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Transcript of Old Mutual AGM and GM, 28 June 2016

Event Transcription

[0:00:00]

P O'Sullivan: Good morning ladies and gentlemen and thank you. I apologise we're a few moments late to start the meeting, and I'm sure you've noticed that this year the order is slightly different from prior years. We start with our Annual General Meeting and then we follow it by a General Meeting which will be to address some of the specifics of the remuneration issues. So, may I welcome you to the 2016 Annual General Meeting of Old Mutual plc. It's now almost 11:05. A quorum is present so I can declare the meeting open. As you know, I'm sure, I'm Patrick O'Sullivan, Chairman of your company. I would also like to welcome our shareholders and others who are tuning into this AGM remotely through our webcast of today's proceedings. Let me start by introducing the directors who are here today. Alongside me on the platform on my right, firstly, our new Chief Executive, Bruce Hemphill; Ingrid Johnson, our Group Finance Director; Danuta Gray, who is Chairman of the Remuneration Committee, and Mike Arnold on the end, who is Chairman of the Board Risk Committee. On my left is also our new Company Secretary, Colin Campbell. Next to him, Alan Gillespie, our Senior Independent Director, and finally Roger Marshall, Chairman of our Group Audit Committee. In the front row, joining us, are Zoe Cruz and Adiba Ighodaro. You've noticed we're not a full Board complement here today but we have a Board meeting tomorrow in South Africa, given this change of pace that I've referred to, and we have excused our South African-based directors from flying over to the UK especially for today's AGM and General Meeting. Let me now turn to some procedural matters relating to this Annual General Meeting. The notice of the meeting was included in a shareholder circular posted to shareholders and made available on our website in late May. That circular also referred to a General Meeting which will be held immediately after this AGM, as I said, in order to deal with some remuneration related matters in the context of the Company's new strategy. This we announced with our preliminary results for 2015 on 11 March 2016. The resolutions that make up the principal business of the AGM are set out on pages 9 to 12 of the circular. Voting on each resolution will be conducted by a poll. All the shareholders and proxies here today should have received a poll card on their way in. If you did not receive such a poll card and are entitled to vote, please ask one of the attendants to let you have a card now. Once the votes cast on the polls have been counted and verified after today's meeting 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. Let me now ask Bruce Hemphill, our CEO, to make a few remarks about current trading and the progress that has been made in implementing the company's new strategy. After Bruce's comments I will then move on to the formal part of the meeting. Thank you. Bruce.

B Hemphill: Thank you, Chairman. Good morning everyone. I'm very pleased to be here for my first AGM as your Chief Executive and to have the chance to say a few words and answer some of your questions. You will have seen our results for 2015, which we published in March, along with the conclusion of our strategic review. Some of you will already have seen the statement that we issued at 7 o'clock this morning, a copy should be on your chair in the room, and you should be able to read it at your leisure after the meeting closes. In terms of 2015, it was a great performance, particularly in the first half of the year. I think the numbers speak for themselves. In tough markets we delivered another very strong set of results and all our businesses performed well, continuing to demonstrate their strength and highly competitive positioning. As a result the Board agreed a final dividend, now called a second interim dividend, of 6.25 pence per ordinary share, bringing the total dividend for the year to 8.9 pence per share, up 2% on the prior year in sterling and up 25% in rand. Under the new regulatory capital regime, Solvency

2, dividends of this nature are not put to shareholders on approval, and as a consequence we were able to pay the dividend to you earlier than in previous years, in April rather than in May. Looking at current trading, we said in March that we expected 2016 to be challenging, with the rand's weakness impacting our sterling reported results and lower markets putting pressure on the revenues we earn from fees charged on assets under management. And what we've seen so far bears this out. Our businesses have maintained their focus on operational performance and gross sales remain strong, but there has been continued rand weakness, volatility in other African currencies and also lower average equity markets. In addition, some specific issues will impact our results for the half-year, and these are detailed in the statement which I referred to earlier. I will provide more detail of the first half in our Interim Results announcement and presentation on August 11, but I can confirm that the Group is trading broadly in line with our expectations. We expect that the outcome of the EU Referendum will drive increased levels of market volatility in the second half, and this may impact business unit performance. Let me give you an update on strategy. When I joined Old Mutual on 1 November last year I launched a comprehensive strategic review with the objective of driving increased shareholder value. And the review concluded that our four businesses, Old Mutual and Emerging Markets, Nedbank, Old Mutual Wealth and OM Asset Management are strong and capable of standing alone, that there is no compelling logic for combining them in a group and that the long-term interests of stakeholders would be best served by separating those businesses. Our strategy to achieve this is what we are calling a managed separation. Now, it's a complex process. We have to get the right sequencing and timing of events and there is a huge range of issues that have to be taken into account, and our intention is to choose the optimal route which balances value, cost, acceptable risk and time, and our aim is for the separation to be materially complete by the end of 2018. And we're making progress. We have put together a strong team to ensure we've got the right skills and experience in place. We are restructuring the PLC Head Office to support the process and to ensure that we continue to fulfil our regulatory debt and shareholder obligations whilst working with our businesses to prepare them for an independent future. Our current view is that we'll need to carry out a number of transactions. Their exact timing and nature will depend on factors including business readiness and stakeholder considerations, but we anticipate that they will include: material repayment of holding company debt; {Editor's correction- phased reduction in} our stake in OM Asset Management over time; ultimately, a demerger and listing of Old Mutual Wealth and the creation and listing of a new South African holding company, comprising principally our Emerging Markets operations and our stake in Nedbank. We then anticipate a distribution of a significant portion of the Nedbank stake to shareholders of the new holding company, with that company retaining a minority stake through its ownership of the statutory life company, OMLACSA. And for the period of the managed separation we've adopted a revised capital management policy that, against a background of volatile markets and the weaker rand, will give us the flexibility to pay appropriate dividends to shareholders whilst reducing debt, continuing to invest in the businesses and paying the costs associated with the managed separation. And under this policy we will target a dividend cover equivalent to 2.5 to 3.5 times Group AOP earnings with "first interim" dividends based on cover of 3 times. I'm pleased with the progress we've made so far and we'll update you as we continue through this process. So, ladies and gentlemen, thank you for your attention. I'll now hand back to the Chairman.

[0:09:51]

P O'Sullivan: Thank you very much, Bruce. And I can say that, personally, most of us hope that our friends up the road here, not very far away, learn how to do this with the discipline you have brought to managed separation here for the Group. Ladies and gentlemen, we start now with the formal part of the meeting. Before putting the first resolution to you I would like to deal with questions on any of the AGM resolutions as a single Q & A session. If you could follow the formal procedure please, raise your attendance card and wait for a roving microphone before asking your question, then please start by giving us your name. I believe Mr Timothy St Ather is in the room – he is – since you were kind enough to send us a question in advance, you have the floor at the beginning.

T St Ather: Thank you. I'm glad you got it, I sent it to Martin Murray, but glad you got it. My question, it's there are frequent press articles concerning substandard schools in South Africa, and it's reported that most schools have poor quality teachers who frequently don't turn up for work but are un-sackable. Academic achievements are reported to be dismal and seriously disadvantage the majority of black students. In an *Economist* article of December 2015 it reported that Old Mutual was involved in something called the Educational Institute Trust that is running low cost private schools, which are achieving much better results, and I'd be very pleased to learn more about these initiatives and in what way the company is involved and what expectations you have for the future.

P O'Sullivan: Thank you very much for that question, and I think you're referring to the Old Mutual Education Trust. This was founded as part of our Black Economic Empowerment transaction back in 2005. The Trust offers scholarships for higher education to members, employees and families of participating trade unions and other groups. Between 2005 and last year, 2015, Old Mutual plc shares to the value of 576 million rand were placed into the Trust to fund tertiary education bursaries in critical skills areas, and more than 1,000 bursaries have been awarded. Something we're pretty proud about. Additionally, our South African Asset Management business is also committed to support education with its schools and education investment fund, which was introduced in 2012. That's to improve education infrastructure which, as you referred to, is badly needed. This fund, I might add, has been supported not only by Old Mutual and the South African Government employee's pension fund, but to date it has made six deals to the value of 666 million rand, which have been approved. My colleague from our Responsible Business unit, is in the room, I believe. Right at the back, Helen Wilson, and she'll be delighted to give you more detail after the meeting. Are there other questions from the floor please? Lady here in the front.

T Kieve: Thank you. Good morning, I'm Therese Kieve and I represent Share Action, a responsible investment charity. Following COP 21, it is imperative that companies develop and adopt strategies for commercial resilience under a 2 degrees scenario and prepare for the possible impacts and costs of serious climate damage. This has implications for Old Mutual. For example, in terms of credit risk assessment and carbon pricing processes. So in light of COP 21 and the managed separation of businesses is Old Mutual developing a comprehensive climate change strategy and is there a Board level oversight of this, and will the Board be willing to discuss the strategy with Share Action and other institutional investors? Thank you.

P O'Sullivan: Thank you, Therese. Yes, of course in the managed separation creating four businesses from one we have to ensure that these policies which the PLC and Group Board is committed to continue. We have been very much committed to doing our part. There is more to be done. Our carbon targets will be insufficient to meet the target you have referred to, and I will just ask Bruce to talk about how he, in general, intends the Boards of the new companies as they are set free to continue to focus on these areas.

B Hemphill: Thank you Chairman. As the PLC is committed to these targets it's incumbent upon us to ensure that the underlying Boards continue that commitment as we go through the process of managed separation. As I said in my statement, we intend to have that process completed by the end of 2018, and so in that period we will endeavour to do what we can to ensure that those Boards continue to draw out the adoption of the target.

P O'Sullivan: Any other questions? Yes, we have a few more.

B Rowles: My name is Brian Rowles and I'm a fairly recent shareholder in the Company, so this is my first Annual General Meeting.

P O'Sullivan: Welcome.

B Rowles: Thanks. My question concerns non-executive directors' shareholdings, specifically Adiba Ighodaro, who was appointed in January 2014 and did not own any shares at 11 March

2016. It is my belief that all independent non-executive directors of public companies should own a nominal number of shares in those companies, thus aligning their interests with the hopes and aspirations of fellow shareholders. Is it her intention to obtain a small number of shares from her fee income?

P O'Sullivan: Thank you, Mr Rowles. I can assure you that the policy is that we encourage all of our nonexecutive directors to own shares in the Company. In this instance Adiba is freed up from her current private equity role for our benefit and she has to surrender her fees to her current employer. So she is not a direct beneficiary of being a shareholder. I should say the fees that are paid to nonexecutive directors. So, in her case we have made an exception.

B Rowles: Sorry, I disagree with that sort of policy and I don't think you should have that sort of Director on the Board. But that's by the way. I'll come to my second point. My second point really is why are we having our Annual General Meeting so late? We're virtually six months after the year end.

P O'Sullivan: Yes, a very valid question, thank you. As I hinted at, we've had some need to manage our whole new structure in compensation plans in particular which required us to consult with shareholders. That consultation process took a number of months, as you can imagine, led by the head of our Remuneration Committee, Danuta Gray. And it was purely a matter of ensuring that we could have consulted with the major shareholders, taken their views into account, which we'll come back to later on, and in that process present you with a final plan. That was the reason it's a one-off and is unlikely to happen next time. Gentleman at the back.

[0:18:21]

L Bonnie: My name is Leon Bonnie and I'm one of the oldest shareholders in Old Mutual since it demutualised.

P O'Sullivan: Welcome back Mr Bonnie.

L Bonnie: Thank you very much. I have some not awkward questions but a question which has come from my own thoughts. I fully agree that the FTSE 100 companies should not keep all the AGM – I'm disputing what the man is saying – at the same time between April and May. This is very convenient, also as you know the registrar has a certain amount of men – if he doesn't know I'll tell him – that they can't put 200 men all over the place during May and April. That's settled that. My most…

P O'Sullivan: Could I ask you to keep the microphone a bit closer, thank you very much, so we can all hear you?

L Bonnie: My mouth is quite big, you know, so is everything else. What I am trying to say to you, sir, for an individual Board member, who would make the biggest gain when the separation comes along, who is due to make, moneywise, in total, when the separation takes place, who is due to make the biggest money out of it from the Board? Could you tell me the name please, and how much it might be?

P O'Sullivan: Every shareholder will benefit in a similar manner for each share.

L Bonnie: No, no, no, listen to my question carefully.

P O'Sullivan: I think I heard your question and, in the context of those people on the Board holding most shares, that's our Chief Executive and our Group Finance Director.

L Bonnie: No, no, I don't think you have heard the question, sir. Let me put it a different way, then. They have an individual Board member who is actively pursuing this separation, he stands moneywise, not shares, moneywise, to make over £1.3 million. Is that correct or wrong?

P O'Sullivan: Are you talking about the current pay levels of our two Executive Directors?

L Bonnie: You should look at your thing before you start to answer this question. Let me tell you one more time. I'm asking you, is there any individual Board member who would gain about £1.3 million when this separation is complete? Yes or no? You should say no or yes, don't go around the small shareholder and the dividend, I'm not asking that. £1.3 million I'm talking about.

P O'Sullivan: First of all, the actual cash payments that are currently made in terms of salary and benefits are set out clearly in the remuneration report, so you can see right there what the current pay levels are for the Executive Directors on this Board. The only two members of the Board who get paid cash.

L Bonnie: Who is that and how much is it?

P O'Sullivan: Well, I haven't got the precise numbers but perhaps, Ingrid, if you can find it in the rem report, the pay levels for our CEO and Group Finance Director are published and available to all shareholders. Afterwards, in the context of who will make or not make money above that number is entirely a function of where the stock price goes in the managed separation process. And we are aligned, both the Board and shareholders, in our rewards that will accrue to those groups.

L Bonnie: Then this has brought me on to another question which I did not want to ask. What is the average share performance for the last year? Take about June, what is the average share price performance, whichever word you choose to use, for the last year? Is it below £2? £1.75?

[0:22:22]

P O'Sullivan: For 101 days over the last 12 months the share price has been over 200 pence.

L Bonnie: That's incorrect. That is incorrect, I've just got the figure from your own people here. I can tell you that.

P O'Sullivan: That's the latest number from Bloomberg.

L Bonnie: Oh, so the figure I get from your head office is incorrect, Bloomberg is more correct, is that right?

P O'Sullivan: They are more accurate.

L Bonnie: Oh, so then the people here have false information?

P O'Sullivan: What number did you have?

L Bonnie: Well, I have your performance, working days, I'm not talking holidays and bank holidays, it's only 170 days that they're over £2. Go and check your figures in the office. Thank you very much.

P O'Sullivan: Thank you very much, Mr Bonnie. Further questions? Gentleman in the front.

M Basu: Thank you Chairman. I'm Dr Basu, I'm a shareholder for a long time. I know Old Mutual is a South African and UK based company. Due to the recent Brexit, globally there is a lot of volatility. The banking industry and asset managers are affected to a great extent and they are taking a lot of precautions, cutting down a lot of their employees. Old Mutual, I don't know what kind of exposures have you got in the EU without UK and South Africa, and what kind of exposures you have there, and are you going to take any precautions or are you worried about it?

P O'Sullivan: Thank you very much. As you probably know, with the exception of our Italian operation we have exited Europe over the last… that's the mainland of Europe – and I guess we'll go back to that old description again now – over the last three years, so very little exposure there. In the context of market exposure, I can assure you that the Board, in its normal risk management process as led by the Chairman of the Risk Committee, has spent a considerable amount of time looking at the potential impact of a no-vote, which happened. The only exposure to this Group, thankfully, and you will have noticed our relative share performance versus other insurers over the last week, is in the markets part of Paul Feeney's business, in the Old Mutual Wealth business, because the level of the FTSE determines the level of fees you get. So there is some exposure there. On the other hand, we are very satisfied with where we are in that business and our ability to develop an integrated proposition which, over time, given the continuation of low interest rates for a considerable length of time to come, in our view, will attract more investment funds into our Wealth business. Yes please.

D Jain: Thank you, Chairman. My name is Dinesh Jain I'm an individual shareholder. I have two questions. First of all, the situation in South Africa. Our company has done well over many years even in tough situations in Africa, but now it seems things have taken a step down - the social economic and political situation in Africa; the growing nationalism; black empowerment in Zimbabwe and Namibia and the crisis in Nigeria as well. So to what extent do all these problems cloud the outlook of our Emerging Markets business, the largest part of our business? And my second question is regarding the separation of the Company into four companies. In the opening remarks the Chief Executive said they would take into account the interests of all stakeholders. So I was hoping you would take into account the taxation consequences to small private shareholders as well. For example, when Billiton separated its mining company, South32, and gave us shares in South32, at the end of the year we ended up paying taxes on those, although it was a capital return, we ended up paying taxes because they had structured the transaction in such a way. So, if you could assure me that while structuring your transactions you would bear in mind the tax consequences on small shareholders because these are capital returns, we shouldn't have to pay taxes on it. And finally, for all the new shares we'll get, if you could assure us they're be listed on and traded on the London Stock Exchange? Thank you.

[0:27:21]

P O'Sullivan: So I'm going to ask our CEO to answer those questions, but just a general point. It's unfair of us to comment on what we regard as a macro-risk outside of our own home market unless we speak to somebody who has lived there. So, without further ado…

B Hemphill: Thank you very much for your questions and thanks, Chairman. I'll start with your second question first. Clearly, we'll take the interests of the small shareholders into consideration and you will recall from the statement that I made this morning that we are talking about unbundling or demerging the Nedbank shares from a listed South African holding company and that's precisely because we want to take advantage of the legislation that is available to us to avoid the consequences that you are referring to. So it's very important to us and it's top of mind. Turning to the situation in South Africa. I think it's important to take a step back and reflect on what has actually happened in South Africa over the last 20 years. If you go back to the late 1980s and think about what a shambles the place was in, and you think about what has actually changed, an enormous amount has changed for the better. This country is going through a process of fundamental change, it's growing up, and I think in this process any country would experience significant difficulties. And I'm very confident that in the longer term South Africa is a very attractive destination. We have strong businesses in that country and in my view those businesses are well positioned to weather the difficulties that the country is going through. The country will emerge from those difficulties and I have no doubt that our businesses will be stronger as a result of their underlying competitive positioning in those markets today.

P O'Sullivan: I think in addition, Bruce, it's fair to say that you and our colleagues in South Africa, in the bank and in the insurance business, are working very closely with government on…

B Hemphill: So my colleagues, Ralph Mupita, who is the CEO of Old Mutual Emerging Markets and Mike Brown, who is the CEO of Nedbank, together with the Chairman of Nedbank, Vassi Naidoo, have been very involved in working closely with government in all areas over the last six months, trying to ensure that there is alignment between government and the private sector. And I think enormous progress has been made.

P O'Sullivan: Thank you. Gentleman under the lights.

P Clarke: Good morning, Chairman, Phil Clarke, a shareholder. Congratulations on a great set of results. I was struck by Ms Johnson's report on page 61 which shows the key financial numbers, not only this year's, last year's, but actually last year's restated so the numbers are shown at constant exchange rates. I found that very helpful and it makes the results look even more impressive when you look at them like that. The pity is that representation wasn't carried on through the report. So on page 62, when we look at the detail, that wasn't copied again, so that would have been really very useful. Given that this year we're likely to see some interesting currency effects as the days tick by I wonder if we could actually look to demonstrate what the real underlying progress of the business is by showing the impact of currency in this way and perhaps just carry it on a bit more through the report please. Secondly, can I echo Mr Jain's comments about thinking about how we structure this deal because he's absolutely right, BHP Billiton got it horribly wrong from a small shareholder's point of view. There are a couple of things about it. First of all, I'm not quite sure how to ask this question in a way that you'll answer it, but what do you think the actual financial benefits of the transaction will be? How much better off will we be? But equally, at the same time, how much are you spending on achieving this? What will it cost us? So what's the net benefit? I'm not quite sure how you can answer that but if you can rephrase the question that would be great, thank you. I also note on page 63, Ms Johnson refers to the holding company has distributable reserves of 2.4 billion. What will happen to those? Will those be distributed and, again, if so how please? And finally, last question, I was really, really confused about the remuneration report. On page 142 it's listed the compensation for loss of awards and options our new Chief Executive is getting, and that totals £6.3 million. I won't say what I think of that but I'm interested to see how that ties to the single figure remuneration on page 135, which is only £4,8 million. So if you could help reconcile those that would be great, please. Thank you.

[0:32:37]

P O'Sullivan: Let me hand it over to my colleagues here, but just thank you, Mr Clarke. The general question, if I may, in helping to rephrase your question in the context of forecasts, we don't make forecasts, of course, but we certainly look at what we think the valuations of the businesses are. With that I'll ask Bruce to address the questions on why managed separation looks better as an opportunity rather than staying together.

B Hemphill: Thanks Chairman. Good morning Mr Clarke, thanks for your question. There are a couple of ways that you can think about this thing. The way I think about it is that we've got four very good businesses, two of which are listed, two are not listed. The two listed businesses, clearly there's a market price for them, you can see what that is. The two unlisted businesses I would argue are not being correctly valued by the market and I would suggest to you that there is potential uplift in value from where they're being priced and the current share price. Exactly what that is I'll have to leave for you to decide. Then there are a couple of other things that you have to think about. In order to run this operation we have to rent a building in London, we have to hire 290 people, we have to pay them salaries and we incur a whole lot of costs. We know that those costs amount to about £80 million a year. So if you were to present-value those costs, work out what that was and then divide that by the number of shares you can figure that out. And then if we were able to pay down our debt and remove the debt servicing charges we obviously lose some earnings from the assets we've sold but we take out the debt costs. The debt costs are about £70-odd million a year. So I think those are the two fundamental ways in which one can think about this thing. So your present value, the costs that you save, both from an operating perspective and from a debt perspective, you look at what you think the underlying assets would be valued at on a stand-alone basis relative to where they are today and then you have to say what is this whole arrangement going to cost us? And we're not yet in a position to give you those costs, but if you were to make a, sort of, fairly outrageous assumption around the costs and net those off against the present value of the savings you would get by dismantling the structure I think you would still be in positive territory.

P O'Sullivan: Could I turn to Ingrid to address your questions on the financial reporting?

I Johnson: So turning to the financials, it's actually we have given a more detailed disclosure on the Company itself which is from pages 298 of the report. And within that distributable reserves form overall part of shareholders' equity, and that shareholders' equity is effectively represented by the four assets that Bruce has described, debt and the retained earnings which effectively is net of the costs is what we are seeking to address in the separation. So I think a key part to look at distributable reserves is it's part of the overall transaction of separation and it really is a consequence of giving effect to all of the transactions. We would then assess as part of our capital management policy what is available for potential dividends, as we do with our normal dividend policy, always available for a special dividend or potentially buy-back. We've now introduced that flexibility as well as catering for the cost of separation which will largely be including sterling. So it's looking at the whole amount and then assessing what would be available in terms of overall returns.

P O'Sullivan: And the constant currency point?

I Johnson: The constant currency – thank you for your observation – we do draw that through. I think the reason we haven't drawn it through fully is we give the underlying businesses in their own reported currencies so you are able to see their contribution in the slides. In next year's separate disclosure we give you more on a constant currency basis but for us reported currency is really the currency within we operate and from which we determine the dividends to be paid, which is why we look at reported currency in the Finance Director's report, but we'll certainly look at how we could enhance it to make it easier for you to read through.

P O'Sullivan: Danuta, could we turn to you on the rem?

D Gray: Yes, I apologise, it is confusing and I am happy to go through it in detail afterwards, but just if you look on page 135, which is where the £4.8 million figure comes from, there is an explanation of each of those items underneath. And on the next page it describes how the items in the nature of remuneration for Bruce were a number of buy-out awards which were not subject to performance conditions. And I'll come back to how those were dealt with later. The figures later on include other awards which were made which are subject to performance conditions and will pay out over time. A number of those awards were made in different ways, based on information that we received from Bruce, official documentation that showed us a number of cash and share awards that he forfeited by coming to join Old Mutual. Some of those were due to be paid to Bruce in a very short time period after he joined us and so, therefore, we did not put performance conditions on those. And others would have paid out over time and we took a judgement with independent advice on the likelihood of those vesting the type of values of those awards, and that's the difference between them. So, unfortunately, you need to read about two or three different pages. I do accept that there is confusion but it is to do with, if you like, the guidelines we have about putting a single figure for remuneration in. So we're not trying to hide anything, it's just the way in which we follow the guidelines through the report. If you want more detail on that I'm happy to go through that afterwards over a cup of tea.

[0:38:35]

P O'Sullivan: Thank you Danuta. Are there any other questions?

A Girvan: Andrew Girvan shareholder. I'm trying to get my head around this, to be honest. You've got four businesses so let's go through each one of them. You've got the Emerging Markets business which, by the looks of it, you're going to set up a new company for. You've got Nedbank, which you're going to reduce your stake in. I'd like to know down to what percentage you'll still have a stake in Nedbank. Then we've got the OMW, the Wealth business, which you're going to demerge or sell off. Then you've got the Asset Management which you're going to reduce your stake in, which may be sold off as well. So the end product of all this is, is Old Mutual going to be turning the lights off? What are you going to be doing in the future?

P O'Sullivan: Well, we are going to be giving you shares in all of those constituent businesses as relevant. Bruce?

B Hemphill: Chairman, I think Mr Girvan is absolutely right, we are going to be turning the lights off. Not right now, but that's the intention. What we said in our statement to shareholders on the conclusion of the strategic review was that the structure didn't make sense, so that the benefits that we are currently deriving from the structure do not offset the costs of the structure. And hence my explanation to Mr Clarke as to how we see the value rising as a result of the implementation of the strategy. So coming to the individual businesses, the Old Mutual Emerging Markets business is already an established and very successful business based in Johannesburg. The intention would be, at a point in time, for that business to be a stand-alone listed entity. We believe that the market would put a different value on that business if it was a stand-alone listed entity. Turning to the question of Nedbank, we've made it clear that we will unbundle or demerge those shares to the shareholders on the South African register at that time. We're not yet clear as to exactly what the residual shareholding will be. That's a discussion that we need to have with the Nedbank team and with the regulators in South Africa. So there is a dialogue that we need to complete there. And then, in relation to OMAM, we've always said that that asset is held as a store of value to cover central debt, and the intention would be to sell that down in an orderly fashion as we say in the announcement, over time, to settle part of the debt. In relation to the Old Mutual Wealth business, as the Chairman said earlier, we believe that business has been very well positioned in the UK savings market. We believe it is quite unique and that it will attract a great deal of interest from shareholders and market participants. As we say in the announcement, the intention is to list it and demerge it, but we also say in the announcement that it is highly likely that people will approach us and obviously if people do approach us we are obliged to consider the interests of yourselves as shareholders and pay attention to those expressions of interest.

A Girvan: With all this going on, are your customers disappearing because of uncertainty? And one thing – I don't know if this is correct or not but I read it the other day – in your US Asset Management, net outflows was $5.1 billion, due to sovereign wealth funds withdrawal and negative investment performance of $3.7 billion. And with all this going on, if I've got assets or investments in your Asset Management I think it's so complicated I'm going to move it to another provider. And the performance of what you're doing in America doesn't fill me with much confidence.

[0:42:35]

B Hemphill: Well, I think one needs to look at the underlying performance of the asset managers that we own in the US, because it's an affiliate model and we own stakes in a number of different asset managers. Their performance has been good over a long period of time. Last year what we saw as a result of falling oil prices were a very significant number of sovereign wealth funds selling positions to fund their activities at home. And it wasn't just our business that was impacted by those outflows. It was across the industry. So I don't think there is a stand-out issue in relation to that business. And just coming to your first question which is, are all of our customers leaving us? Not at all. We're growing our customer base, we've grown our customer base, the numbers are in the report, we've grown our customer base significantly over the years and I've no doubt that our customers are sticking with us.

P O'Sullivan: Ladies and gentlemen, are there any other questions at this point? Gentleman right down there.

Mr Souza: My name is Souza(?).

P O'Sullivan: Mr Souza, welcome.

Mr Souza: I was in Kenya a long, long time ago and I had insurance with South African Mutual Life, now I've got shares, they converted into shares. The question I want to ask you, you've got a lot of investment in South Africa, America and so forth. How does your currency, South African rand and so forth, do you have to fluctuate sometimes to sterling, your head office in sterling FTSE. So can you give me a little bit of information, how do you work it?

P O'Sullivan: That is precisely the issue that our CEO just referred to, which is the reason that the PLC ultimately, which is a sterling-based asset, will not be needed anymore in the structure and the investors will have the opportunity to invest directly in either rand based exposure, US dollar based exposure or UK sterling exposure through our own Mutual Wealth business.

B Hemphill: I think what the company has done very successfully is create four very strong underlying businesses through the holding company. The holding company, obviously, Mr Souza, carries costs in sterling and what the Board has now concluded is that these four underlying businesses are strong enough to stand on their own without the need for the central costs and support of the PLC, and hence the managed separation strategy. And, as I said to Mr Girvan, the PLC will no longer be required at the end of the managed separation process, and so that sterling cost base won't be required.

P O'Sullivan: Ladies and gentlemen, if there are no further questions I will now move on to the formal business of this meeting of the AGM. As I said earlier, we will be conducting the voting by poll. For those of you who are shareholders, please fill in your poll card for each resolution as I refer to it. Corporate representatives should enter a direction on their directions card. Brian White 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 count 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 or herself. If you have 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, Equiniti, will be happy to help you. On your poll card, please fill in your name and shareholding in respect of the poll card. If you are a proxy then 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. Does anybody have a question on their poll cards? When completed and signed, please retain your poll card until after the separate General Meeting has completed, which is the meeting after this. I now propose Resolution 1, to receive and adopt the Directors' Report and audited financial statements of the Group for the year ended 31 December 2015. Please cast your votes on Resolution 1 by filling in your poll card. In accordance with the UK Corporate Governance Code, the whole Board is standing for election or re-election today, so allow me to propose Resolution 2(i) to elect Bruce Hemphill as a Director of the Company. Please cast your votes on Resolution 2(i) by filling in your poll cards. I propose Resolution 2(ii) to elect Trevor Manuel as a Director of the Company. Please cast your votes on Resolution 2(ii) by filling in your poll cards. I propose Resolution 2(iii) to re-elect Mike Arnold as a Director of the Company. Please cast your votes on Resolution 2(iii) by filling in your poll cards. I propose Resolution 2(iv) to re-elect Zoe Cruz as a Director of the Company. Please cast your votes on Resolution 2(iv) by filling in your poll cards. I now propose Resolution 2(v) to re-elect Alan Gillespie as a Director of the Company. Please cast your votes on Resolution 2(v) by filling in your poll cards. And now to

Resolution 2(vi) to re-elect Danuta Gray as a Director of the Company. Please cast your votes on Resolution 2(vi) by filling in your poll cards. I propose Resolution 2(vii) to re-elect Adiba Ighodaro as a Director of the Company. Please cast your votes on Resolution 2(vii) by filling in your poll cards. I propose Resolution 2(viii) to re-elect Ingrid Johnson as a Director of the Company. Please cast your votes on Resolution 2(viii) by filling in your poll cards. I propose Resolution 2(ix) to re-elect Roger Marshall as a Director of the Company. Please cast your votes on Resolution 2(ix) by filling in your poll cards. I propose Resolution 2(x) to re-elect Nkosana Moyo as a Director of the Company. Please cast your votes on Resolution 2(x) by filling in your poll cards. I propose Resolution 2(xi) to re-elect Vassi Naidoo as a Director of the Company. Please cast your votes on Resolution 2(xi) by filling in your poll cards. I propose Resolution 2(xii) to re-elect Nonkululeko Nyembezi-Heita as a Director of the Company. Please cast your votes on Resolution 2(xii) by filling in your poll cards. I would like to call on Alan Gillespie, our Senior Independent Director, to propose Resolution 2(xiii), which is to re-elect me as a Director.

A Gillespie: I have pleasure in proposing Resolution 2(xiii) to re-elect Patrick O'Sullivan as a Director of the Company. Please cast your votes on Resolution 2(xiii) by filling in your poll cards.

P O'Sullivan: Thank you, Alan. Moving on to Resolution 3, this is to re-appoint KPMG LLP as Auditors to the Company. I call on Roger Marshall, as Chairman of our Group Audit Committee, to propose this resolution.

R Marshall: I propose that KPMG LLP be re-appointed auditors to the Company.

P O'Sullivan: Thank you, Roger. I now put Resolution 3 to the meeting. Please cast your votes on Resolution 3 by filling in your poll cards. I propose Resolution 4, to authorise the Group Audit Committee to settle the remuneration of the auditors. Please cast your votes on Resolution 4 by filling in your poll cards. I propose Resolution 5, to approve the Directors' Remuneration Report, other than the part containing the Directors' Remuneration Policy, for the year ended 31 December 2015. Please cast your votes on Resolution 5 by filling in your poll cards. I propose Resolution 6, to grant authority to allot shares in the Company. Please cast your votes on Resolution 6 by filling in your poll cards.

A Girvan: Can you explain the reason for these voting numbers?

P O'Sullivan: Yes, this is our South African shareholders have never particularly liked the fact that they can be pre-empted in the event of the need for a share issue. We, the Board, consider that particularly in the context of managed separation, the ability to allocate up to 5% of the shares to our shareholders is something that is required in a timely manner. Normally a full shareholder approval requires a minimum of three months to find everybody and get the resolutions back. So it is no more than 5%. I propose Resolution 7 as a special resolution, to grant the Board authority to issue certain shares for cash on a non-pre-emptive basis. Please cast your votes on Resolution 7 by filling in your poll cards. I propose Resolution 8 as a special resolution, to grant the Board authority to repurchase shares by market purchase on the London Stock Exchange. Please cast your votes on Resolution 8 by filling in your poll cards. I propose Resolution 9 as a special resolution, to approve contingent purchase contracts relating to purchases of shares on the African stock exchanges where the Company's shares are listed. Please cast your votes on Resolution 9 by filling in your poll cards. Ladies and gentlemen, that brings to a conclusion the business of the Annual General Meeting, so I can declare that meeting closed. We are now – unless anybody needs an urgent pause – ready to move forward to the General Meeting, which was scheduled to start at 11:30, but your questions were so compelling that we're now running a little late. As I mentioned earlier, the purpose of the General Meeting is to consider and approve changes to the Company's remuneration arrangements in light of the new strategy that our CEO, Bruce Hemphill, described during his remarks at the beginning of the AGM. There are two resolutions to be considered by the General Meeting. The first one is to approve a revised Directors' Remuneration Policy and the second resolution is to approve a new long-term incentive plan, known as the Managed Separation Incentive Plan. This plan is intended to ensure that the senior management team is closely aligned with the successful delivery of the managed separation strategy. Before putting these resolutions to the Meeting, could I ask whether you have any specific questions in respect of these resolutions? Mr Clarke?

P Clarke: Yes, there's been a bit of upset recently with executive pay, notably WPP, BP and various others, and that's because there hasn't been an upper ceiling on pay limits. What would be the maximum possible pay-out under these schemes?

P O'Sullivan: As I indicated to you, the ability to forecast our share price performance is not something we actively engage in, except when we're bored. But I might add that, in the context of looking at what the plan might pay out in the most likely event, I'll ask Danuta to talk to that.

D Gray: So, obviously, ultimately, it depends on share price performance, but if we look at the quantum of awards that is fixed at a point in time. So the base salaries as enclosed in the policy, the short-term incentive plan is a maximum of 150% of the base salary in any one year, but with a number of performance conditions in order to be able to achieve that. And then, on top of that, we have this long-term incentive plan where we have determined a number of shares to be awarded to our Executive and other Directors. We decided on the share price of those awards at the time that the strategy was announced, and we took a 30 day rolling average prior to the strategy announcement to determine that share price to try and smooth out any volatility just before the awards were made. In the plan you can see in the documentation what we have done is take annual awards and amalgamated them into one award made at the same time as the declaration of the plan, to tie our executives to the same journey as shareholders. So the actual maximum possible number of shares awarded are linked to, for Bruce, four times his traditional annual award, which traditionally was 250% of his base salary. So four times that is 1,000% of base salary, and for other Directors would be three times their base salary. That, in monetary terms, depends entirely on a couple of things. Firstly, how many of those shares will vest. So you can see from the plan there are quite some stretching and a number of performance hurdles for the executives to achieve, for us to determine how many of those shares award, and then multiply that by the share price at the time of award will determine what the monetary amount is. So there's a cap in, if you like, the quantum of the award, but the share price will be what the share price will be at the end of this process. But we spent a lot of time making sure that we did it in a fair and reasonable manner and consulted a lot of our shareholders on it as well. So, hopefully, you'll be reassured by that.

P O'Sullivan: Are there any other questions in respect of these particular resolutions? If not I shall now move on to propose the resolutions. I now propose Resolution 1, to approve the revised Directors' Remuneration Policy as set out in Part VIII of the shareholder circular relating to the AGM and General Meeting. Please cast your votes on Resolution 1 by filling in your poll card. I would now like to propose Resolution 2, to approve the Rules of the Old Mutual plc Managed Separation Incentive Plan and authorise the directors to implement it, as stated in the resolution. Please cast your votes on Resolution 2 by filling in your poll card. Ladies and gentlemen, that concludes the business of the General Meeting. Please place your completed poll card for both the AGM and the General Meeting in the ballot box outside the meeting room as you leave. Refreshments will now be available next door and we will all be available if you want any more information or detail. Thank you very much for your attention and attendance.

(Applause)

[End of Transcript]