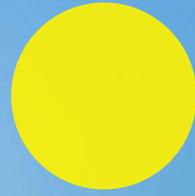
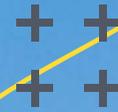


OLDMUTUAL



TAX TRANSPARENCY REPORT 2021

FOR THE YEAR ENDED 31 DECEMBER



DO GREAT THINGS EVERY DAY



ABOUT OUR REPORT

APPROVAL

The Board acknowledges its responsibility for ensuring the integrity of this integrated report. The Board has considered the operating context, strategy and value creation model, and this report, in the Board's opinion, addresses all the issues that are material to, or could have a material effect on, the Group's ability to create value. This report fairly presents the integrated performance of the Group. The Board confirms that the Group is in compliance with the provisions of the Companies Act relating to its incorporation and is operating in conformity with its Memorandum of Incorporation. This report was approved by the Board for release on 22 April 2022.



INTEGRATED
REPORT



CORPORATE
GOVERNANCE
REPORT



REMUNERATION
REPORT



SUSTAINABILITY
REPORT



CLIMATE
REPORT



TAX TRANSPARENCY
REPORT

REPORTING FRAMEWORKS

- King IV Report on Corporate Governance™ for South Africa, 2016 (King IV). Copyright and trade marks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.
- United Nations Principles for Responsible Investment (UNPRI).
- Guided by the Global Reporting Initiative's Sustainable Reporting Standard (GRI 207: Tax), as issued by the Global Sustainability Standards Board.
- Guided by the 'B Team' Initiative of responsible tax principles for business (a body founded by global business leaders to set the framework for good tax practice).

NAVIGATING OUR REPORT

LINES OF BUSINESS



LIFE
AND SAVINGS



ASSET
MANAGEMENT



PROPERTY AND
CASUALTY



BANKING AND
LENDING

OUR STAKEHOLDERS



CUSTOMERS



COMMUNITIES



EMPLOYEES/
INTERMEDIARIES



INDUSTRY



INVESTORS



REVENUE
AUTHORITIES

SIX CAPITALS



FINANCIAL



MANUFACTURED



SOCIAL AND
RELATIONSHIP



HUMAN



INTELLECTUAL



NATURAL

FEEDBACK

We value stakeholder feedback. Please share your experience of reading this report by contacting us.

INVESTOR RELATIONS

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SCOPE AND BOUNDARY

This report covers the activities of the Group for the period 01 January 2021 to 31 December 2021. It provides an overview of our tax approach, philosophy, strategy and contributions from a tax perspective in the jurisdictions in which we have business operations.

ASSURANCE

The financial information contained in this report has been extracted from note D1/H7 of the Old Mutual Limited Consolidated Annual Financial Statements for the year ending 31 December 2021. An unmodified audit opinion was expressed on the Consolidated Annual Financial Statements.

APPLICATION OF THE KING IV PRINCIPLES STATEMENT

The Application of the King IV principles statement is a comprehensive index in our Corporate Governance Report, detailing the arrangements, processes and systems that are in place for governing and managing the various areas of the organisation, in order to achieve the required governance outcomes. It also confirms the application of the various principles of King IV as required by the JSE Listings Requirements.



Read more in our Corporate Governance Report 2021



Read more on www.oldmutual.com/investor-relations/reporting-centre/reports

CONTENTS



Zimbabwe: Victoria Falls 17.9316° S, 25.8302° E



The design and theme for the 2021 annual reporting suite is **Watching over Africa: The future starts where the world began**. This concept challenges the narrow and often negative view of Africa. It suggests an open perspective and that we should keep an eye on Africa as it develops. The design concept aligns to our confidence and belief in the continuing growth and potential of this continent and development of its people.

All images in this report and supplementary reports were taken from countries in which we operate.



Trust, accountability and integrity are amongst the core values that Old Mutual subscribes to and which are embedded in the overall tax governance and reporting structures

- 3 Messages from Our Leadership – Casper Troskie (Chief Financial Officer) and Nazrien Kader (Group Head of Tax)
- 4 At a Glance – A dashboard of our tax contributions and our perception of the impact of our contributions
- 6 Tax Philosophy and Strategy – An overview of our tax strategy and its alignment to the overall Old Mutual strategy
- 9 Tax Governance and Risk Management – Our approach to tax governance and risk management
- 11 Stakeholder Engagement – Our commitments to our various stakeholders
- 13 Key Tax Judgements and Ratios – Insights into our key tax judgements including actuarial judgements inherent in the tax process, an overview of the key drivers of our effective tax rates and a 3 year tax trend analysis
- 18 Supplementary Information – An overview of our key tax statistics, the lines of business per region and commentary, including highlights and an overview of tax developments internationally and locally



MESSAGES FROM OUR LEADERSHIP



Casper Troskie
Chief Financial Officer

“Old Mutual contributed R14.2 billion in taxes to the jurisdictions in which we have business operations. Our 2021 Tax Transparency Report seeks to provide further context and a deeper narrative around the taxes we pay.”

Trust, accountability and integrity are values that Old Mutual subscribes to and these values are embedded in the overall governance and reporting structures at Old Mutual. In line with our drive to report thoroughly and transparently on tax matters, we are proud to present our 2021 Old Mutual Group Tax Transparency Report, as part of the 2021 Old Mutual Integrated Reporting Suite.

Old Mutual contributed R14.2 billion in taxes to the jurisdictions in which we have business operations. Our 2021 Tax Transparency Report seeks to provide further context and a deeper narrative around the taxes we pay.

In line with our Truly Mutual agenda, Old Mutual prides itself on being a committed, socially responsible corporate citizen having regard to its economic, social and environmental impact on the communities in which it operates.

We continue to hold ourselves to a benchmark that requires us to behave responsibly and amongst other factors, pay our equitable share of taxes, on time. We know the deep impact that the taxes we pay have on the prosperity of the countries and communities we serve.

We remained committed to paying our taxes timeously at all material times during the COVID-19 lock-down period

in South Africa. Whilst this required a significant shift in the way our employees worked (transitioning to working from home and returning to the office) Old Mutual continued to meet its compliance obligations to the Revenue Authorities, on time, in the countries that we operate in, preferring not to take advantage of any concessions granted by Revenue Authorities in Africa.

Through our 2021 Tax Transparency Report, we hope we have sufficiently articulated the steps we have taken respectfully with tax matters with the Revenue Authorities of the countries in which we do business.

“The report demonstrates a clear commitment to the standards set out in the Global Reporting Initiative 207: Tax 2019. The concise report successfully communicates how Old Mutual’s tax philosophy and strategy aligns to and is interconnected with its Group strategy. The tax report provides valuable and easy to understand explanations of the intricacies of tax in the insurance industry”

– PwC “Building Public Trust Through Tax Reporting” 03 March 2022 (with reference to the 2020 Old Mutual Tax Transparency Report).



Nazrien Kader
Group Head of Tax

“We recognize that core to our commitment is the need to build trust. Our 2021 Tax Transparency Report is our way of helping our stakeholders understand what our tax strategy is, what our approach to paying taxes is, and how we deliver on our social contract through our tax contributions to the communities in which we operate.”

Our 2021 Tax Transparency Report is a powerful indicator of our commitment to the 10 principles of the United Nations (UN) Global Compact, to which Old Mutual is a signatory, the 17 Sustainable Development Goals of the United Nations and the 2030 agenda for sustainable development.

We recognize that core to our commitment is the need to build trust. Our 2021 Tax Transparency Report is our way of helping our stakeholders understand what our tax strategy is, what our approach to paying taxes is, and how we deliver on our social contract through our tax contributions to the communities in which we operate.

In this vein, in line with global best practice, we proactively engaged with Revenue Authorities on major transactions concluded during the 2021 year (for example, the unbundling of the Nedbank shares where we voluntarily engaged with the South African Revenue Service, to provide the context and the tax consequences for shareholders and other parties, ahead of the transaction).

We believe that as one of the largest taxpayers in every country in which we conduct business on the continent of Africa, it is incumbent on us to continue to lead the conversation on tax transparency.

Our second report on tax transparency follows a similar structure to our 2020 report, which was commended by PwC in its recent report on “Building Public Trust Through Tax Reporting”.

We trust that we have gone one step further towards demonstrating the actions we have taken to implement good tax practice in the areas of tax management, strategy, interactions with Revenue Authorities and tax compliance and reporting (eg. further insights to the 2021 report include an overview of the tax highlights and developments, our perspective on value creation for our stakeholders and the forward looking effective tax rate trends).



AT A GLANCE



Uganda: Murchison Falls 1.9289° N, 31.6644° E

AT A GLANCE

Our tax contributions have significant economic and social impacts¹ in the jurisdictions and communities we serve²

R14.2bn

- R6.2 billion** Payroll Tax
- R3.3 billion** Corporate Tax
- R3.0 billion** Indirect Tax
- R1.1 billion** Policyholder Tax
- R0.3 billion** Property Rates and Taxes
- R0.2 billion** Dividends Tax
- R0.1 billion** Other

VALUE CREATION FOR STAKEHOLDERS⁷

| | 2021 Rbn | 2020 Rbn |
|----------------------------------|---------------|----------|
| Total Revenue | R248bn | R147bn |
| Claims & Benefits Paid | R132bn | R82bn |
| Payments & Benefits to Employees | R11bn | R10bn |
| Dividends to Shareholders | R14bn | R3bn |
| Taxes borne by the group | R6bn | R5bn |

We believe our tax contribution in South Africa has the following impact on our national budget⁴



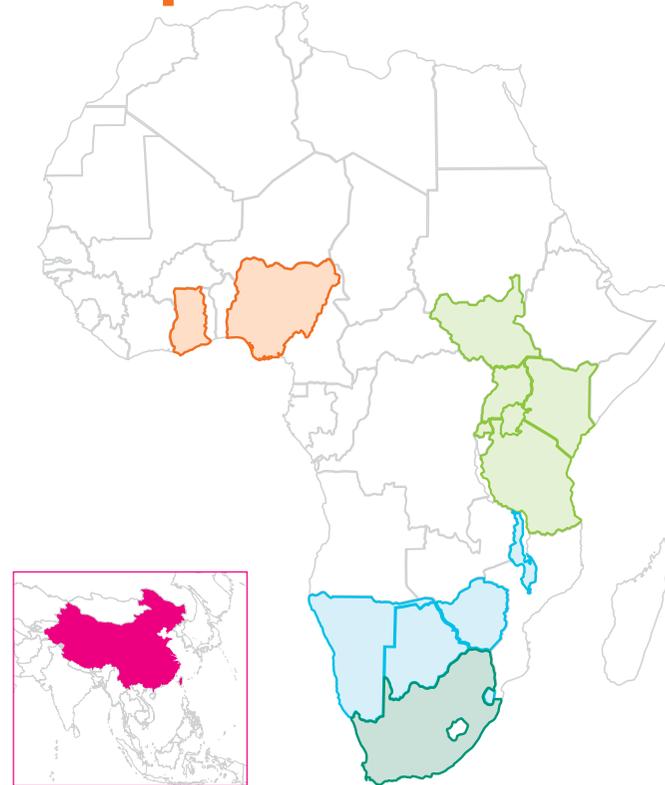
¹ Refer to page 7 and 44 of the Old Mutual Limited Sustainability Report 2021

² Refer to the Supplementary Information: Tax by Region for additional analysis

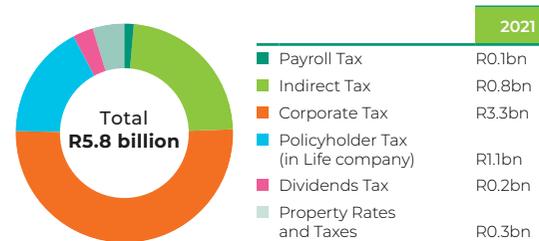
³ We operate in 13 African countries and China

⁴ The allocation has been calculated by applying the expenditure ratio per the 2021 National Budget to the South African tax contribution

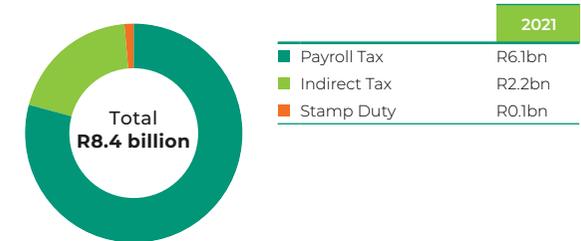
Operating in 14 countries³



Tax borne by the Group, by tax type, in FY2021 (Rbn)⁵



Tax collected on behalf of Revenue Authorities, by tax type, in FY2021 (Rbn)⁶



⁵ 'Taxes borne' means taxes incurred by entities in the Old Mutual Group and not recovered

⁶ 'Taxes collected' refers to taxes collected by entities in the Old Mutual Group on behalf of Revenue Authorities and paid over

⁷ Refer to 2021 Old Mutual Limited Annual Financial Statements (except for Taxes borne by the Group noted above)



TAX PHILOSOPHY AND STRATEGY

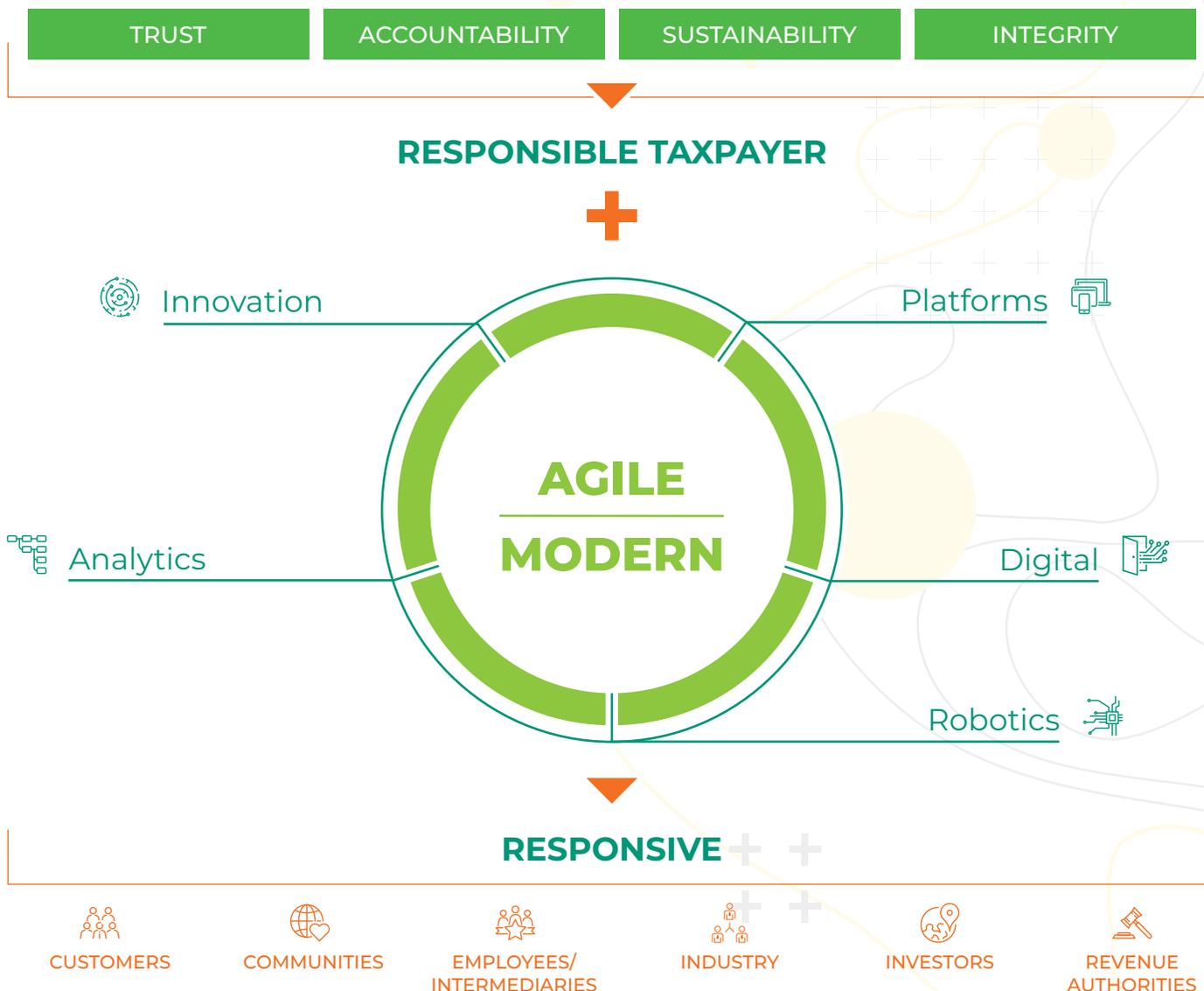


Nigeria: Third Mainland Bridge 6.5025° N, 3.4025° E



TAX PHILOSOPHY AND STRATEGY

We aim to maximise sustainable value by way of our commitment, in every jurisdiction in which we operate, to being a responsible taxpayer, a trusted, relevant and progressive business partner that is enabled by an agile, responsive, modern and engaged tax function.



Our vision is to become our customer's 1st choice and consequently create shareholder value by building the most valuable business in our industry

Our Tax strategy aligns with the wider Group strategy in the following ways:

- We make it evident that **OLD MUTUAL CARES** by way of our transparent disclosure of our contributions made to every region in which we have business operations.
- Our Group Tax function adopts a "continuous improvement" mindset towards a culture of high performing, customer-centric, tax-skilled and **ENGAGED EMPLOYEES** who are diverse, talented and respected in the tax field.
- We aim to be **ALWAYS PRESENT FIRST** for all our tax stakeholders which includes revenue authorities, industry bodies and communities in which we do business.
- We aim to build **SOLUTIONS THAT LEAD** through modern technology, analytics and automation of tax reporting processes, including governance and oversight processes.
- We deliver the right tax expertise, at the right time to support our businesses through transforming our traditional compliance and reporting systems into **REWARDING DIGITAL ENGAGEMENTS**.



APPROACH TO TAX

The Group's values which include earning trust and respect, taking accountability and acting with integrity, underpin our behaviour as responsible taxpayers in the face of complex and evolving tax legislation. Compliance with the Group's Code of Conduct further demonstrates our commitment.

OUR TAX PRINCIPLES

STRONG TAX GOVERNANCE FRAMEWORK

and standard tax operating models and protocols to ensure that we pay the right amount of tax at the right time, in the jurisdictions in which we have business operations.

ZERO TOLERANCE APPROACH

to non-compliance with tax legislation and regulations in all markets in which we serve.

TRANSPARENT AND TIMEOUS

tax compliance and reporting through co-operative relationships with revenue authorities, based on mutual respect, transparency and trust.

PROACTIVE AND CONSTRUCTIVE

engagement with revenue authorities, business groups and civil society to support the development of effective tax systems, legislation and administration.

COMMITMENT TO BEING

a responsible taxpayer, to sustain and grow the prosperity of our employees, customers, and communities we serve.

Our approach to tax is safeguarded by forward-thinking, diverse, talented and engaged tax specialists that we attract and retain in the Group. Adhering to our principles and acting on our values enables us to make the following commitments:

1

We maintain transparent and proactive relationships with local revenue authorities, holding robust dialogue on interpretations and application of proposed and current tax laws, obligations and requirements. We respond pro-actively to new tax regulatory proposals and contribute to industry body working groups.

2

We do not engage in any activities that are considered solely or mainly for the purposes of tax avoidance, base erosion or profit shifting. Our legacy operations in low tax jurisdictions were established in response to customer needs for offshore licensed investment services and products. We follow the 'arm's length' principle in respect of all cross border intra-group transactions and comply with OECD transfer pricing principles as well as local statutory transfer pricing principles in the countries in which we have business operations.

3

We are committed to the improvement of global tax transparency and support international tax treaties with the exchange of our tax information. Furthermore our global tax contributions support the objectives of sustained economic growth as per the United Nations Sustainable Development Goals and the South African National Development Plan 2030*.

* Refer to page 7 and 44 of the Old Mutual Limited Sustainability Report 2021



Tanzania: Mnemba Island
5.8205° S, 39.3835° E



TAX GOVERNANCE AND RISK MANAGEMENT



South Africa: Hole-in-the-Wall, Eastern Cape 32.0412° S, 29.1093° E



TAX GOVERNANCE AND RISK MANAGEMENT¹

The Board's responsibilities include leading and evaluating the effectiveness of corporate governance of our multi-listed and geographically diverse financial services group. Amongst others, the Board is guided by the King IV principles on corporate governance along with the minimum standards of the Prudential and Market Conduct Authority.

The Board sets out the approach to corporate governance in the Group Governance Framework (GGF)². The Board evaluates regular reports from the Group's executive committee, the Audit and Risk sub-committees.

The Group Tax Risk Management Policy approved by the Board sets the tax risk appetite within the parameters of which the Group operates. The Group Tax function is mandated to perform group-wide tax oversight and is committed to ethical and effective leadership by considering the needs of all tax stakeholders in the pursuit of efficient tax planning and sustainable, commercial activities.

The Audit committee and Risk committee of the Board mandates the Chief Financial Officer and the Group Head of Tax to oversee the implementation of the Group Tax Risk Management Policy in support of the business strategy set by the Board. This is complemented by the Finance and Data Governance policies. In addition, these committees provide oversight of external tax disclosures, and material tax compliance risk management processes. The Group Head of Tax sets the tax control framework, and operationalises the policy through the implementation of tax standard operating procedures and methodologies throughout the business.

The Group Tax function supports the implementation of the tax strategy and reporting by business by providing subject matter expertise and tax advice. The Boards of subsidiaries drive the effective implementation of the tax policy by receiving and reviewing quarterly reports from the executives in charge of the respective businesses on the:

- Nature and extent of all material tax matters and remediation/mitigation actions.
- Potential impact of new or proposed tax laws and regulations.
- Occurrence of any material tax non-compliance-related risk events, control breaks and incidents and tax revenue authority enforcement actions.
- Adequacy and effectiveness of tax processes, tax internal controls and/or mitigating actions.

The management of subsidiaries appoint knowledgeable senior tax representatives to oversee the implementation and testing of the adequacy of key tax controls. Through the combined assurance model, an independent review of tax compliance and adequacy of tax disclosures is performed by the internal and external audit function.

Tax Standard Operating procedures are implemented by:

OML AND OMLACSA BOARDS

(and their sub-committees) receive reports that include commentary on significant tax matters. These reports include:

REPORT OF THE CEO

- Executive Finance Committee Report
- Monthly Executive Committee Report
- Quarterly Business Review

AUDIT COMMITTEE

- Audit Committee Report
- Annual and Interim Reporting

RISK COMMITTEE

- Material Tax Matters
- Control Risk Attestation

GROUP TAX

The Group Head of Tax reports on the following areas to the sub-committees of the Board:

- Self Assessments
- Letters of Representation
- Group Internal Audit Reports
- External Audit Assurance
- Tax Risk Mitigation
- Key Tax Controls
- Compliance Monitoring
- Tax Regulatory Change Process
- Awareness and Training
- Cross Referencing to Governance and Risk

CHIEF FINANCIAL OFFICER OF SUBSIDIARY COMPANIES

SENIOR TAX REPRESENTATIVE

BOARD OF SUBSIDIARIES OF OPERATING ENTITIES

We have very stringent governance and controls in place over our processes which include anonymous whistleblowing channels: Phone 0800 22 21 17 through which suspicion of tax evasion or fraud may be reported.

¹ Refer to Note J4 on page 144 of the 2021 Old Mutual Limited Annual Financial Statements for an overview of how the Group assesses tax risk

² Refer to the 2021 Old Mutual Limited Corporate Governance Report



STAKEHOLDER ENGAGEMENT



South Africa: Bakoven Beach, Cape Town 33.9604° S, 18.3732° E



STAKEHOLDER ENGAGEMENT

OUR VALUES OF TRUST AND ACCOUNTABILITY

OUR COMMITMENTS

1

Our first commitment is to creating sustainable value for all our stakeholders. Knowing our stakeholders and understanding their needs are important to us as it forms the basis of all our relationships. Wherever there is shared value, there is lasting commitment to building and growing together.

2

Our second commitment is to adhere to strong corporate governance principles and to build trust with our stakeholders through maintaining good relationships. Our relationships with revenue authorities in countries in which we operate are governed by the Group's formal stakeholder relations policy. The policy ensures that the standards by which we operate across all our markets are in line with the King IV Code, United Nations Global Compact and United Nations Global Reporting Initiative Standards (GRI) for transparency.

| OUR STAKEHOLDERS | 2021 ENGAGEMENT |
|--|--|
|  <p>INVESTORS</p> <p>We are committed to reporting accurately and transparently on the tax affairs of the Group. In this respect, we have also ensured that our processes to identify, assess and mitigate tax risks withstand scrutiny.</p> | <p>Our Tax Transparency Report is our response to placing more relevant information in the hands of our investor community</p> |
|  <p>CUSTOMERS</p> <p>We are committed to sustaining and growing the prosperity of our customers and their families. Group Tax provides oversight of tax affairs ensuring accurate, fair and efficient tax disclosure. We continually initiate projects to improve how we share tax information and introduce technology to enable the management of our customer's tax affairs and queries in response to their needs.</p> | <p>In response to the COVID-19 restrictions and our ongoing commitment to sustainability, Old Mutual went 'Green with Tax Certificates' in 2021. All customer tax certificates were made available to customers securely via our Digital portals and our WhatsApp platform</p> |
|  <p>COMMUNITIES</p> <p>The Group was founded on sustaining the prosperity of the communities we serve. The economic impact of our tax contributions to the countries in which we operate support corporate social responsibility and is explained in more detail in the 2021 Old Mutual Limited Sustainability Report.</p> | <p>In addition to the Group-wide initiatives, the Group Tax Team supported the following charities in our communities:</p> <ul style="list-style-type: none"> • A centre (against Gender Based Violence) in Cape Town • An animal shelter in Cape Town • Project Bless a Baby – an initiative undertaken by our teams to contribute to charities serving babies across the continent |
|  <p>REVENUE AUTHORITIES</p> <p>We recognise that sustained economic growth demands a fair, transparent and an effective tax environment to secure mutually positive futures. We seek to maintain co-operative and proactive relationships with local revenue authorities by responding to regulatory proposals and requests for information timeously and to support the local revenue authorities to achieve their mandates to modernise the tax compliance process.</p> | <p>We maintain solid relationships with the in-country tax revenue authorities in the jurisdictions in which we operate. One of the highlights of our strategic engagement with the South African Revenue Service related to the distribution of Nedbank shares to the shareholders of Old Mutual Limited. We provided input into the development of tax legislation using the various fora on which we are represented e.g. include South African National Treasury 2021 Draft Taxation Laws Amendment Bill workshops and Annexure C proposals</p> |
|  <p>EMPLOYEES/ INTERMEDIARIES</p> <p>The Group attracts and grows tax expertise by truly understanding the aspirations of our people, investing in their personal development, fairly remunerating and creating a culture of respect and trust. We aim to create rewarding career paths with clear personal growth plans in Group Tax. Our short to medium-term focus on strategic automation and modernisation is delivering on our goal of more engaged tax resources applied to intellectually stimulating and value-creating activities.</p> | <p>Some of the highlights included:</p> <ul style="list-style-type: none"> • Investing in future female leaders' personal growth and professional development as part of the UnleashHer OML Talent Development Programme designed specifically for Old Mutual • Launching the Group Tax Rotational programme to facilitate exposure to the broader organisation • Conducting 'pulse' surveys to be more responsive to employee needs • The results of our recent engagement survey shows that we continue to make strides in the area of inclusive leadership, trust & accountability, diversity & inclusion and service culture |
|  <p>INDUSTRY</p> <p>Our talented and respected tax professionals actively contribute, lead, participate and lobby on matters that impact our industry.</p> | <p>Bodies on which our tax specialists serve include the:</p> <ul style="list-style-type: none"> • Tax sub-committee of the Association for Savings & Investment South Africa (ASISA) • Tax sub-committee of the Actuarial Society of South Africa for the IFRS 17 implementation initiatives • National Tax and other sub-committees of the South African Institute of Chartered Accountants (SAICA) • Davis Tax Committee and the South African Revenue Service Revenue Recovery Program • ACCA Zimbabwe Tax |



KEY TAX JUDGEMENTS AND RATIOS



Malawi: Lake Malawi 11.6701° S, 34.6857° E



KEY TAX JUDGEMENTS

We are committed to conducting our tax affairs in accordance with the tax legislation of the countries in which we have business operations. All interpretations by management are made with reference to the specific facts and circumstances of the transaction and in the context of relevant legislation, practice and directives. All positions taken are vigorously tested and defensible.



Business and tax law complexity may result in the Group entering into transactions that expose us to tax, legal and business risks. Judgement is involved in determining whether there are uncertain tax positions. The revenue authorities in the various countries in which we operate routinely review historic transactions undertaken and tax law interpretations made by the Group.

The financial statements record and evaluate tax positions in terms of IFRIC 23 – Uncertainty over Income Tax Treatments, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and IAS 12 – Income Taxes, which sets out how to account for the tax position, when there is uncertainty over income tax treatment.

Where applicable, the impact of the above standards on the respective legal entities in the Group have been considered.

The Board is satisfied that adequate provisions have been made to cater for the resolution of uncertain tax matters and that the resources required to fund such potential settlements, where necessary, are sufficient.

During the 2021 year, the following major settlements were made, consultatively with the revenue authorities:

- Voluntary disclosure: R42.6 million paid
- Alternative dispute resolution: R1.1 million refunded
- Defending our tax position: R85.9 million refunded

OUR VALUE OF INTEGRITY



Ghana: Cape Coast 5.1315° N, 1.2795° W

ACTUARIAL AND TAX JUDGEMENTS

As noted, the Group has four lines of business, with the most significant being our Life and Savings business. This line of business is the major contributor to the Group's operating profit, and consequently, its total tax contribution to the jurisdictions in which we have business operations.

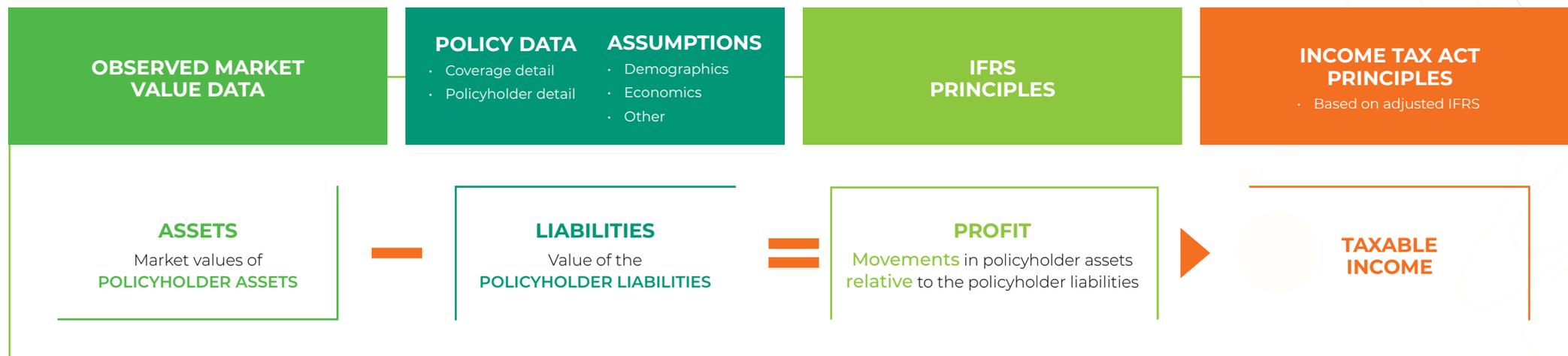
Taxable income for our Life and Savings business is calculated in accordance with the tax laws of the countries in which we operate. Life profits are based largely on movements in the policyholder assets relative to the policyholder liabilities. Policyholder assets are normally valued on observed market value or fair value, but significant judgement is required to determine the value of the policyholder liabilities.

IFRS 4 Insurance Contracts is a principles-based standard involving material judgement. The IASB issued IFRS 17 Insurance Contracts in May 2017, as a replacement for IFRS 4 Insurance Contracts. The Group will apply the new standard from the effective date, being 1 January 2023. The Group has rolled out an implementation programme, which the Group Tax function is an integral part of.

Generally, the valuation date measurement of policyholder liabilities involves the use of models with assumptions to calculate the present value of projected future cash flows, together with adding any margins that may be prescribed or is allowed to be added at the discretion of the insurer.

Assumptions used in the valuation of liabilities are set on a long-term basis, and are not expected to be changed frequently. Proposed changes are taken through strict governance processes before half-yearly valuations, with ultimate Board Audit committee approval. The impact of basis changes are estimated as part of the governance process, but these estimates will differ to the actual final impact. In the actual valuation, liabilities are quantified using actual data, approved assumptions and models. Changes to assumptions and models will influence the timing and release of profits over time. Profits can fluctuate as a result of deviations between current and future expectations of market conditions and policyholder behaviour, as well as the current year's experience, differing to that assumed at the start of the year. The differences between actual assumption changes and estimated assumption changes are reported to the Board Audit committee.¹

The COVID-19 pandemic has had a material impact on liabilities over recent years, with additional short-term provisions being added into our policyholder liabilities to allow for the expected additional claims from the pandemic beyond the valuation date. Those changes followed the same governance process as set out above for all other basis changes.



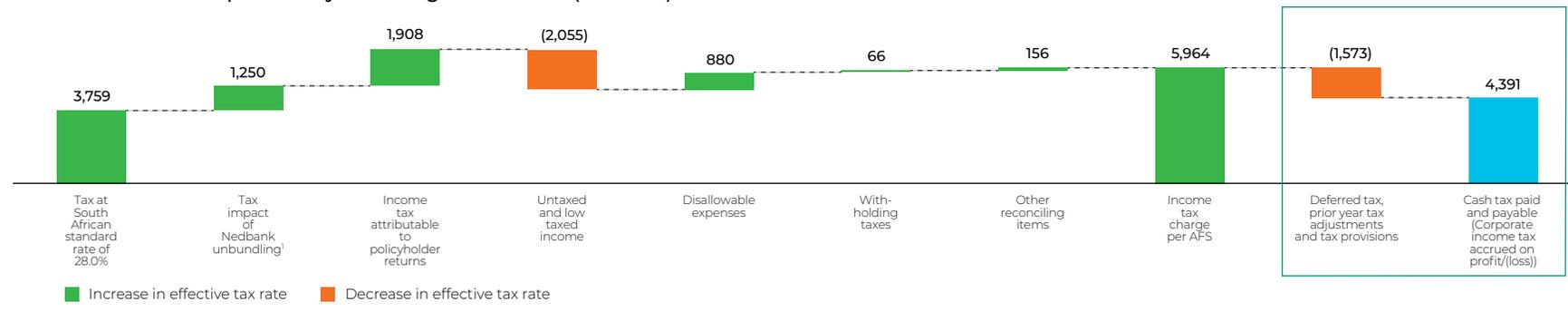
¹ Further detail regarding the critical accounting estimates and judgements relating to the measurement of policyholder liabilities can be found in note G2 of the 2021 Old Mutual Limited Annual Financial Statements



GROUP EFFECTIVE TAX RATE

Reconciliation of Group Statutory Tax Charge to Cash Tax

Reconciliation of Group Statutory Tax Charge to Cash Tax (R million)



Note: The graph from the left starts with the statutory tax payable on the IFRS pre-tax profit and then illustrates the various adjustments to achieve the IFRS tax charge and the cash tax payable. The IFRS tax charge and the cash tax payable is higher than the theoretical statutory tax charge, hence the increase in the effective tax rate:

*IFRS EFFECTIVE TAX RATE²

The Group IFRS effective tax rate as at 31 December 2021 is 44.4% (December 2020: -63.4%). This is 16.4% higher than the statutory tax rate of 28%. The key drivers of the higher IFRS effective tax rate (as compared to the statutory rate of 28%) are as follows:

- Income tax attributable to policyholder taxes contributed a 14.2% increase to this rate;
- Tax impact of the Nedbank unbundling increased the rate by 9.3%; and
- These increases were offset by non-taxable income and gains by 5.4%.

* ¹ Refer to page 21 of the 2021 Old Mutual Limited Annual Financial Statements

2 IFRS effective tax rate is defined as the IFRS Income tax charge as a percentage of pre-tax IFRS profits of the Group.

**ADJUSTED HEADLINE EARNINGS (AHE) EFFECTIVE TAX RATE³

The Group effective AHE tax rate as at 31 December 2021 of 26.7% (December 2020: 32.0%) is lower than the Group effective IFRS tax rate of 44.4%. The key drivers of the lower effective tax rate on an AHE basis, as compared to the IFRS basis, relate mainly to the following:

- The income tax attributable to policyholder taxes which are excluded from the tax on the AHE basis;
- Impact of the Nedbank unbundling (excluded from AHE); and
- Other non-core earnings (excluded from AHE).

** ² Refer to page 23 of the 2021 Old Mutual Limited Annual Financial Statements

3 AHE effective tax rate is defined as the AHE Income tax charge as a percentage of pre-tax AHE profits of the Group. AHE is an alternative non-IFRS profit measure used alongside IFRS profit to assess performance of the Group. The basis of preparation of Adjusted Headline Earnings is defined under A1 on page 31 of the Annual Financial Statements.

***CASH TAX RATE⁴

The Group cash tax rate as at 31 December 2021 of 32.7% (December 2020: -73.8%) is higher than the Group statutory tax rate of 28.0%. The key drivers of the higher cash tax rate, relate mainly to the following:

- Income tax attributable to policyholder taxes which contributed a 10.8% increase to this rate;
- The tax impact of the Nedbank unbundling increased the rate by 5.4%; and
- Offset by non-taxable income and gains.

*** Cash tax excludes: deferred income tax, prior year tax adjustments and tax provisions

4 Cash tax rate is defined as Cash tax paid and payable (Corporate income tax accrued on profit/(loss)) in respect of current year income as a percentage of pre-tax IFRS profits/losses of the Group.

¹ ¹ Refer to page 21 for further information on the unbundling of Nedbank shares



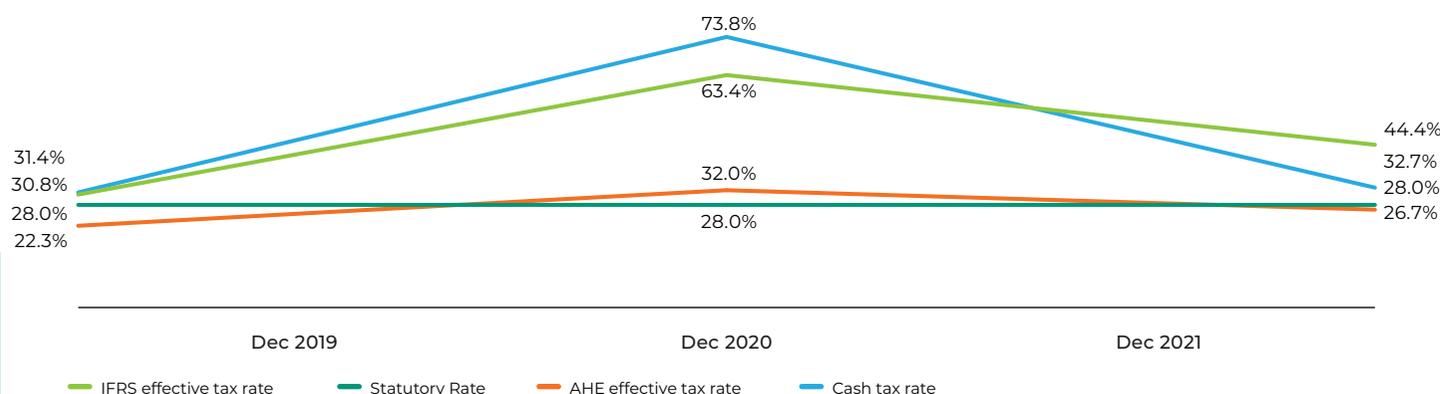
EFFECTIVE TAX RATE RECONCILIATION

A detailed computation of the IFRS effective tax rate reconciliation and graphical representation of a three year trend of tax rates is presented below:

| | 2021 Rm | 2020 Rm | 2021 % | 2020 % |
|---|---------------|----------------|--------------|----------------|
| Profit/(loss) before tax | 13,427 | (3,272) | | |
| Tax at South African standard rate of 28% (2020: 28%) | 3,759 | (916) | 28.0% | 28.0% |
| Different tax rate or basis on foreign operations | (74) | (60) | (0.6%) | 1.8% |
| 1 Untaxed and low taxed income | (2,055) | (1,903) | (15.3%) | 58.2% |
| 2 Disallowable expenses | 880 | 4,148 | 6.6% | (126.8%) |
| Adjustments to current tax in respect of prior years | (36) | 46 | (0.3%) | (1.4%) |
| Net movement on deferred tax assets not recognised | 274 | 53 | 2.0% | (1.6%) |
| Adjustments to deferred tax in respect of prior years | (2) | 72 | 0.0% | (2.2%) |
| Withholding taxes | 66 | (209) | 0.5% | 6.4% |
| Income tax attributable to policyholder returns | 1,908 | 845 | 14.2% | (25.8%) |
| Tax impact of Nedbank unbundling | 1,250 | - | 9.3% | - |
| Other | (6) | - | 0.0% | - |
| Income tax expense/IFRS effective tax rate | 5,964 | 2,076 | 44.4% | (63.4%) |

- 1 Includes mainly premium income that is not taxable in terms of the laws of Ghana and Nigeria, non-taxable dividends and capital gains taxed at lower than the corporate tax rate
- 2 Disallowable expenses mainly relate to non-deductible shareholder costs, limitation on tax deductions in respect of interest and management fees in Kenya and holding companies in the group that apportion expenses for deductions (that is, they earn both exempt and taxable income and in line with the practice of the South African Revenue Service (SARS), expenditure is apportioned for deduction for income tax purposes). In addition disallowable expenditure in 2020 includes a once-off impairment of R3.2 billion.

Three year trend of taxes (%)



COMMENTARY AND TRENDS

Whilst the adjusted headline earnings effective tax rate has reduced compared to 2020 it is still higher than the historic average of 25.4%. Barring any economic shocks it is expected that the adjusted headline earnings effective tax rate should trend slightly higher than the current year adjusted headline earnings effective tax rate due to the investment in Nedbank no longer being equity accounted.

The IFRS effective tax rate remains volatile and is driven mainly by the performance of the investment markets which feeds into policyholder returns and revaluations of investments. Due to this volatility it is difficult to predict with certainty the IFRS effective tax rate going forward.

Note In 2020, due to the inverse relationship caused by the IFRS loss before tax these percentages (except for the AHE Effective Tax Rate and statutory rate) have been inverted to correctly depict the trend in the Effective Tax Rates. The AHE Effective Tax Rate as well as the statutory rate have not been inverted, as on the AHE basis the Group has made a profit.



SUPPLEMENTARY INFORMATION



South Africa: Eastern Cape, Wildlife Reserve 31.6531° S, 29.5021° E



TAX BY REGION

In the following table, we share an overview of our tax information by region guided by the disclosure requirements in GRI 207

| Region ¹ | Primary activities | | | | | Profit/(loss) before tax Rm ² | Corporate income tax paid on a cash basis Rm ³ | Cash tax paid and payable (Corporate income tax accrued on profit/(loss)) Rm ⁴ | Cash tax rate ⁵ | Number of employees ⁶ | Total Tax Contribution | | | | | | | |
|--------------------------------------|--------------------|---|---|---|--------|--|--|--|-------------------------------|-------------------------------------|------------------------|---------------------|------------------------|--------------------------|-----------------------------------|-----------------------------------|---|---|
| | | | | | | | | | | | Life and Savings | Asset Management | Banking and Lending | Property and Casualty | Total Tax Contribution 2021 | Total Tax Contribution 2020 | Percentage Total Tax Contribution 2021 | Percentage Total Tax Contribution 2020 |
| | | | | | | | | | | | | | | | Rm | Rm | | |
| South Africa | ✓ | ✓ | ✓ | ✓ | 7,599 | 3,962 | 3,897 | 51.3% | 21,250 | 12,130 | 10,963 | 85.2% | 88.7% | | | | | |
| Southern Africa (excl. South Africa) | ✓ | ✓ | ✓ | ✓ | 4,757 | 243 | 326 | 6.9% | 2,944 | 1,344 | 772 | 9.4% | 6.3% | | | | | |
| East Africa | ✓ | ✓ | ✓ | ✓ | 26 | 293 | 134 | 521.2% | 3,331 | 599 | 569 | 4.2% | 4.6% | | | | | |
| West Africa | ✓ | ✓ | | ✓ | (36) | 9 | 13 | (36.3%) | 844 | 39 | 37 | 0.3% | 0.3% | | | | | |
| Other | ✓ | ✓ | | | 1,081 | 6 | 21 | 2.0% | 41 | 124 | 13 | 0.9% | 0.1% | | | | | |
| Total | | | | | 13,427 | 4,513 | 4,391 | 32.7% | 28,410 | 14,236 | 12,354 | 100% | 100% | | | | | |

1 Note 1 of the 2021 Annual Financial Statements contains a list of names of principal subsidiaries, associates and joint ventures

2 Consolidated IFRS profit before tax for the Group per the 2021 Annual Financial Statements

3 Corporate income tax paid on a cash basis in 2021 (including taxes paid in 2021 that relate to prior year taxes due)

4 Cash tax paid and payable (Corporate income tax accrued on profit/(loss)) excludes deferred income tax, prior year tax adjustments and tax provisions

5 Cash tax rate is calculated as the cash taxes paid/payable in respect of current year income as a percent of pre-tax IFRS profits/losses of the Group

6 Number of employees is calculated as the head count at the end of the reporting period 31 December 2021

COMMENTARY AND TRENDS

The total tax contribution for the group has increased 15.2% from R12.4 billion in 2020 to R14.2 billion in 2021. The relative tax contributions of the various countries to the total tax contribution has remained relatively stable. The largest movements being a 3.5% reduction in South Africa and a 3.1% increase in Southern Africa (excluding South Africa).

South Africa – The effective tax rate was mainly driven by policyholder taxes and the capital gains tax on the unbundling of the shares in Nedbank. Whilst the total tax contribution has increased by R1.2 billion, the percentage contribution by South Africa has decreased by 3.5% due to the relatively higher increases in the Southern Region (excluding South Africa).

Southern Africa (excluding South Africa) – The effective tax rates were largely driven by the impact of differing tax regimes. The overall total tax contribution is largely made up of corporate tax, Intermediary Monetary Transfer tax in Zimbabwe and payroll tax payments in Zimbabwe and Namibia.

East Africa – In Kenya and Uganda, minimum tax applies in the Life entities. Kenya had a significant payroll tax contribution due to high headcount. Both Kenya and Uganda had a significant contribution to domestic transaction withholding taxes on payments to suppliers.

West Africa – The total tax contribution in Nigeria and Ghana were mainly driven by a combination of significant payroll tax contributions and corporate tax payments. Nigeria has a minimum tax rule which results in corporate tax payments not withstanding that Nigeria is in a loss-making position.

Other – The majority of the income relates to income earned by the Isle of Man. The legacy operations in the Isle of Man (and other low tax jurisdictions such as Guernsey and Mauritius) were established in response to our customers' needs for offshore licensed investment services and products. In establishing a presence in these jurisdictions, where appropriate, the Group has ensured that the operations have substance and are suitably equipped and staffed to make the required business decisions. The income of the Isle of Man, Guernsey and Hong Kong branches are taxable in South Africa. For subsidiaries in Guernsey, Mauritius and Bermuda, the income of these subsidiaries are taxed in South Africa in terms of South Africa's 'Controlled Foreign Company' rules. The effective tax rates for this region is low as the tax in respect of the branches are included in the South African tax payable.



TAX HIGHLIGHTS AND DEVELOPMENTS



South Africa: Cape Point 34.3567° S, 18.4968° E

Old Mutual employs an accomplished team of tax specialists and subject matter experts who represent Old Mutual on relevant industry bodies and keep abreast of proposed international and domestic tax legislation and its impact on the group. The more significant recent developments include:

INTERNATIONAL

GLOBAL ANTI-BASE EROSION RULES

In December 2021 the Organisation for Economic Co-operation and Development (OECD) published detailed rules to define the scope and set out the mechanism for the implementation of so-called Global Anti-Base Erosion (GloBE) rules under Pillar Two, which introduces the global minimum corporate tax rate of 15% applicable to multi-national enterprises. South Africa is one of 137 countries that are signatories to the OECD/G20 Inclusive Framework on BEPS joining the Statement on a two pillar solution to address the tax challenges arising from the digitalisation of the global economy.

Old Mutual Limited is considering the potential scope of these rules and its possible tax impact to ensure compliance when the rules become operable, which may be as early as 2023, subject to domestic legislative processes.

IFRS 17

With effect from 01 January 2023 IFRS 17 introduces new concepts for income recognition, classification of financial instruments and valuation of insurance products amongst others, which impacts the life & savings business of Old Mutual.

Old Mutual has modelled the transitional impact of this accounting standard and has made extensive submissions through ASISA and ASSA

to National Treasury on the tax impacts based on different scenarios and transitional relief required. We will continue to engage with National Treasury to proactively contribute to the development of the legislation.

As part of its preparation for the implementation of IFRS 17 Old Mutual will conduct IFRS 17 dry runs in 2022.

INTERNATIONAL REPORTING RULES

EUROPEAN DIRECTIVE MANDATORY DISCLOSURE RULES (DAC6)

With the introduction of DAC6 that requires intermediaries and/or taxpayers to report qualifying cross-border tax arrangements, Old Mutual engaged with our advisors to understand the reporting requirements in relation to its investments in the UK and the European Union. We concluded that for 2021 Old Mutual did not have any reporting obligation in terms of DAC6.

CHARGEABLE EVENTS CERTIFICATES (CEC) – UK

Notwithstanding that an insurer may not have insurance operations in the UK, if a policyholder of the insurer is UK resident then for certain qualifying policies the insurer has a reporting obligation to the Her Majesty's Revenue and Customs (HMRC). Old Mutual engaged with our advisors in the UK and the HMRC to ensure that it has fulfilled its reporting obligations in terms of the CEC regime.

TRANSFER PRICING

Old Mutual Limited is a Pan-African group, with an operational footprint in 14 countries, subject to the tax laws and regulations of the jurisdictions in which it operates. Old Mutual Limited has implemented the measures developed by the OCED Base Erosion and Profit Shifting (BEPS) Action Plan to comply with the enhanced International Tax principles and Transfer Pricing compliance and disclosure regime, which includes the Country-by-Country Report and Transfer Pricing documentation. Old Mutual Limited ensures intra-group transactions that arise are in accordance with the arm's length principle and structures and transactions are implemented on the basis of commercial rationale benchmarked to market.

COUNTRY-BY-COUNTRY REPORTING

Old Mutual Limited, the ultimate parent company of the Old Mutual Group as tax resident in South Africa has since 2018 (post-Managed Separation) reported data for the entire group on an aggregated basis for each jurisdiction in which it operates in terms of the country-by-country reporting rules. A dashboard of this information is published as part of the Supplementary Information to this report.



TAX HIGHLIGHTS AND DEVELOPMENTS



Namibia: Sossusvlei 24.7274° S, 15.3424° E

SOUTH AFRICA

In a South African context we highlight 3 major recent tax amendments of impact to the Group.

- The reduction in the **corporate income tax rate** from 28% to 27%.
- The **limitation on the utilisation of the benefit of assessed losses** (capped at an amount equal to 80% of taxable income earned in that particular tax year before the set-off of the assessed loss carried forward) as a consequence of which, affected companies will be taxed on a minimum of 20% of taxable income earned in a particular tax year, despite the existence of larger assessed losses.
- The **limitation on the deduction of interest expenditure** – the ‘so called’ excessive interest deductions in respect of debts owed to persons not subject to tax in South Africa which has been extended to include all loans from group companies that are subject to low/no tax in South Africa.

On assessment of the impact of the above legislation for its 2023 year of assessment Old Mutual has concluded that whilst it would result in an increase in cash tax payable, the overall impact is unlikely to be material to the Group.

UNBUNDLING OF NEDBANK SHARES

During 2021 Old Mutual Limited distributed 12.2% of Nedbank shares out of contributed tax capital to its shareholders as a dividend-in-specie resulting in a capital gains tax liability of R731 million during 2021. Old Mutual met with SARS to alert SARS to the transaction and explain the tax consequences to ensure alignment.

VAT

In 2019 Section 72 of the Value-Added Tax Act (VAT) was amended to narrow SARS discretion in issuing directives to overcome difficulties, anomalies or incongruities that vendors may face when applying the VAT Act as a result of the manner in which the vendor conducts its enterprise. It is now proposed that the legislation be amended to incorporate specific dispensations which require decisions under the new provisions of section 72 in order for vendors or classes of vendors to operate in terms of the VAT legislation versus a special dispensation. We have reviewed our rulings to determine whether we need to make representation to National Treasury to include any of our rulings in the specific legislation and concluded none of our rulings currently require specific legislation as contemplated.

SHARE SCHEMES

The Supreme Court of Appeal delivered its judgement in Commissioner for SARS v Spur Group (Pty) Limited (320/20) [2021] ZASCA 145 on 15 October 2021. Old Mutual has reviewed the tax treatment of its various share schemes in light of this judgement and concluded that the outcome of this case is specific to the peculiar facts. As such it does not impact the tax treatment of the Old Mutual share schemes.

RETIREMENT REFORM

National Treasury has proposed reformation of the retirement funds industry by way of introduction of the two-pot system, that is, one pot that is preserved until retirement age, while the other to enable pre-retirement access under prescribed circumstances. This proposed reform should see tax uniformity for all who contribute towards retirement, provide much needed relief for those with significant debt and should encourage greater savings. Old Mutual has been a part of the discussions to date and is conducting an impact assessment on its products.

REST OF AFRICA

We highlight primary recent amendments in our key economies in the Rest of Africa.

KENYA

- The Finance Act 2021 introduced new “thin capitalisation” provisions limiting interest deductions to 30% of EBITDA of highly leveraged companies, effective 01 January 2022. Whilst an exemption is granted to Banks, no exemption or explicit reference is made to Micro-Lenders. Whilst the impact at a domestic level is likely to be significant, it is unlikely to have a material impact on the taxes payable by the Group as a whole or on the effective tax rate of the Group. Local management is represented by the Association of Micro-finance Institutions Kenya who has lobbied National Treasury in Kenya for an urgent amendment (submitted in September 2021).
- The Finance Act, 2021 removed the limitation on the carry forward of tax losses.
- In September 2021 the High Court in Kenya ruled that the minimum tax provision is unconstitutional (we continue to monitor this closely to see how this ruling might impact the Finance Bill, 2022).
- The Tax Laws Amendment Act, 2020 which came into effect in April 2020, introduced VAT on insurance brokerage and agency services. In July 2020, following an application by the Association of Kenya Insurers (“AKI”), the High Court of Kenya issued conservatory orders suspending the implementation of the amendment pending the determination of the matter and, in December 2021, ruled that the amendment is unlawful and unconstitutional. The Kenyan Revenue Authority has lodged an appeal against the judgement at the Court of Appeal. In the absence of stay orders, the High Court judgement remains binding.

UGANDA

- VAT withholding was first introduced in Uganda in July 2018. However, due to various implementation challenges, this was suspended in September 2018. In October 2021 the Uganda Revenue Authority (“URA”) issued a Public Notice requiring VAT Withholding Agents to resume withholding VAT with effect from 01 December 2021.

NIGERIA

- The Finance Act, 2021 introduced new Capital Gains Tax provisions imposing tax at 10% on gains from the disposal of shares in a Nigerian company worth N100 million or above in any 12 consecutive months, except to the extent that the proceeds are reinvested in the shares of any Nigerian company.
- The relief offered under COVID-19 in respect of the minimum tax rate has reverted to 0.5% with effect from the 2022 tax year.
- The Tertiary Education Tax increased from 2% to 2.5%. This applies to all companies including the financial sector, other than small companies. The amount paid is not tax deductible.

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