

Transcript of Old Mutual AGM – 25 May 2017

Patrick O'Sullivan: Good morning, ladies and gentlemen. Before we start our Annual General Meeting today, like many across the UK this morning, the companies based in this building will be observing a minute's silence at 11 o'clock in remembrance of those who lost their lives and all others who are affected by the attack in Manchester on Monday. The beginning of the minute's silence will be announced over the public address system. I would be grateful if you would stand.

Patrick O'Sullivan: Thank you very much ladies and gentlemen. And now I can welcome you to our 2017 Annual General Meeting of Old Mutual plc. It's just after 11 o'clock. A quorum is present so I can declare the meeting open. I'm sure you know I am Patrick O'Sullivan, Chairman of your company. I would also like to welcome our shareholders and others who are tuning into the AGM remotely through our webcast of today's proceedings. Let me start now by introducing the directors who are here with us today. Alongside me on the platform, on my right, are Bruce Hemphill, our Group Chief Executive; Ingrid Johnson, our Group Finance Director; Danuta Gray, Chairman of our Remuneration Committee, and Trevor Manuel who is also Chairman of Old Mutual Group Holdings and Old Mutual Emerging Markets in South Africa. On my left is Colin Campbell, our Group Company Secretary; next to him, Alan Gillespie, our Senior Independent Director; and Roger Marshall, Chairman of our Group Audit Committee. In the front row are five of our other directors, non-executive directors I should say, and if I could ask you each to stand and turn. That is Vassi Naidoo whom, as you probably know, is also Chairman of Nedbank; Nonkululeko Nyembezi-Heita; Nkosana Moyo; Adiba Ighodaro; and Mike Arnold, Chairman of our Risk Committee. Zoe Cruz sends her apologies.

So let me now turn to some procedural matters relating to the Annual General Meeting. The notice of the meeting was included in a shareholders circular posted to shareholders and made available on our website in mid-April. The resolutions that make up the principal business of the AGM are set out on pages five to eight of the circular. Voting on each resolution will be conducted by a poll. All shareholders and proxies here today should have received a poll card on their way in. If you did not receive such a card and are entitled to vote, please ask one of the attendants to let you have a card now.

I will ask Bruce Hemphill to make a few remarks about current trading and the progress he is making in implementing the commitment of our strategy of managed separation. After Bruce's comments I will move on to the formal part of the AGM. There will be an opportunity for you to raise any questions you may have on the business of the AGM, so with that, Bruce, over to you.

Bruce Hemphill: Thank you, Chairman. And good morning everyone. When I spoke to you at last year's AGM it was shortly after we'd announced our new strategy of managed separation. And let me quickly remind you what managed separation is about. We're taking our four great businesses – Old Mutual Wealth, Old Mutual Emerging Markets, Nedbank and Old Mutual Asset Management – and we're setting free four great

independent businesses. And this will deliver value by allowing our businesses to be more appropriately valued when they stand alone, delivering enhanced business performance. Free of the group structure, the individual businesses will be better able to realise their full potential in attractive markets with substantial growth opportunities, and removing the costs of running the London head office. We have delivered on our strategy for OMAM - we said we wanted to execute a phased reduction in our stake, and we have made considerable progress to that end with a number of transactions which we have already announced. On completion of all of these, we will have realized gross proceeds since December 2016 of over \$1 billion US and reduced our stake to less than 8%. So this has effectively delivered independence to the first of the four businesses.

For the next step, our intention is to create two separate entities which will be listed on both the London and Johannesburg Stock Exchanges. One will comprise principally the operations of Old Mutual Wealth and this is likely to take place through a demerger with the possibility of a small IPO. The second will be a new South African holding company which will be named Old Mutual Limited and will initially comprise Old Mutual Emerging Markets, the group's Nedbank shareholding, as well as Old Mutual plc which will become a subsidiary of Old Mutual Limited.

The final step will be the distribution of a significant portion of the Nedbank shareholding which will follow in due course. We previously said that we expected the managed separation to be materially complete by the end of 2018. We're now just 15 months into the process but we've built great momentum and we now anticipate the two listings taking place at the earliest opportunity in 2018 following our 2017 full year results.

I'll say a few words about each of the businesses, about their current trading and progress on managed separation. Old Mutual Wealth has had a great first quarter for flows and funds under management. They've agreed a clear and substantially de-risked way forward for the delivery of the UK platform transformation. They've added considerable listed company and relevant industry experience to the board, with the appointment of Glyn Jones as Chairman, a number of new non-executive directors, and Tim Tookey as Chief Financial Officer. Both Tim and Glyn are in the room with us today. As part of the preparation for independence, we've begun the process of transitioning to the businesses centrally held liquidity buffers and cash as appropriate. In connection with this, we put £200 million of capital into Old Mutual Wealth. Looking ahead, in the short term, flows in the UK may come under pressure due to the impact on retail investor sentiment of uncertainty arising from the General Election and Brexit. But the wealth business remains well-positioned to take advantage of the substantial growth that exists in this market. It will be ready for its independent listing in 2018 and is a great business for both existing and new shareholders to own.

Turning to Nedbank, it delivered a solid performance for its managed operations in the first quarter with a better than expected credit loss experience albeit that conditions were and remain challenging due to the effects of a difficult macro environment on overall client activity and revenue growth. This is fundamentally a good business, with a really strong core banking franchise, and the ability to grow. It does have some issues to address, specifically ensuring that it creates value from its relationship with Ecobank, through which it will grow in the attractive markets outside of South Africa but Nedbank is well-run and is making great risk-adjusted returns. It's a good bank for us to own now and for shareholders to own directly in due course.

Turning to Old Mutual Emerging Markets, the business has successfully re-priced its corporate book and underwriting performance of the P&C division has improved. But its top line has been impacted by the financial challenges faced by customers in South Africa as a result of the tough macro environment. Preparations for independence are going well and the business continues its path of improving governance and controls. There's a new Chairman, Trevor Manuel, who you all know, who brings significant



strategic and governance expertise, and the new CEO, Peter Moyo, who brings deep financial services experience including several years with Old Mutual South Africa. So these are two very strong and complementary appointments. And in line with our decision that the future focus for this business will be sub-Saharan Africa, we have now agreed to terminate our joint venture agreement in India and we will sell our 26% stake to our joint venture partner, Kotak Mahindra Bank. And we expect to complete this transaction in the second half of 2017.

Looking ahead, OMAM expects earnings growth this year to be moderate but it is a good business with a very strong position in South Africa and excellent prospects in attractive growth markets in sub-Saharan Africa. In the US, Old Mutual Asset Management delivered a strong operating performance and financial results for the first quarter with 4% growth in assets under management and solid investment performance. As stated in their prospectus, which was published last week, asset growth continued in April and net client cash flows in the month are positive. The business has a strong set of investment affiliates, a growing global distribution pipeline and is well-positioned in its market.

Turning finally to the plc, we're well advanced with the transition of activities into the businesses; we've taken out costs, reduced headcount and are pretty well advanced with the plans to close the London office. We've materially reduced holding company debt and carried out a number of activities aimed at reducing contingent liabilities. We're considering all options for cash, remaining debt and liabilities, taking into account the cash proceeds from disposals and the requirements of the businesses for independence. These options include the possibility of retaining debt in Old Mutual plc after the point of separation.

So hopefully, as you can see, a lot of hard work has been done. We've made considerable progress whilst continuing to deliver business performance. We're executing from a position of financial strength and we're very confident that we can deliver. That is all I wish to say this morning, so thank you for your attention. We'll next update the market in August with our results for the first half of 2017. I'll now hand back to the Chairman.

Patrick O'Sullivan: Thank you, Bruce. And on behalf of all our shareholders, I would like to thank you and your team for exceptional work in what is not a business-as-usual environment. Ladies and gentlemen, we now come to the formal part of the meeting and before putting the first resolution, I would like to deal with questions on any of the AGM resolutions as a single Q&A session. We have received one question in advance from BB & JR Cubitt which relates to the complexity of some of the language we use in our financial report and we can assure you that management is focused on trying to improve on that as we go into the excessive documentation which will result from the managed separation. So, if you have a question then, please raise your attendance card and wait for a roving microphone. That's helpful because, if you remember, we're webcasting. Please start by giving us your name.

Male: Good morning, Chairman.

Patrick O'Sullivan: Good morning.

Male: Nice to see you back again every year. I saw you last year you were here. How long are you a Chairman now, five years?



Patrick O'Sullivan: Six and a half.

Male: Six and a half. Long. Anyway, the reason I'm asking you a small question regarding about the executive, you've got about 13 executives on your board, are they all working for Old Mutual, each one got its job or something like that? Why do you want 13? So five or ten, maximum of ten? It is not a big company, Old Mutual. You don't need 13. Do we still need 13 executives? Can you answer that?

Patrick O'Sullivan: Thank you very much. That's clarified the question. Financial services, as you know, without preaching to those of you who know this very well, thanks to the regulation and the various regulatory obligations we function under requires exceptional board oversight and diligence. This leads to probably what could be regarded as excessive numbers of non-executive directors compared to other corporations not subject to the same regulations. So, as you can imagine, in the managed separation our responsibilities multiply rather than decrease in terms of our responsibilities to you and to the regulators, so we don't envisage any changes while we move through the managed separation.

Male: Thank you.

Colette St Onge: Good morning, Mr Chairman. My name is Colette St Onge and I'm here as a corporate representative of Share Action. In December 2016, the Financial Stability Board's Task Force on Climate-related Financial Disclosure published its draft recommendations which state that climate-related financial disclosure should be made public in financial filings such as annual reports. A number of global financial services companies have come out in support of the recommendations highlighting the importance of a timely implementation and urging the G20 to formally accept them. This includes large investors like Standard Life, Aviva and Allianz as well as some of the largest banks such as HSBC, Barclays and UBS. Share Action was disappointed by the lack of endorsement from Old Mutual and in light of this I wanted to ask how you are encouraging the four companies of the managed separation and when we can expect them to publicly support the TCFD and follow the recommendations of the task force?

Patrick O'Sullivan: Thank you, Colette. If there's an oversight on our part in not endorsing it you can be assured that actually we are in practice and as we move towards managed separation, we are requesting our new subsidiaries and the boards of those subsidiaries to embody all of that in their documentation for floats, so you will see it when we publish IPO material. Other questions...

Leon Bonnie: Hi, my name is Leon Bonnie. I'm a little bit puzzled as I remember when we used to plough land with the cattle we only used to use two because four was over-burden. Here you have over-burden – you are creating over-burden system where you have four CEOs, four Chairmen, but what you haven't done which I think a most responsible company would tell you that, you have not published the cost of the unit for the management side of it. Normally I'm looking on these things here I can see any cost has been established for the full team. Why is that?

Patrick O'Sullivan: Mr Bonnie, the first part of your question is much like the last question, the first question, which is-



Leon Bonnie: No, no, no, no.

Patrick O'Sullivan: we are required to have independent thoughts.

Leon Bonnie: Give me some credence of what I'm saying. My question is nothing to do with that lady. I'm asking you a simple question. I can ask you a further one. I'm looking at these things and I'm trying my best to find out what you are paying Mr Buxton and I can't find it. Is it £3 million? £4 million? Nowhere I can find it. What I'm asking you here, as a Chairman, if you're going to waffle tell me you can't answer the question. I'm asking you is that you have four Chairmen, four CEO, and the unit cost would it be higher than the present. If it's 'yes' say 'yes' and tell me what it costs. Have you worked out the costs? That's the first question. I doubt very much you've done that.

Patrick O'Sullivan: All of the costs are included in the operational costs as they are currently defined under IFRS requirements.

Leon Bonnie: I hate to speak to people who don't have real intelligence. I'm asking you-

Patrick O'Sullivan: I don't doubt your intelligence, Mr Bonnie.

Leon Bonnie: You point out to me where the four CEO and the four Chairmen costs is less than this proportion of what you have?

Patrick O'Sullivan: We don't publish that information separately. All of the costs are included. By definition if we are hiring four very experienced chairmen because the regulator requires it, that's more expensive than it was with our chairmen.

Leon Bonnie: Proportion only 50% more?

[0:22:57]

Patrick O'Sullivan: Then one chairman, yes.

Leon Bonnie: There we are. Thank you very much. It's a fool's paradise you're living in, not me.

Patrick O'Sullivan: Please take your point up at the Bank of England and the FCA. We'd very much appreciate your support. Further questions? If there are no further questions, I would like to move on to the formal business of the AGM.

So we shall now move on and, as I said earlier, we'll be conducting the voting by poll. For those of you who are shareholders, please fill in a poll card. Corporate representatives should enter a direction on their card. Anthony Hall of our registrars Equiniti has kindly agreed to act as scrutineer for the polls. Those of you who have already sent in proxy forms and do not wish to alter your vote need not complete a poll

card. In fact, it will make the counting of votes simpler if those shareholders who have already sent in proxy forms refrain from voting by card now. Each shareholder should complete one poll card for him/herself. If you've been appointed as a proxy, you should complete one poll card for each shareholder for whom you have been appointed. If you have any queries on filling in your card, please raise your hand and a representative of our registrars, as I said, Equiniti will be happy to help.

On your poll card, fill in your name and shareholding, or if you are a proxy the name and holding of the shareholder you are representing. Please clearly mark your votes 'for', 'against' or 'vote withheld' on each resolution. Then sign and date your completed poll card.

I now propose formally that each of the resolutions set out in the notice of meeting and listed on the poll card is put to the meeting as a separate resolution. As the resolutions are set out in the notice and on the poll card, I will not this year read them out individually. Resolutions 1, 2.1 – 2.13, 3, 4 and 5 as well as 6 are being proposed as ordinary resolutions. A simple majority of the shares voted is required for these resolutions. Resolutions 7, 8 and 9 are being proposed as special resolutions; a majority of not less than 75% of the shares voted is required to pass these resolutions. So I will now give you a few moments to fill out and complete your poll cards.

Male: Resolution 8, to grant authority to re-purchase shares by market purchase. How many shares there are? Do you know what percentage? Can you tell me please?

Patrick O'Sullivan: Yes, it's about 74.3 I think at the moment but, as you probably know, we won't have that until this afternoon when we've finally counted all the votes.

Male: Right.

Patrick O'Sullivan: If we may move on then, if there are no questions on the cards specifically, please ensure that you sign your poll card once you've registered your votes in respect of each of the resolutions on which you wish to vote. Once the vote is cast and the polls have been counted and verified, as I mentioned earlier, which is later today, we will report the outcome to the London Stock Exchange and the other stock exchanges where our shares are listed. We will also publish details on our website. Details of the proxy votes received for each of the resolutions are shown on the screen behind me now. So resolution 8 I think I gave you the wrong number; as you can see there it's 99.45%.

Well, ladies and gentlemen, this time that brings a conclusion to our meeting and I can declare the meeting closed. Thank you very much for coming today and we look forward to seeing you again. Thank you very much.