members exercise poor choice	1.75	1	38%	0.7	• Annual drawdown and investment review forms completed by the members • Drawdown limits reviewed triennially • Manager level choice has been removed (only portfolio level) • Annual living annuitant sessions held to increase member awareness The "unmanaged risk" is that members act irrationally in spite of regular communication and quality control of choices	✓ ✓ ✓ ✓	
Difficulty in raising funds to meet commitments (liquidity risk)	1	3	20%	0.6	• Ensure mandates with asset managers specify that liquidity risk is to be managed by the asset manager	✓	

4. Administration risks

4.1. The table below sets out the assessment of the key administration risks faced by the Fund:

Risk	Prob.	Impact	Un-Mitigate	Total	Risk management controls	Status at signature date	Comment on x
Section 14 transfers – interaction with regulator and delays in approvals	3	1	50%	1.5	• Project management and follow up to ensure timeous response to queries raised and no delays on the part of the Board	✓	
Major administration error (e.g. crediting members with wrong returns)	2	2	33%	1.3	• Oversight by Trustees via admin reports at all Trustee meetings • Members have the ability to see their own statements • Detailed service level agreements contained in the contract • Ensure contract terms provides for compensation in event of negligence or fraud • Monitor level of administrator's professional indemnity cover • Annual audit & regular valuations of the Funds	✓ ✓ ✓ ✓ ✓ ✓	
Administration and selection of portfolios for living annuity members and drawdowns in retirement	1.75	1.75	43%	1.3	• Need to confirm what the process is and risk and liability controls if/when an issue arises	✓	
Administrating and implementing lifestage switches for members	1.75	1.75	43%	0.8	• System implements these switches • (AF possibly to provide some detail around robustness of process)	✓	
Members experience poor administration	1.75	1.5	28%	0.7	• Oversight and review of administrator's performance review by Trustees • Strong control over the process / deliveries by the Principal Officer	✓ ✓	
Fraud by administrator's staff	1	3	20%	0.6	• Assess extent of the administrator's controls and procedures / policies • Ensure the administrator has sufficient insurance cover • Periodic review of Fund's financial statements, cashflow statements, administration reports, financial reviews, audit reports	✓ ✓ ✓	

5. Financial soundness

5.1. The table below sets out the assessment of the key financial soundness risks faced by the Fund:

Risk	Prob.	Impact	Un-Mitigate	Total	Risk management controls	Status at signature date	Comment on x
Error in calculating/allocating investment returns (leading to over-allocation and financial deficit)	2.5	3	25%	1.9	• Responsibility and accountability allocated in terms of the investment administrator, asset managers and service provider that calculates unit prices, if applicable, via service level agreements and contractual protections • Assess extent of the service providers' controls and procedures / policies • Ensure that service providers have sufficient insurance cover • Perform regular actuarial valuations	✓ ✓ ✓ ✓	
Fund has a deficit (which includes a shortfall by manager or fund level)	1	2.75	24%	0.7	• Rules to specify how a deficit is to be dealt with • Holding contingency reserves as per PF117 • Actuarial valuation of the Fund	✓ ✓ ✓	
Fund's financial position incorrectly assessed (accounting error, actuarial error, wrong data used)	1	2.5	24%	0.6	• Actuary to independently review the financial statements • Proper contracting with auditors and the actuary • Monitor level of auditor's and actuary's professional indemnity cover	✓ ✓ ✓	

6. Risk benefits

6.1. The table below sets out the assessment of the risks faced by the Fund in relation to risk benefits.

Risk	Prob.	Impact	Un-Mitigate	Total	Risk management controls	Status at signature date	Comment on x
Poor claim experience in Fund results in the need to amend or reduce benefits	3.25	2.25	53%	3.8	• • Review claims experience on a regular basis	✓	
Risk benefit premiums not competitive (too high)	4	2	25%	2.0	• Test risk benefit premiums and conditions regularly • Strategic task team to amend benefit structure to manage cost	✓ ✓	
Risk benefit premiums not paid resulting in loss of cover	1	3	26%	0.8	• Administrator to report monthly to the PO/employer that risk benefit premiums have been paid • Contract terms with Administrator to provide restitution if employer incurs a loss because risk benefits are not paid • Insurer contract to provide for a period of grace to pay premiums	✓ ✓ ✓	
Members are not covered for the full benefits because they fail to provide evidence of health	1.25	2	34%	0.8	• Insurance policy needs to provide that Insurer must request the evidence of good health when they require it • Contract terms with Administrator to provide that they must provide accurate information to the Insurer on a monthly basis • Members to be informed in writing if their cover is limited either by failure to present evidence of good health or cover is restricted by the Insurer	✓ ✓ ✓	
Members are not covered for the full benefits because exclusions apply	1.25	2	34%	0.8	• Negotiate policy terms to minimize exclusions • Clearly communicate the exclusions to employees once a year and in the employee guide	✓ ✓	
Incorrect risk benefit paid out	1.75	1.75	21%	0.7	• Added process whereby the PO reviews the amounts received from the insurer	✓	

7. Communication

7.1. The table below sets out the assessment of the risks faced by the Fund in relation to communication:

Risk	Prob.	Impact	Un-Mitigate	Total	Risk management controls	Status at signature date	Comment on x
Communication inadequate or not understood by members (or not received by members)	2.5	2.5	24%	1.5	• Develop a communication policy setting out what communication must be done by whom and by when • Review effectiveness of communication • Personalised communication by the Board	✓ ✓ ✓	
Ineffective communication medium and channels	2.25	2.25	29%	1.5	• Communication policy • PO available to members to raise concerns and resolve any issues • Biennial AGM for members provides opportunity for members to raise concerns	✓ ✓ ✓	
Misleading communication	1	2	39%	0.8	• Independent legal review of communication as required • Appropriate use of disclaimers • The “unmanaged risk” is that one thinks one has communicated clearly but the reader interprets the communication differently and the courts agree	✓ ✓	Not reqd.

8. Legislative

8.1. The table below sets out the assessment of the key legislative risks faced by the Fund:

Risk	Prob.	Impact	Un-Mitigate	Total	Risk management controls	Status at signature date	Comment on x
New legislation that has an adverse effect on the Fund	2	3.25	43%	2.8	• Stay abreast of legal developments via trustee training, service provider consulting and participate in forums that consider these issues • Ensure that new trustees receive induction training at outset • The "unmanaged risk" is that the Government introduces some legislation that has a major adverse impact on the Fund, or that international developments (e.g. FATF "greylisting") have a negative impact on the Fund	✓ ✓	
Government drive towards larger funds	4	3	15%	1.8	• Consultants to stay abreast of developments and communicate with the Board • Costs of the CPUTRF are very competitive and would need significant savings to justify a move	✓ ✓	
Non compliance with Protection of Personal Information	2	2.25	29%	1.3	• Confidentiality policy in place and updated code of conduct. • Disclaimers, manual and privacy statements in place and distributed to target audience • Information Officer appointed (and registered)	✓ ✓ ✓	
Non-compliance with the Pension Funds Act	1	3.5	28%	1.0	• Set-up checklist of all legislative requirements and monitor compliance to this checklist – checklist to specify submission time limits of the regulator • Seek extension from authorities where the Fund will not comply with the requirements of the legislation • Avoid any strategy that relies on a narrow legal interpretation of the law – rather err on the side of conservatism • Always provide the authorities with complete and full disclosure	✓ ✓ ✓ ✓	

9. Cost control

9.1. The table below sets out the assessment of the important cost control risks faced by the Fund:

Risk	Prob.	Impact	Un-Mitigate	Total	Risk management controls	Status at signature date	Comment on x
Costs too high	1.75	2	21%	0.7	• Review all costs of the Fund • Service provider contract terms to provide for automatic increases of no more than inflation annually • Benchmark costs against other funds • Open tender process every 5 years for significant appointments • Monitor expenses incurred vs. yearly budget	✓ ✓ ✓ ✓ ✓	
Risk of employees not selecting CPUTRF on employment	1	3	20%	0.6	• Ensure members are informed of Fund upon joining CPUT with education sessions	✓	

10. Employer

10.1. The Employer is an important stakeholder in the Fund and poses the following risks to the Fund:

Risk	Prob.	Impact	Un-Mitigate	Total	Risk management controls	Status at signature date	Comment on x
Employer provides wrong or incomplete member information and /or the information is late	1.5	2.5	24%	0.9	• Oversight of employer deliveries by PO or administration steering committee (monthly meetings) • Employer appointed trustees actively take up non-performance by the employer with top management	✓	Not reqd.
Misalignment with employment conditions and Fund Rules	1.25	2.5	21%	0.7	• Inform members that benefits are limited to those specified in the Rules; anything in their conditions of employment that is not in the Fund rules is an issue between the member and the employer • Inform the employer that they must request changes to the Fund rules if conditions of service change and this has an impact on the Fund's benefits	✓ ✓	Via Er. trustees on Board
Employer does not pay contributions on time	1	1.75	19%	0.3	• Sign a service level agreement with Employer – inform the Employer of the legal consequences of not paying the contributions across • Charge Employer interest at the statutory rate on late payment	✓ ✓	Not reqd.

11. Trustee decision making

11.1. The table below sets out the assessment of the risks faced by the Fund in relation to trustee decision-making:

Risk	Prob.	Impact	Un-Mitigate	Total	Risk management controls	Status at signature date	Comment on x
Continuity of institutional knowledge between Board members	3	2.25	25%	1.7	• Trustee training mandatory • Decision register kept outlining all decisions made on the Fund • Recruitment procedure for new employer nominated trustees • MOU requires executive employer appointments as Trustees • Trustee ballot to include short CV nominees • Living Annuitant representative position on the Board	✓ ✓ ✓ ✓ (✓) ✓	Continuity of institutional knowledge between Board members
Trustees made poor decisions	2.5	3.5	21%	1.9	• Keep rules simple and know rules well • Review rules triennially to check that rules still correspond with the Fund's and employer's practice	✓ ✓	
Trustees allocate death in service benefits incorrectly	2	3	24%	1.4	• Develop principles for allocation of death-in-service benefits (guidelines) • Set-up specialist death allocation committee to consider the cases in depth • Adequate professional indemnity cover • Ideally get all beneficiaries to sign-off on allocation • For complex cases, outside assistance is requested The "unmanaged risk" is that one thinks one has allocated the benefits fairly, but the Adjudicator or courts disagree	✓ ✓ ✓ ✓ ✓	
Trustees don't spend enough time on Fund matters and things slip (benign neglect)	1.75	2.5	21%	0.9	• Make sure Trustees understand the commitment and time expected of them • Proper delegation of authority to parties that have the time to spend on Fund matters – appoint PO assistant and ensure that PO or assistant can attend all meetings of board and committees • Disciplined process at meeting – report on all matters arising / checklists of key result areas/be vigilant on quality of minutes • Annual (honest) review of trustee performance	✓ ✓ ✓ ✓	

Conflicts of interest in decision-making	1.25	1.75	21%	0.9	• Disclosure of all conflicts of interest • Gift policy • Ensure new trustees receive a copy of the Code of Conduct and sign the Acceptance of Trust	✓ ✓	
Trustees make decisions that are inconsistent with the Rules – biggest risk is the practice of the Fund evolves away from rules	1.25	2.5	21%	0.7	• Keep rules simple and know rules well • Have a practice that before any change is implemented in the Fund, the rules are checked to see if they need to be amended first • Review rules triennially to check that rules still correspond with the Fund's and employer's practice	✓ ✓ ✓	

12. Service providers

12.1. The table below sets out the assessment of the risks faced by the Fund in relation to the service providers it appoints:

Risk	Prob.	Impact	Un-Mitigate	Total	Risk management controls	Status at signature date	Comment on x
Service provider loses skills to perform the tasks	1.5	3.25	33%	1.6	• Service provider to inform Fund of all losses of key personnel and changes to the business operations / corporate structure of their firm.	✓	ad hoc
Poor performance by service providers	2	2.75	28%	1.5	• Proper contracting, setting out service levels and termination provisions • Formal review of service provider performance	✓ ✓	
Conflicts of interest in business of service provider	2	2	31%	1.3	• Service providers to disclose all conflicts of interest • Separate service providers so that there are checks and balances (avoid one-stop shops) • Only appoint service providers that have significant reputation risk, e.g. a brand to protect • Seriously consider taking a second opinion if the service providers is conflicted in any way • Service providers to adhere to code of ethics specified by Fund The "unmanaged" risk is non-disclosure of conflict by the service provider and consolidation of providers reduces competitiveness.	✓ ✓ ✓ ✓ ✓	
Fraud by employees of service provider (who control or administer Fund assets)	1.5	2.75	28%	1.1	• Proper contracting with service providers to ensure they acknowledge liability for fraud by their staff • Separate service providers so that there are checks and balances (avoid one-stop shops) • Only appoint service providers that have significant reputation risk, e.g. a brand to protect • Obtain full details of service providers' indemnity insurance – see below	✓ ✓ ✓ ✓	
Service provider has inadequate fidelity and professional indemnity insurance	1	3	28%	0.8	• Require full disclosure of insurance cover and any decrease made to the cover or policy conditions at the time of such change	✓ ✓	

					• Service provider to inform client of any large claims which may affect extent of insurance cover in future		
Service provider receives undisclosed remuneration	1.25	1.5	21%	0.4	• Require service provider to warrant that economic interest is restricted to the fees in the contract	✓	

13. Systems, data and disaster risks

13.1. The table below sets out the assessment of the key systems, data and disaster risks faced by the Fund:

Risk	Prob.	Impact	Un-Mitigate	Total	Risk management controls	Status at signature date	Comment on x
CyberRisk at service providers and Trustees	3	3	30%	2.7	• Annual statement of compliance to the Joint Standard 2 of 2024 from the risk benefit insurer • Annual assurance of cybersecurity controls in place from the Participating employer, Principal Officer, Actuarial consultant, Employee benefit consultant, Investment consultant and Auditor • Annual statement of compliance and evidence to support compliance to the Joint Standard 2 of 2024 e.g. cybersecurity policy from the Investment managers, appointed banker and Administrator • Annual confirmation of all service providers' cyber-risk insurance in place • Service provider contracts to allow for cybersecurity risks • Board of Trustees to receive regular training on cyber risk	✓ ✓ ✓ ✓ ✓ ✓	
Disaster risks at service providers and Trustees	1	4	25%	1	• Comprehensive disaster recovery plans maintained • Ensure service providers have adequate professional indemnity insurance	✓ ✓	
System failure of service providers	1.5	3	20%	0.9	• Service providers to provide regular updates and audit findings on their systems • Comprehensive system backup procedures in place • Ensure service providers have adequate professional indemnity insurance	✓ ✓ ✓	

14. Reputational Risk

14.1. The table below sets out the assessment of reputational risk by the Fund:

Risk	Prob.	Impact	Un-Mitigate	Total	Risk management controls	Status at signature date	Comment on x
Risks materialize (e.g. because Risk Management Policy not implemented) leading to reputational damage to the Fund	1	5	10%	0.5	• Periodic review and update of Risk Management Policy • Ensure implementation of Risk Management Policy mitigation strategies	✓ ✓	

Signatures

This document represents the Risk Management Policy for the Cape Peninsula University of Technology Retirement Fund and is adopted with effect from the date of signature.

CHAIRPERSON **PRINCIPAL OFFICER**

DATE 25 November 2025

15. Annexure I – rating scale

Probability:

Score	Meaning
1	Very low – chance of this event occurring is less than 2.5%
2	Low – chance of this event occurring is between 2.5% and 10%
3	Moderate – chance of this occurring is between 10% and 35%
4	Good – chance of this event occurring is between 35% and 65%
5	Very good – chance of this occurring is in excess of 65%

Impact:

Score	Meaning
1	Very low – loss of less than 0.5% of the Fund's assets
2	Low – loss of between 0.5% and 2% of the Fund's assets
3	Moderate – loss of between 2% and 5% of the Fund's assets
4	Serious – loss of between 5% and 20% of the Fund's assets
5	Catastrophic – loss of more than 20% of the Fund's assets

Risk mitigation: Can use interim amounts, these are just sample rate/meanings to provide a benchmark for scoring

Score	Meaning
20%	Very effective – proper application of strategy should eliminate the risk almost entirely
40%	Effective - proper application of strategy should eliminate the risk, but unexpected surprises could make the strategy less effective than anticipated
60%	Moderate – even with proper application of strategy the risk is not mitigated in full, but there is a degree of control
80%	Limited - even with proper application of strategy part of the risk remains and this risk is larger than the Trustees would like
100%	Of little value – this risk will come from "left field" and the Trustees will find it almost impossible to anticipate

Annexure I – Policy reviews

Annually	Who?	When?
Investment policy statement	Cons/Comm/BOT	October
Cybersecurity policy	Cons/Comm/BOT	August
Annuity strategy policy	Cons/Comm/BOT	August

Triennially	Who?	Last reviewed	Next due
Code of conduct policy	Cons/Comm/BOT	Aug-24	Aug-27
Sub-committee mandate policy	Cons/Comm/BOT	Aug-24	Aug-27
Communication policy	Cons/Comm/BOT	Aug-24	Aug-27
Confidentiality policy	Cons/Comm/BOT	Aug-24	Aug-27
Risk management policy - Risk Matrix review	Cons/Comm/BOT - Task team	Aug-24 - Sep-25	Aug-27 - Sep-27
Privacy statement	Cons/Comm/BOT	Aug-24	Aug-27
PAIA POPIA manual	Cons/Comm/BOT	Aug-24	Aug-27