

OLDMUTUAL



THE FUTURE MATTERS

RESPONSIBLE INVESTMENT REPORT



INVESTMENT GROUP

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COMPANY OVERVIEW



INVESTING FOR A FUTURE THAT MATTERS

Old Mutual Investment Group is a leading African listed asset manager, working with affiliates to offer a wide range of listed and unlisted capabilities, managed by independent investment boutiques. Our focus is on delivering sustainable long-term returns for our clients, while also being responsible stewards of the assets we manage. We believe that incorporating environmental, social and governance (ESG) factors into our investment and ownership decisions supports our pursuit of superior risk-adjusted returns for our clients.

OUR BACKGROUND

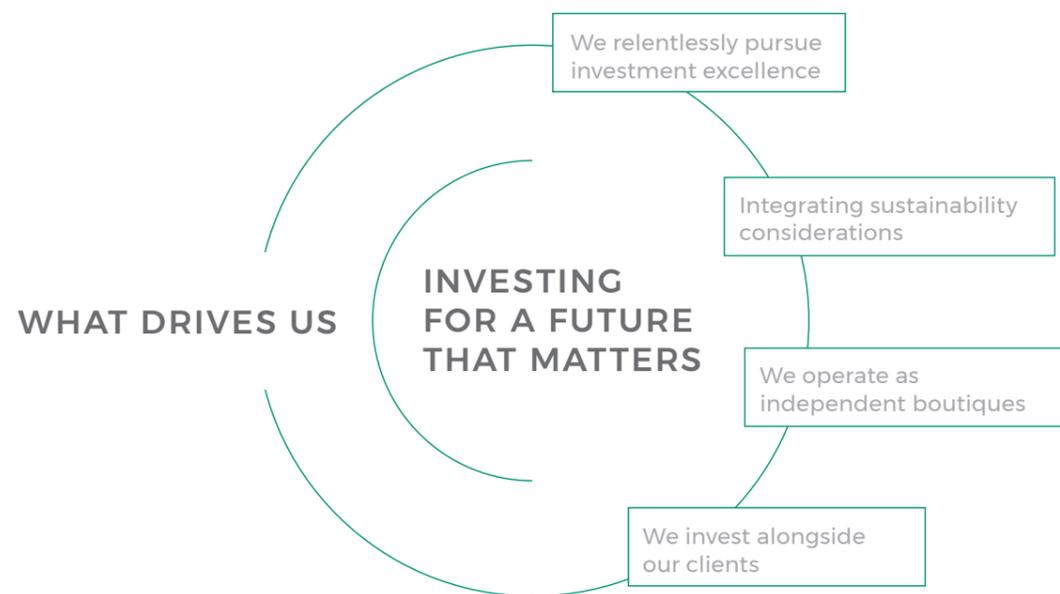
Since 1845, Old Mutual has been helping millions of South Africans live out their dreams. That is why we truly understand the importance of investing for a future that matters.

Our JSE-listed parent company, Old Mutual Limited, is a leading African financial services group that operates across the African continent. The group has served its retail and corporate customers for over 175 years. Old Mutual has been a signatory of the United Nation Principles for Responsible Investment since 2012 and was a part of the team that drafted the Code for Responsible Investing in South Africa.

OUR CULTURE

As a leading investment manager, we have been intentional about embedding Responsible Investing (RI) into our organisational culture. We believe that we have an important role to play in driving long-term sustainable growth outcomes as we responsibly invest our clients assets. That is why we are at the forefront of integrating ESG considerations into our investment and ownership decisions. We also offer our clients unparalleled access to investment capabilities that address both ethical and green economy outcomes.

We are actively transforming our own business and play an important role in transforming the businesses in which we invest.



RESPONSIBLE INVESTING – OUR BELIEFS

Old Mutual’s approach to RI is founded on an understanding of the investment and systemic risks posed by sustainability issues such as resource depletion, climate change and social inequality (to name a few). As a long-term investor, we believe that it is in the interests of all participants in the financial ecosystem to play a proactive role in creating long-term sustainable outcomes for all stakeholders. Fundamental alignment on these issues creates a virtuous circle that connects the aspirations of African savers with the long-term sustainability strategies of the firms in which we invest. Our approach to RI is further informed by the long-term nature of many of our investments, as well as Old Mutual’s size and therefore ability to influence RI ESG practices in the financial services industry.

We believe that sustainability is a long-term macroeconomic theme that is fundamentally reshaping the competitive landscape across every industry. Companies that respond to this trend and innovate early will reap the benefits of stronger growth prospects, enhanced operating efficiencies, stronger social licence to operate, enhanced staff retention, lower cost of capital and, ultimately, stronger and longer competitive advantage. Consequently, we believe that incorporating ESG factors into our investment and ownership decisions will support the pursuit of superior risk-adjusted returns for our clients. We believe that proactive asset level stewardship is critical for managing long-term risk and

that championing for improved sustainability practices is key to strengthening the long-term resilience of the market.

ESG INTEGRATION

WHAT WE OFFER

We have a comprehensive range of local and international investments, each managed by autonomous specialist investment teams. We offer investments across the risk/return spectrum and the full range of asset classes, including equity, fixed interest, property, private equity and infrastructure. As well as well-researched investment opportunities on the African continent, including unparalleled expertise in the unlisted equity space. We integrate sustainability considerations across all our investment and ownership decision-making processes, irrespective of asset class. We are also at the forefront of innovation and offer our clients access to an unparalleled ethical and green economy product range. We have a comprehensive listed equity stewardship service that allows large Institutional funds to deliver a consistent ownership outcome across their listed equity holdings.

We actively seek opportunities to innovate product, to meet the growing ESG outcome needs of our clients. In June 2020, we launched a South African market focused ESG fund, making it the third in our Responsible Investing suite of unit trust funds. The fund is an active equity

Old Mutual’s approach to RI is founded on an understanding of the investment and systemic risks posed by sustainability issues such as resource depletion, climate change and social inequality (to name a few).



fund that helps clients invest in a portfolio of South African companies with leading sustainability practices and lower overall greenhouse gas emissions. The fund employs an active approach to stewardship and engages directly with company management on ESG issues while championing for improved sustainability practices across the market.

POLICIES

We maintain a publicly available RI policy which draws on the principles of the Code for Responsible Investing in South Africa (CRISA) and other RI focused policies and legislation, both in South Africa (including Regulation 28 of the Pension Funds Act, the Financial Sector Charter (FSC) and the King IV Code on Corporate Governance (Principle 17)) and globally in terms of the United Nations backed Principles for Responsible Investment (UNPRI).

Our RI policy commits us to:

1. The consideration of material ESG issues when making investment and ownership decisions;
2. Responsible stewardship of clients’ assets by engaging with investee companies on their ESG practices and voting at company meetings;
3. Supporting industry RI initiatives and contributing to RI thought leadership across the financial services sector;
4. Public disclosure on our RI policies and practices.

ANNUAL DISCLOSURES

In addition to this report, which details the RI practice of Old Mutual Investment Group Holdings as required by CRISA, we also provide separate, more detailed disclosures of engagement and proxy voting activities in our Listed Equity Stewardship Reports. Additionally, we provide disclosure of group-wide RI practices in our Annual Responsible Business Report and our Transparency Report to UNPRI. 

INCORPORATING ESG INTO OUR DNA

Khaya Gobodo, Managing Director,
Old Mutual Investment Group

COVID-19 has had devastating impacts on both societies and economies around the world. So far, we have been sheltered from the worst of the healthcare crisis due to swift and decisive leadership. We must thank President Ramaphosa and all spheres of government leadership, for the tough decisions they have had to make over the recent months. We must continue to give them the support over the coming months, as we work through what might still be the worst of the crisis. It is at times like these when our focus should be maintained and ESG should become the centre of our processes. There are several ESG related factors that will guide us and facilitate a better outcome.

Our focus to invest in a future that matters is more relevant than ever today. We live in a world that is more connected than it has ever been. This interconnectedness spans our societies, markets and environment. A fundamental principle of Responsible Investing (RI) is that it considers the impact of unpriced externalities. By recognising these, we essentially force participants to consider the common wisdom of pursuing short-term returns at the expense of long-term resilience of social and environmental systems.

The lockdown in South Africa, put in place to help reduce the spread of COVID-19, has had a devastating impact on our society. There are scores of people lining up, sometimes for kilometres, to receive food parcels. Now more than ever, the urgency of creating an economy around the concept of shared value comes to the fore. There is a need for a stakeholder inclusive model where value is shared across participating shareholder groups. This requires business leaders and management to consider a broad range of stakeholders and the associated impact on business in the decisions they make.

In the current age of populist politics, the role of science has increasingly taken a back seat. This is increasingly concerning, as scientific research documenting the

impact we have had on the environment is often overlooked or not taken seriously. Within an RI framework we need to understand the underlying scientific workings behind climate change, allowing us to better position ourselves to the risks and opportunities that present themselves.

As we continue our journey, we strive to incorporate ESG principles into our DNA. Our investment processes afford us the opportunity to pursue superior risk-adjusted returns whilst at the same time positively impacting the communities and environment we operate in. At Old Mutual we have integrated ESG into our daily lives, with both our Cape Town and Johannesburg offices being awarded with a four-star green building rating.

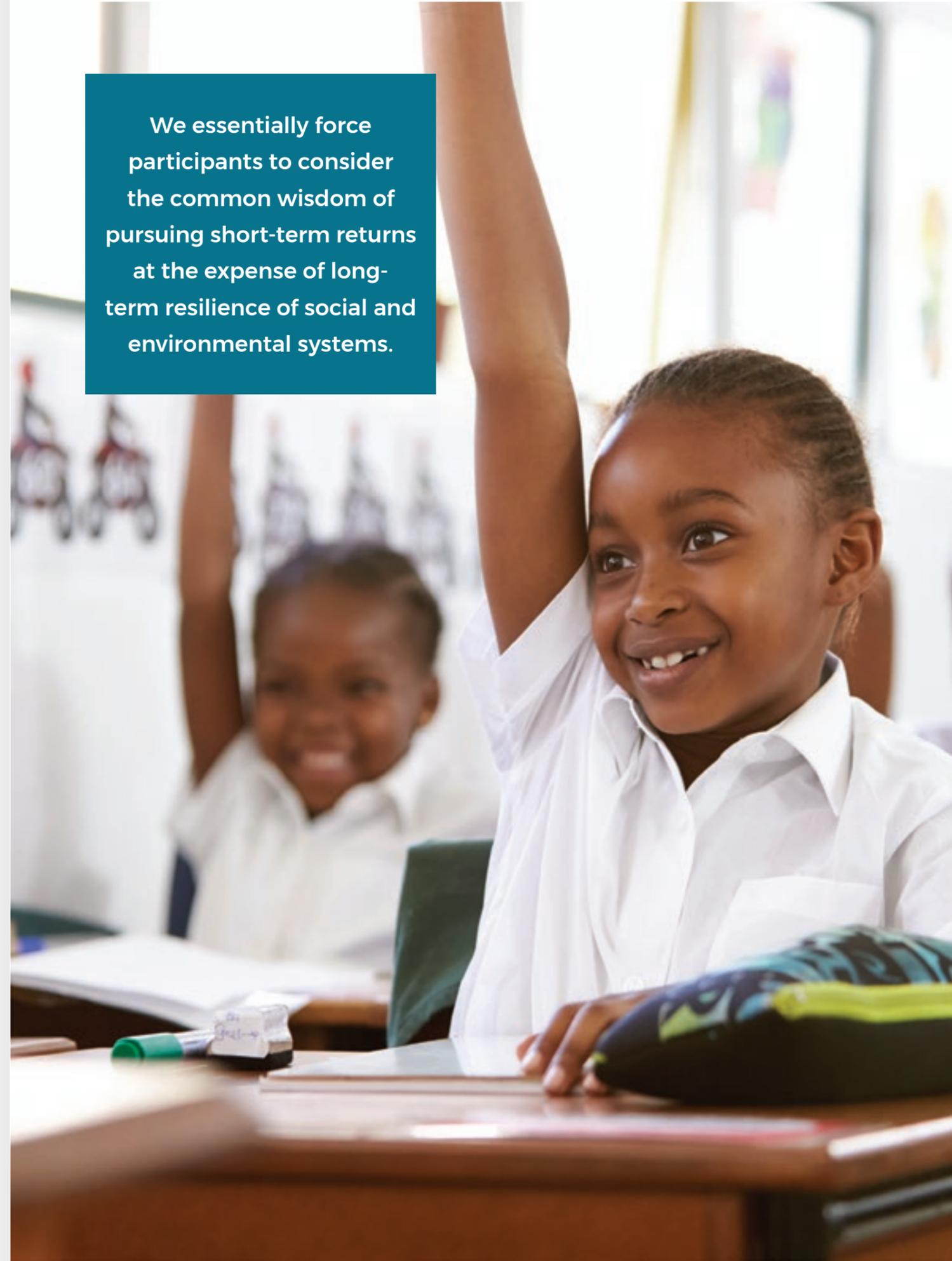
In this publication, we cover ESG integration in our various investment processes, from our Alternative Investments to our Quantitative Investments teams. We focus on our stewardship approach and the services we offer covering case studies and lessons learnt from our past experiences. Through our proxy voting and engaging with companies, regulators and industry bodies, we look to drive the impact of ESG research across our market for a future that matters. Because what RI asks of us isn't new. It is a resounding truth that we all know, that "Umntu ngumntu ngabantu – I am because we are". In this journey, going it alone will not take us far. It is important that we work together as colleagues, an industry, a community, a country and the world, so that we may go far into sustaining our ecosystem.

With all the progress we've made so far, it's important to note that we are part of a greater ecosystem and so cannot redirect the ship alone. With that said, we would love to hear your views on how we can contribute more or differently towards a sustainable tomorrow for us all. Please email us at listening@oldmutualinvest.com. I hope you enjoy the read! 🌍



KHAYA GOBODO
Managing Director

We essentially force participants to consider the common wisdom of pursuing short-term returns at the expense of long-term resilience of social and environmental systems.





A DECADE OF VALUE ALIGNMENT AND GROWTH

Jon Duncan, Head – Responsible Investment, Old Mutual Investment Group

OUR CORE BELIEF

We believe that it is in the interests of all participants in the financial ecosystem, to play a proactive role in creating long-term sustainable outcomes for all stakeholders. As investment managers and the stewards of our customers' capital, our approach to RI is founded on the understanding that sustainability issues can and do influence long-term investment outcomes. Issues such as resource depletion, climate change, poor governance and social inequality, pose both investment and systemic risks to our customers' goals. As investment specialists, we focus our attention on the material ESG factors that affect long-term outcomes. Therefore, fundamental alignment on long-term sustainability and the broader interests of society, creates a virtuous circle among customers, custodians and the firms in which we invest. Our approach to RI is further informed by the long-term nature of many of our investments, and our size and ability to influence RI practices – not only in financial services, but across industry through leadership and stewardship.

FOCUSED APPROACH

The core elements of our approach to RI are:

a. Integration of material ESG issues in our investment decision-making processes. Each capability has its own approach to integration to ensure alignment with the specifics of the asset class and investment philosophy. ESG skills and resources are embedded in each of

the capabilities and are responsible for consideration of ESG issues in the research, valuation and portfolio construction process.

b. Responsible stewardship through proactive engagement with boards and management teams, as well as voting at company annual general meetings. Additionally, we champion cross-market sustainability issues such as say on pay, climate risk disclosure and transformation. Our approach to stewardship is guided by a desire to reduce both company specific risks and long-term market risks.

c. Supporting industry RI initiatives such as the:

- CRISA working group
- ASISA RI Committee
- UNPRI Reporting and Assessment Committee
- Shareholders Responsibility Committee of the International Corporate Governance Network (ICGN).

d. Public transparency of RI policies and practices through annual disclosures.

OUR RESPONSIBLE INVESTMENT JOURNEY IN 2019

2019 was another landmark year for RI in South Africa – notable milestones include the growing number of collaborative engagements by asset managers on ESG issues, the publication of the Financial Sector Conduct

Authority (FSCA)'s sustainability guidelines and growing pressure from civil society for the investment community to act on climate issues. Additionally, during 2019, we saw growing demand from both institutional and retail investors for products that align with sustainability outcomes.

As a business, we remain focused on our two RI priority areas:

1. Deepening our ESG research and integration practices
2. Focusing our capabilities on investment solutions that address long-term sustainability issues (e.g. renewable energy, education and agriculture).

CORE AREAS OF PROGRESS IN 2019 INCLUDE:

ESG DATA IN LISTED EQUITY

Through 2019, we continued to build out the strength and quality of our proprietary ESG data signal. We leverage this signal to track ESG issues as they arise in the listed markets and to guide the focus of our fundamental equity research. Additionally, we initiated the process of testing this ESG signal in various strategies with the view to developing a low carbon-high conviction ESG product suite.

LISTED EQUITY STEWARDSHIP

Our Listed Equity Stewardship programme cuts across some R300 billion of client holdings and provides an important platform to champion for change on key ESG issues. During 2019, we again communicated with the market setting out our clear expectation for the businesses we invest in regarding ethical leadership, tackling transformation and integrating ESG issues into their long-term business strategy. We worked proactively with the management teams of our key holdings on high-risk ESG issues and undertook engagements at 31 companies on 93 ESG issues. During 2019, we stepped up collaboration across the industry and tabled a Just Transition resolution at the Sasol AGM with five other asset managers. Additionally, we launched our Listed Equity Stewardship service to a select group of third-party clients. The service targets large pension funds who are seeking a professionally delivered and consistent stewardship outcome across their holdings. We see this service as an opportunity to build a coalition of investors who have a shared interest in long-term sustainability outcomes.

DRIVING GREEN GROWTH

Across Old Mutual Alternative Investments (OMAI), Old Mutual Specialised Finance and Futuregrowth – all part of Old Mutual Investment Group Holdings – we manage approximately R131 billion of our clients' capital in green economy investments, both debt and equity. These businesses are an important voice across a range of national interest issues such as renewable energy, land reform, education infrastructure, and governance at state-owned entities. During 2019, we continued to build out our capability to report the way the investment we make on behalf of our clients contributes to the United Nations Sustainable Development Goals (SDGs).

STRENGTHENING OUR POLICY

Our RI policy was first published in 2012 and has been reviewed on an annual basis. In 2019, we went through a process of renewing and ensuring alignment with the Code for Responsible Investing in South Africa (CRISA), Regulation 28 of the Pension Funds Act, the Financial Sector Charter (FSC), the King IV Code on Corporate Governance (Principle 17), and the United Nations backed Principles for Responsible Investment (UNPRI).

PARTICIPATING IN INDUSTRY INITIATIVES

We remain actively engaged with the CRISA Committee, the ASISA RI Committee and the National Advisory Body for Impact Investing. Globally, we are members of UNPRI where we remain a member of the Global Reporting and Assessment Committee. Additionally, we are active members of the International Corporate Governance Network.

As we move into 2020 we will continue to place responsible investment at the heart of our business, with an unrelenting focus on adding value to our clients' portfolios, while at the same time contributing towards a future that matters. 🌱



JON DUNCAN
Head – Responsible Investment

FUNDAMENTAL INVESTMENTS – OLD MUTUAL EQUITIES

Siboniso Nxumalo, Head – Old Mutual Equities, Old Mutual Investment Group

WHAT WE OFFER

We offer actively managed general and specialist equity funds providing comprehensive access to the South African and select stock markets in the rest of Africa.

OUR INVESTMENT APPROACH

We follow a fundamental valuation approach that is enhanced by considering the company attributes of quality, growth and sentiment. This analysis enhances our ability to achieve more stable returns through various market cycles. Equally important is incorporating skilful risk management in our investment decisions.

ESG INTEGRATION

Environmental, social and governance considerations are a core component of our investment philosophy. Our proprietary ESG analysis helps identify issues that currently, or at some point in the future, may materially impact the long-term value of a company. Our model is used to score companies on their ESG ratings and their ability to grow sustainably. We have been independently recognised as industry leaders in Responsible Investing in South Africa (by Kigoda Consulting, an independent consultancy that offers specialist political risk and responsible investment advisory services in sub-Saharan Africa).

Old Mutual Equities' (OME's) approach to ESG integration is in principal guided by its investment philosophy and approach. We believe in an enhanced value approach which entails complementing rigorous bottom-up fundamental valuation work in the research portion of our process with three confirming quantitative factors – quality, growth and sentiment – in our portfolio construction process. The portfolio construction process is where we combine our bottom-up research with risk considerations alongside our quantitative factors to construct portfolios that expose clients to our best ideas while protecting them from unintended risks. With this perspective, we understand the macro-thematic business case for sustainability and the underlying company value drivers associated with ESG issues. As such, we leverage both quantitative and qualitative ESG research inputs into our processes. We do not apply hard exclusions unless mandated by our clients.



We have been independently recognised as industry leaders in Responsible Investing in South Africa (by Kigoda Consulting, an independent consultancy that offers specialist political risk and responsible investment advisory services in sub-Saharan Africa).

Our approach to ESG integration is a structured and repeatable process that is led by our portfolio managers and investment analysts in conjunction with our dedicated specialist ESG research unit. The first step in the process involves screening our investment universe with a proprietary ESG quantitative tool developed by our specialist ESG team. This tool highlights a company's exposure to accounting and governance related risks, external and internal exposures to environmental and social risks (considering the firm's capability in managing these risks), as well as a company's history of controversial events. We use these insights to focus our qualitative/fundamental ESG research, which aims to give dimension to the identified risks in terms of materiality and financial impact over short-, medium- and long-term time horizons. Depending on the availability of data, we may also engage directly with company management to better understand the issues in more detail.

For example, our ESG risk screening may identify climate change risk as a concern to a company. In this case, we will undertake deep-dive research on how the issue may impact the company's core financial metrics and competitive positioning – this may translate into an adjustment of our base case and/or bull-bear case analysis. In each instance, the analysts on the company are required to prepare a detailed note on how the material ESG issues have been considered in the overall company valuation and buy/hold/sell recommendation. When it comes to ownership, we are active stewards of our clients' assets and exercise voting rights and regularly engage with management teams and boards. A more detailed summary of our proxy voting and company engagement is provided in our Responsible Ownership Report. 🌱

See our ESG integration in action under the Stewardship section, Sasol and Lessons from Glencore and Steinhoff.



SIBONISO NXUMALO
Head – Old Mutual Equities

FUNDAMENTAL INVESTMENTS – MACROSOLUTIONS

Peter Brooke, Head – MacroSolutions,
Old Mutual Investment Group

Our actively managed, multi-asset class solutions span the risk/return spectrum and offer global and local asset class exposure.

WHAT WE OFFER

We offer actively managed multi-asset class solutions that span the risk/return spectrum of global and local asset classes.

OUR INVESTMENT APPROACH

Our approach to managing multi-asset class funds combines “top-down” macroeconomic research with “bottom-up” fundamental analysis. The structured implementation of this two-dimensional framework enables us to capture different sources of outperformance (alpha). Portfolio construction and risk management are at the heart of this integrated approach.

HOW WE INTEGRATE ESG

Environmental, social and governance factors are incorporated in our investment decisions at both a macroeconomic and a company level. This feeds into responsible ownership in two ways: firstly, whether to own an asset and, secondly, how we influence outcomes on assets we already own.

RESPONSIBLE INVESTORS: PRE-TRADE

The first stage of incorporating ESG factors into our decision-making process happens when we review an investment for inclusion in our portfolios. Our philosophy incorporates a uniquely two-dimensional investment approach of “Theme” and “Price”, on an equally weighted basis. Under Theme, in addition to considering the macroeconomic environment that drives the performance of the investment, we also consider industry dynamics and company specifics. In doing so, we look for any environmental, governance or social issues that may impact the investment now or in the future. Most often, these issues screen as negative themes and form part of our decision not to own a company.

For instance, as part of our investment process we had decided to place a negative Theme score on Steinhoff’s corporate governance as far back as 2015. While this meant that since then we have become active sellers of the shares, it also stopped us from buying shares when they got cheaper. This is a good example of our philosophy in practice, given what ensued from a corporate governance perspective for the company. As another pre-trade example, we don’t own commodity producer Sibanye, based on a negative Theme score arising from social impact concerns. Deep-level mining is very risky from a fatality point of view and Sibanye’s has been among the worst in this regard. Coupled with the company’s antagonist relationship with labour, we are presented with a sizeable hurdle to ownership. Of course, the factors raised in these examples are dynamic and they can be resolved. We therefore do not regard such hurdles to be permanent and monitor for any thematic improvement with the same diligence as we would monitor Price action.

RESPONSIBLE OWNERS: POST-TRADE

Given the small universe of shares in South Africa, it is in our interests to actively engage with companies to get the best long-term outcomes for our clients. We invest in companies with an expected time horizon of around five to ten years. As long-term investors, we need those

companies to do the right thing – whether that be how they allocate capital, remunerate themselves or invest to grow. Decisions made by companies today impact their longer-term sustainability and hence the investment outcomes for our clients.

While we can draw on the expertise of our Responsible Investment team as specialists on ESG related engagement, the responsibility to ensure that companies do the right thing sits with the portfolio manager. As active custodians, we regularly vote on company resolutions (see our Responsible Ownership Report), but our level of engagement is much more than just proxy voting. When material issues arise that we think could damage (or enhance) shareholder value, we actively lobby for change. For instance, following the listeriosis outbreak at Tiger Brands’ meat processing factories, we felt the company’s focus was only on the short-term cost of potential payouts and loss of sales. We pushed the board of directors to address the damage to brand value, as it could impact the long-term profitability of the business.

By integrating ESG considerations into our investment framework we have managed to avoid owning many “landmines”. For those companies that we do own, we

Given the small universe of shares in South Africa, it is in our interests to actively engage with companies to get the best long-term outcomes for our clients.

actively engage with their leadership, through voting and lobbying for change, to drive the best possible outcome for long-term value. As custodians of our clients’ wealth, we are focused on delivering returns sustainably and our philosophy of “theme” and “price” has worked well in growing and protecting our clients’ capital. 🌱

See our ESG integration in action under the Stewardship section, on Tongaat Limited.



PETER BROOKE
Head – MacroSolutions



QUANTITATIVE INVESTMENTS – A FOCUS ON SHARI’AH

Kieyam Gamielien, Head – Old Mutual Customised Solutions,
Old Mutual Investment Group

WHAT WE OFFER

We apply rules-based methodologies across active quantitative, absolute return, indexation and Shari’ah compliant funds.

OUR INVESTMENT APPROACH

Our disciplined, rules-based portfolio construction processes, combined with rigorous risk analysis, underpin our pursuit of investment excellence. Our proprietary models enable us to analyse large volumes of data – giving us insight into the factors driving market returns, while removing behavioural biases.

HOW WE INTEGRATE ESG

Environmental, social and governance considerations are included in our investment processes in a manner applicable to each fund’s mandate. Our funds all benefit from active ownership, which includes proxy voting and engaging with management to proactively drive change and long-term sustainable outcomes. We have pioneered ESG indexation solutions in the local market. In addition to ESG index solution, we also offer a faith-based investment capability.

FOCUS ON SHARI’AH

OUR INNOVATIVE APPROACH TO ETHICAL SOLUTIONS

We offer Shari’ah Funds with a market value of about US\$300 million in global and South African assets, where we invest according to Shari’ah investing principles whilst actively integrating ESG metrics. We seek to grow our clients’ wealth whilst simultaneously impacting UNSDGs through the investment returns the Funds generate. We launched the first Shari’ah fund in South Africa in 1992, and the latest Old Mutual Albaraka Income Fund, in March 2020. As a Sukuk fund which incorporates ESG, it’s a first of its kind in SA.

A SHARI’AH APPROACH TO ESG INTEGRATION

Shari’ah investing principles have historically been interpreted by scholars to determine what the minimum standards are that an investment must satisfy to meet the requirements of Islamic Law. Our investment approach incorporates the higher purposes and objectives of Islamic Law by actively incorporating ESG principles and UNSDGs, sharing common values with the higher objectives of Islamic Law – among others, the preservation and protection of life, resources and the environment. We go beyond the literal meaning of the law, raising the bar to incorporate the purposes and objectives behind Shari’ah, integrating both Shari’ah standards and



ESG RATING HISTORY



ESG rating history shows five most recent rating actions

OMIG ESG PROFILE TREND



The Old Mutual Albaraka Shari'ah Funds have had a measurable impact on the UNSDGs. Over the past seven years, the Funds have donated over R72 million to healthcare, education, social development and poverty alleviation in support of UNSDGs via the South African Muslim Charitable Trust, to South Africans of different faiths and social backgrounds. Recently, they partnered with Giving for Hope Foundation providing loans to SMMEs affected by the COVID-19-induced economic downturn.

ESG principles into our investment process. The wealth created from this investment approach is also shared with disadvantaged communities in support of UNSDGs.

We leverage the Old Mutual proprietary ESG signal in our investment approach. For a company to be eligible for our selection it must be Shari'ah compliant and analysed through our proprietary ESG Risk Screening Model. We also developed a one-year ESG score to capture changes in the company's ESG profile, investor sentiment and price behaviour.

Company example: CISCO SYSTEMS

Our Shari'ah and ESG integrated approach is evident in Cisco Systems – a Shari'ah compliant global technology company that designs and sells networking, data security, remote working, applications, 5G and cloud computing technologies. We applied Shari'ah principles, our stock selection model as well as our proprietary ESG Model to identify Cisco Systems as a top 10 holding in our Global Islamic portfolio. Cisco rates above average in our proprietary ESG Risk Screening Model with its profile score improving relative to its peers. Whilst it is exposed to secular growth drivers, this high-quality company has a resilient balance sheet with a default probability of 0.18%, net cash of US\$12.4 billion, high profitability with a return on capital employed (ROCE) of 37%, and an attractive valuation with a forecasted dollar free cash flow yield of 8.4%.

Cisco Systems Inc's ESG rating trend has upgraded from A to AA rated, and it is among the leaders relative to its peers in seeking opportunities in clean technology, with its rating in clean tech being 57% greater than that of its industry peers. Cisco has a strategic focus on clean technology and aims to increase investment in clean tech while actively participating in increasing its revenue lines in the green economy. This improved ESG data is reflected in our proprietary ESG Profile and Momentum score, which places Cisco on the 74th percentile in the Global Shari'ah Fund's benchmark.



KIEYAM GAMIELDIEN
Head - Old Mutual
Customised Solutions

LIABILITY DRIVEN INVESTMENTS



OUR INVESTMENT APPROACH

Our disciplined, rules-based portfolio construction processes, combined with rigorous risk analysis, underpin our pursuit of investment excellence. Our proprietary models enable us to analyse large volumes of data – giving us insight into the factors driving market returns, while removing behavioural biases.

ESG INTEGRATION

Environmental, social and governance considerations are included in our investment processes in a manner applicable to each fund's mandate. Our funds all benefit from active ownership, which includes proxy voting and engaging with management to proactively drive change and long-term sustainable outcomes.

SCREENING

Screening is largely done at a credit analysis level on an ad hoc basis. Some of the examples of negative screening include avoiding:

- Issuers with complex group structures – Steinhoff.
- Issuers with questionable management teams.
- Red flag issuers as per Old Mutual Responsible Investing Policy – entities involved in anti-personnel mines, biological or chemical or nuclear weapons, cluster bombs, gross violation of human rights, funding of terrorist activities and blood diamonds.

However, there are opportunities for positive screening. Going forward, client-instructed screening could become more relevant.

ACTIVE STEWARDSHIP
– LISTED EQUITY



THE STRENGTH OF THE STEWARDSHIP APPROACH

Rob Lewenson, Head - ESG Engagement, Old Mutual Investment Group



Our Listed Equity Stewardship programme is founded on a deep understanding that long-term system change requires alignment across the markets on core sustainability issues. We see the United Nations Sustainable Development Goals (UNSDGs) as a workable framework to align the interests of society, capital providers, companies and governments. Our stewardship approach aims to drive governance outcomes at a company and a market level that align with the UNSDGs as a basis for fostering greater industry collaboration.

Our Listed Equity Stewardship Guidelines are publicly disclosed and updated annually, covering important areas of corporate and market practice such as:

- Board of directors and their remuneration
- Financial reporting
- Audit committee
- Empowerment transactions
- Unissued shares under the control of directors
- Shareholder matters relating to capital management
- Share repurchases
- Changes to the memorandum of incorporation
- Political donations

As a long-term shareholder, we engage directly with company management and boards on material ESG risk issues. During 2019, we stepped up our stewardship activities and led collaborative engagement across the market - see a summary on the next page. In the second half of 2019 we began offering our stewardship services to institutional clients as a standalone capability. 🌱



ROBERT LEWENSON
Head - ESG Engagement

OUR PROGRESS – BY THE NUMBERS

PROXY VOTING 2019

Figure 1: Proxy voting results 2019

- We engaged with a total of 120 705 ballots at 359 company meetings.
- Whilst the number of ballots decreased from 2018 owing to repositioning of the listed equity businesses, the percentage of votes against increased marginally from 9% to 10% in 2019.

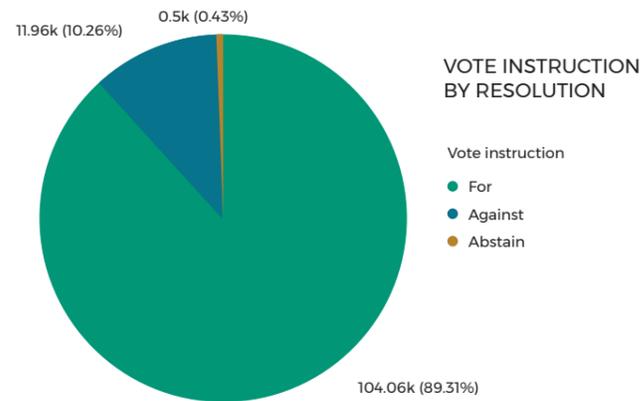


Figure 2: Resolutions we voted against – split by ESG category and sector

- In 2019, we voted against mostly the election of directors and remuneration across all sectors. Board effectiveness (independence, attendance, experience and diversity) and reward are critical factors for companies' sound governance practices – this is a similar trend from 2018.
- We also noted a significant increase from 2018 in votes against audit committee appointments, particularly in the materials and IT sectors. This is following accounting scandals and financial irregularities during the year in these sectors and the result is therefore not surprising.

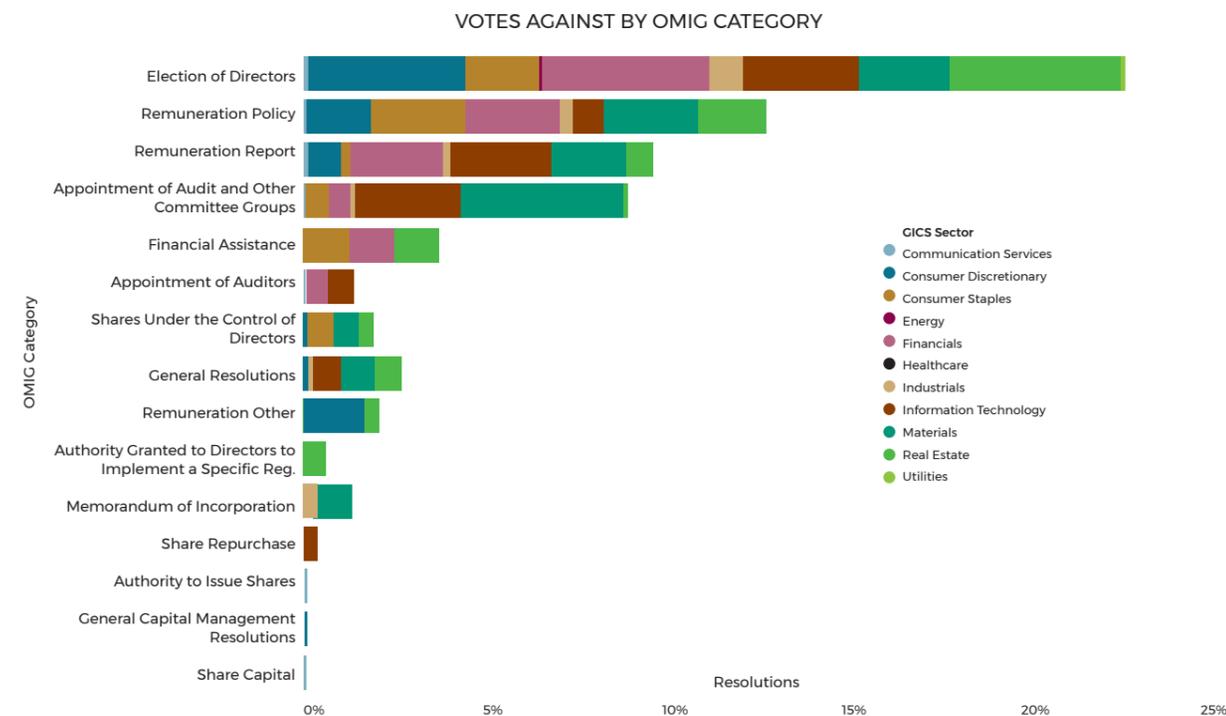
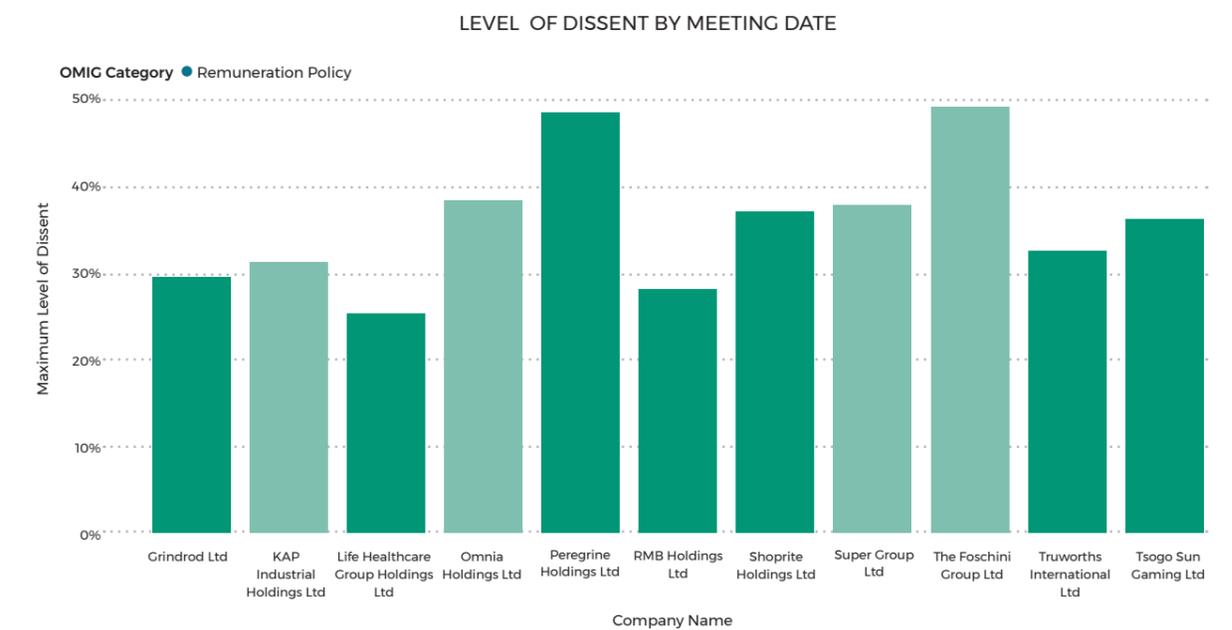


Figure 3: Companies receiving material votes against their remuneration policies in 2019

- We voted against the remuneration policies for most of these companies (shown in dark green).
- The companies in light green received material votes against but we voted in favour because we engaged with them and received commitment from their boards that they will change their policies going forward. We expect more votes in favour of remuneration policies for these companies in future.

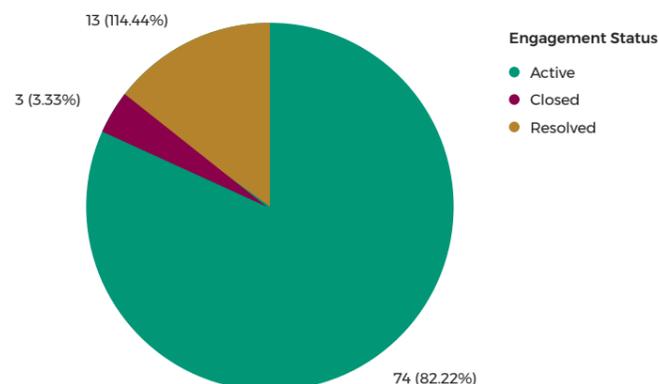


COMPANY ENGAGEMENTS – 2019

Figures 4 and 5: Engagement status

- During 2019, we engaged 31 companies on 93 key ESG issues.
- We closed out approximately 20% of all 2019 engagements by year-end, per figure 4.
- As in 2018, 2019 remuneration engagements still make up most ESG engagements.
- It is interesting to see environment engagements having the second highest number for 2019 – this is evidence of our key commitment to address environmental risk in our investee companies.

ENGAGEMENT STATUS



ENGAGEMENT BY ENGAGEMENT CATEGORY

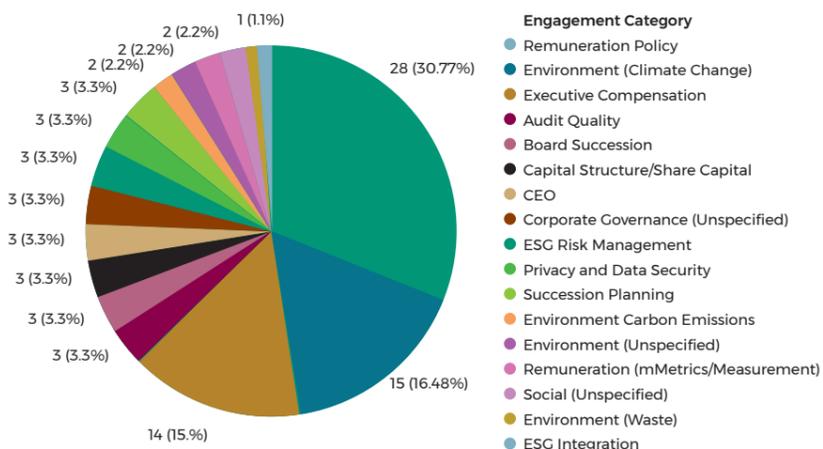
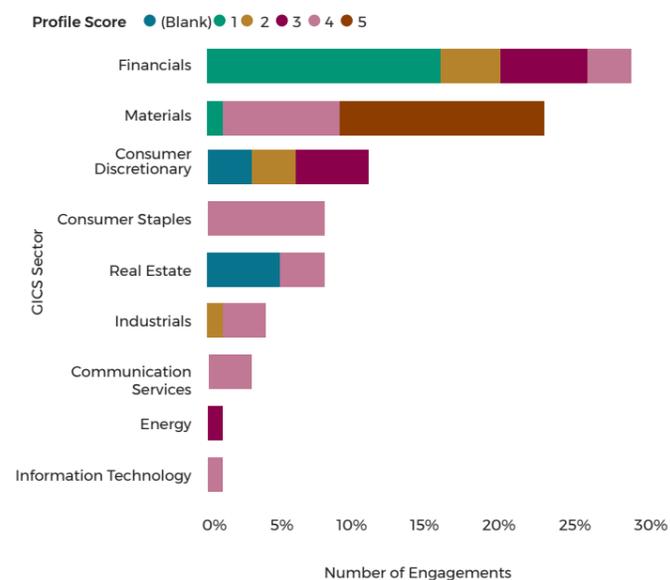


Figure 6: Engagements by sector and by scoring ESG risk

- Our stewardship commitment is to proactively engage companies in all sectors which display the highest ESG risk.
- This graph shows the sectors of the companies with which we engaged most, along with our proprietary ESG score of these companies (by quintile – companies in quintile 1 scored as having the lowest ESG risk, whilst companies in quintile 5 scored as having the highest ESG risk).
- Whilst we engaged companies mostly in the financial sector, the graph also indicates that we engaged companies with an ESG score mostly in quintiles 4 and 5, i.e. displaying higher ESG risk. This is especially true in the materials sector, where the most engagements were with companies in quintiles 4 and 5.

ENGAGEMENT BY GICS SECTOR



A CHANGING CONTEXT

NEW STEWARDSHIP CODES

Locally and globally, we are expecting CRISA, the UK Stewardship Code and ICGN Global Stewardship Principles to be updated in 2020. However, from a macro perspective, we think the biggest changes will come in implementation, activism and action.

CLIMATE

Climate change continued to impact economies in 2019 and grabbed the attention of not only climate activists, but governments and citizens as well. The face of the climate crisis in 2019 was a 17-year-old, Greta Thunberg, whose message we knew, whether we aligned with it or not. With climate change being brought to the attention of Gen Z, it is something we can no longer ignore. Neither can governments, which have lost billions putting out fires or rebuilding after extreme weather conditions. From Canberra to California, climate change has grabbed the attention of shareholders and companies can no longer ignore calls for greater risk disclosure.

EMPLOYEE RIGHTS

In 2019, there was a major settlement between miners and the Occupational Lung Disease (OLD) Working Group – representing African Rainbow Minerals, Anglo American SA, AngloGold Ashanti, Gold Fields, Harmony and Sibanye-Stillwater. OLD and the miners agreed on the settlement of R5 billion to be paid by OLD to the miners and their beneficiaries. The settlement is for exposure to silicosis, a respiratory disease related to inhalation of silica, which is common in miners, who also suffer high levels of TB infections. This landmark settlement set a new local market precedent for the recognition of employees' health and safety rights. 🌱



CASE STUDY: SASOL LIMITED

Siboniso Nxumalo, Head – Old Mutual Equities, Old Mutual Investment Group and
Rob Lewenson, Head – ESG Engagement, Old Mutual Investment Group

SASOL LIMITED

What is the investment case for Sasol?

Sasol consists of a cash generative South African energy and chemicals business, a cash generative European chemicals business and a 98% constructed ethane cracker chemicals plant in the US. At the spot rand oil price, the legacy operations are still cash generative. The issue is that Sasol paid for the construction of the US\$13 billion US ethane cracker largely with debt. The Saudi-Russia price war has put the oil price under pressure at a time when Sasol is at peak gearing (peak indebtedness) whilst its large project is just about to produce cash flows, creating a perfect storm. The share price collapsed by over 80% in less than a year by March 2020.

We believe that the market has efficiently priced Sasol as if the following were true:

- A sizeable highly dilutive rights issue coming
- The spot rand oil price will prevail indefinitely.

What is our Sasol exposure and what is our plan of action?

We spent more time debating Sasol than any other investment opportunity in 2019, given the risks which have now clearly materialised, and the opportunity which has yet to materialise. Whilst we did not envision the oil price war, we did run sensitivities which determined our investment case and position size.

The combination of COVID-19, economic growth risk and an oil price war has created many investment opportunities, including Sasol. Allocation of further capital in the event of a rights offer will be considered against other investment ideas.

We are not sellers of Sasol at these levels. Our philosophy centres on valuation and the use of quality, growth and

sentiment factors to confirm our fundamental view. We believe Sasol is mispriced. Currently it does not have a strong balance sheet, but there is a cash flow inflection point on the horizon which is tied to a discreet event, that is the completion of the US cracker. Earnings will grow as the US cracker ramps up production and the oil price normalises. Sentiment is at pessimistic levels and will improve with the oil price and project ramp-up. The risks were always near term with Sasol, while the investment opportunity to create significant value for clients is very evident on a longer-term basis.



SIBONISO NXUMALO
Head – Old Mutual Equities



ROBERT LEWENSON
Head – ESG Engagement

What were the ESG challenges we had to address?

- Sasol is primarily a chemicals and petroleum producer with operations in both the US and South Africa. Based on our ESG analysis, it falls within the highest categories of ESG risk, particularly in terms of its exposure to climate change-related risks.
- Although the company acknowledges climate change as a material risk to its future revenues, its existing disclosure, in our view, has not sufficiently set short-, medium- and long-term company-wide quantitative greenhouse gas targets (Scopes 1 and 2) aligned with the goals of the Paris Agreement.
- In addition, these targets must be linked to executive remuneration on both a short- and long-term basis to be effective.
- To align Sasol with global best practice, we furthermore saw the need for the company to publish its Scope 3 greenhouse gas emissions in its annual report. This report should include the emissions associated with the end use of Sasol's energy products with an associated link to executive remuneration in the medium term.

What will relative success look like?

- Relative success would be the company producing a detailed climate risk report incorporating the TCFD principles and linked sufficiently to the goals of the Paris Agreement.
- The company would have a deep understanding of its exposure to climate risk and be able to sufficiently evidence to stakeholders its ability to mitigate these risks and transition its operations accordingly.

How did we engage?

Main issues discussed – pre-AGM engagement and filing of resolutions

- Call with the Board (Chair, Head of SEC, Head of Risk and Sustainability, Head of Climate Risk) on 18 October where Sasol explained its response to climate risk so far.
- The Board began to focus on building the governance necessary to address climate risk in 2017 – director training on climate risk and appointment of directors with climate risk knowledge.



- The Board wanted to better understand the concerns of stakeholders and so published the Climate Change Report dealing with matters not contemplated before – assured internally by the Group.
- Issues raised at the last AGM are issues of concern for the Board, which views climate risk as a concern to be resolved.

Main outcome of engagements – pre-AGM

Key issues raised with the company's executive on 15 November 2019

1. Capex as it relates to
 - i. Clean fuel II
 - ii. Air quality
 - iii. GHG reductions
2. Level of management focus and attention on solving for the GHG problem
 - iv. What specialist skills / capacity do they have or still need for this?
 - v. What formal structures are in place – who is leading the work and who do they report into?
 - vi. Which external stakeholders are they engaging with through this process?
3. How ambitious can we expect the 2020 climate risk road map to be?
 - i. What internal price of CO2 are they factoring in?
 - ii. What are they anticipating for Phase C Tax ?
 - iv. Are they expecting a revised C-budget from Government?
 - v. Have they got a worst-case scenario on climate risk and can they describe what that is?

Sasol's response to the aforementioned was as follows:

- Sustainability is an urgent strategic choice.
- Sasol is preparing a climate risk road map and reviewing a GHG peak, plateau and decline model as product risk increases in international markets.
- The Road Map will deal with three key areas of risk:
 - i. Emissions
 - ii. Clean fuel
 - iii. Paris Agreement on transition to green economy

Emissions

Sasol asked Government for a postponement on compliance related to this particular matter and scheduled abatement procedures on boilers, and plan to be finished by 2025. (Likewise, nitrate oxide emissions – issue is sulphur dioxide emissions – are currently well above standard of 1000 metric tonnes, which Sasol is trying to reduce. However, if the standard goes lower they could not change plants fast enough to meet deadlines for compliance.)

Clean fuel

Guidance has already been priced into the market.

Reduction in GHG emissions

The first 10% reduction commitment won't be a change from coal to gas mix at Secunda, but rather an energy efficiency drive, a process optimisation and an introduction of renewables. Post 2030 it will only be looking to shift the process into gas only and look at hydrogen, an aggressive shift to renewables for process inputs seeing a carbon price at Secunda between R18 and R24 per tonne of GHG. It may use carbon credits to offset carbon tax – gas is not a viable option at present without securing long-term sources and logistics arrangements.

What was the result?

- An unsatisfactory response by the company regarding the key issues it faces on climate risks, notwithstanding the late publication of the Climate Risk Report. Sasol will provide an update on the Climate Risk Road Map in November 2020.
- A decision was made with other investment managers to collaborate on the filing of resolutions to promote greater transparency at the company. They also had to disclose key risks with plans to mitigate them and link to executive remuneration.

- The company refused to table resolutions at the AGM and OMIG responded in media [cross link to our media position statement].

Main outcomes at AGM

Our Head of ESG Engagement attended the AGM on 27 November 2019 and asked the following questions to the Board:

1. Given that we consider climate risk as a critical shareholder matter and material risk for the company, does the Sasol Board consider a 10% reduction in GHG emission by 2030 to weaken the risks of carbon tax and cost of capital?

Response: The 10% target is only an initial number, which may change according to the business risk the climate transition presents.

2. What date will the Climate Change Road Map be published this year (2019)?

Response: An update will be provided in November (2019) (Head of ESG Engagement wanted them to commit to a date publicly.)

3. Other than the previous CEOs forfeiting their bonuses, are there any other payments going to be made to the former CEOs?

Response: Former CEOs will enter into a separation package once their terms expire under contract. This will follow the normal disclosure period and the amount would be finalised at the end of the notice period with disclosure in the next Annual Report – there will be no remuneration payable particularly because of their exit.

What were the key learnings for the future?

Head of Responsible Investment and Head of ESG Engagement to drive a follow-on engagement with the Board in Q1 2020 focused on:

- The key aspects of the Climate Change Road Map strategy
- Linking all climate strategy aspects to executive remuneration per the resolutions.



ESG RESEARCH INTEGRATION LESSONS FROM GLENCORE AND STEINHOFF

Meryl Pick, Portfolio Manager - Old Mutual Equities, Old Mutual Investment Group

Glencore was a significant holding across our funds at the start of 2019, yet over the course of the year we sold the stock to zero. It's not a coincidence that 2019 was also a year in which the investment team drove a step change in how we integrate ESG research into our investment process.

By outlining how we came to our decision on Glencore, I will illustrate how integrating ESG research has enhanced the way we value companies and debate risk.

WHY DID WE BUY GLENCORE?

There are two aspects to our investment process. Firstly, we carry out detailed fundamental bottom-up research. We dedicate a significant amount of time and effort to analysing a company, examining in great depth the business model, the company's key drivers, its future growth prospects, its competitors, its profitability and balance sheet health. The purpose of this work is to determine an estimate of the long-term "intrinsic value" of the business. Our process is based on the philosophy of investing in businesses that trade at a discount to our estimation of "intrinsic value".

However, as Winston Churchill once said, "The future is unknowable, but the past should give us hope." We acknowledge that there are limitations and biases inherent in our estimates of intrinsic value. Therefore, we supplement our bottom-up research with a second aspect that seeks to independently, and in our case quantitatively, "confirm" our fundamental assumptions. The "confirmation" factors assess and score the quality of the company up to that point, its historical and prospective growth and market sentiment towards the share. This ensures that each share is scored and ranked quantitatively by its past independently of analyst input.

Diversified portfolios are carefully constructed by selecting shares that rank best on both valuation and confirmation factors, while managing overall portfolio volatility. Where valuation meets confirmation, we find our highest conviction ideas.

Our initial investment in Glencore was in 2014. Our fundamental research concluded that Glencore offered significant value relative to the price it was trading at. Glencore is different from the other mining houses listed on the JSE. It has no exposure to iron ore, which in 2014 had risen to levels beyond our estimates of what was sustainable and presented risk of capital loss in investing in other miners.

Glencore has a commodities trading business referred to as the Marketing division - an opaque but a stable and profitable business. Due to the Marketing division's business model, Glencore relies on higher leverage than traditional mining houses. This is a point often misunderstood by the market, which created a further buying opportunity in 2015 when balance sheet fears created panic and overly pessimistic expectations. We continued to invest client funds into Glencore as the price fell to lows of R19 in 2015, and subsequently earned great returns for clients as the price rose to peaks of R68 in 2018. Throughout these years, our quantitatively driven confirmation factors ranked Glencore as a potentially high return investment.

WHAT WAS DIFFERENT THIS TIME?

Glencore had made headlines for crossing the line before. The company was born out of the private holding company of Holocaust refugee turned billionaire Marc Rich, who pioneered the disruption of the spot oil market by displacing the in-house traders of big oil producers in the 1970s. Rich's infamous legacy includes making the FBI's most wanted list. He left the US in the 1980s for Switzerland to avoid charges of tax fraud and trading with sanctioned nations. In 2017, Glencore's dealings

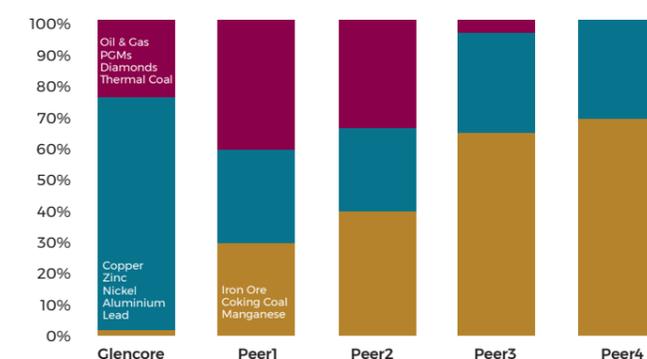


in the DRC with Dan Gertler, a controversial Israeli mining magnate, came under scrutiny. Earlier in 2018, the United States Department of Justice announced an investigation into money laundering and corruption focused on Nigeria, the DRC and Venezuela. The Katanga restatement was signalled the year before. So why was this headline troubling?

STEINHOFF CHANGED THE LANDSCAPE FOR DEALING WITH ESG RISKS

The post-Steinhoff era has been characterised by an elevated level of focus on ESG issues from clients and fund managers alike. Over the course of 2018, the investment team wrestled with this critical question: How did our process miss the Steinhoff risks?

When we invested in Steinhoff, the investment case was aligned with our philosophy and we had followed



Source: Glencore investor presentation UBS estimates of contribution to 2018 EBITDA forecast

our process. Our detailed, bottom-up fundamental research concluded that Steinhoff was undervalued and supported a buy. Our conviction in our valuation was supported by our quantitative “confirmation” factors. We saw catalysts on the horizon to unlock that value. Yet our exposure had cost clients in 2017. Even as rumours of accounting irregularities emerged in the German press, we held a position believing that the discount to our valuation was compelling enough to compensate for the governance risks. That belief was proven incorrect. Were we making a similar mistake with Glencore in assuming the potential rewards justified the potential risks? The key lesson from Steinhoff was that there are times when the biggest risks cannot be adequately quantified.

INTEGRATING ESG RESEARCH INTO THE GLENCORE INVESTMENT CASE

As an investment team, we have grappled with integration of ESG issues in our investment and ownership process since 2012. We have built a credible process around proxy voting and engagement on key ESG matters. By contrast, consistently embedding ESG research into our investment process has proven more difficult. It was once not uncommon for ESG issues, particularly unquantifiable ones, to be treated as a “margin of safety” consideration with more quantifiable valuation work being the primary focus. In 2019, we ratcheted up our ESG integration efforts by revisiting the investment cases of our key holdings while paying specific attention to ESG issues.

Glencore was one of the holdings reviewed and several issues were highlighted. I will expand on two of significance: the structural headwinds facing coal and the accounting risk inherent in the Marketing division.

COAL SUBSTITUTION – AN ENVIRONMENTAL ISSUE AFFECTING GLENCORE’S FUTURE CASH FLOW

Coal is a substantial part of Glencore’s commodity mix, and the share price often weakens in tandem with coal price weakness. Our ESG analysis emphasised the risk of the uncertainty of coal’s future as a source of energy. As more natural gas fields have been exploited, the price of gas has fallen. Natural gas is a less carbon-intensive source of energy relative to coal. As gas has become cheaper, many countries have pivoted away from thermal coal towards natural gas to meet their energy needs with a smaller carbon footprint. This shift has created a structural ceiling on coal prices. While miners often make up for lower prices with increased volume, Glencore

cannot employ that strategy in this case. Climate Action 100+, an investor initiative that ensures the world’s largest corporate greenhouse gas emitters take necessary action on climate change, includes Glencore on its list as contributing the most. In response to pressure from the activist investor group, Glencore committed to capping its coal production at 2019 levels, thereby limiting further volume growth. This environmental issue is having a tangible impact on future cash flows.

GLENCORE’S MARKETING DIVISION FLAGGED FOR RISK OF ACCOUNTING IRREGULARITIES

Glencore’s Marketing division accounts for 15% to 30% of the group’s EBITDA depending on the profitability of the mining operations. The Marketing division was expanded around the commodities trading business that Marc Rich established in the 1970s. Ivan Glasenberg, company CEO and owner of 9% of listed shares, rose through the ranks in Marketing, as did many of the senior executives. Marketing’s business model is to broker sales between commodity producers and customers globally and manage the logistics involved.

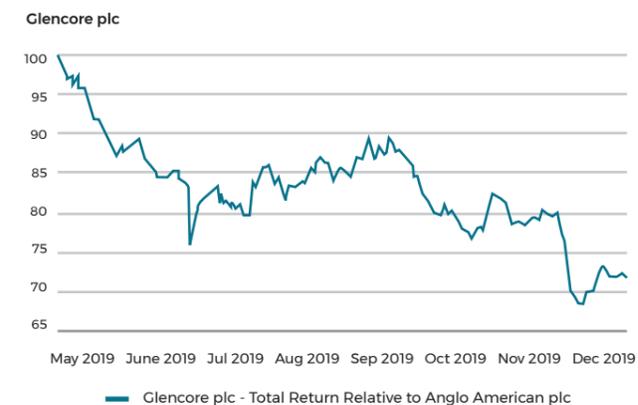
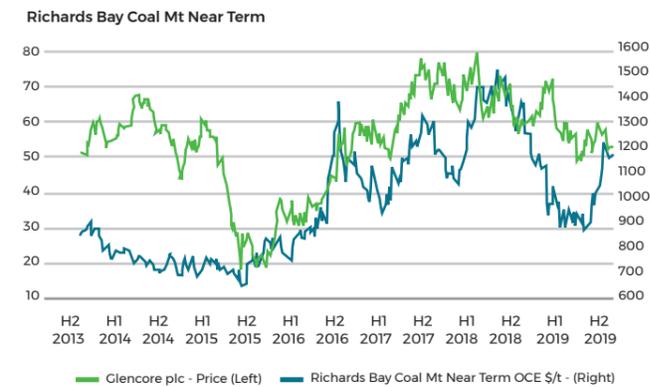
Revenue is derived from high volumes of transactions across more than 90 commodities, derivatives are widely used and discretion is required to determine when a sale has taken place under long-term contracts held with customers. The nature of these contracts means that the accounting is complex and opaque. Revenue recognition has been flagged as a key audit risk by the auditors over many years.

SELLING GLENCORE – NOT EVERYTHING THAT COUNTS CAN BE COUNTED

We took the decision to switch our Glencore shares into Anglo American, which at the time offered value – though less so than Glencore – with significantly lower risk. We arrived at this decision after weighing up the valuation work, the confirming quality, growth and sentiment factors, the coal price scenarios and the growing list of governance concerns.

Our job as fund managers is not to avoid risk altogether but to balance risk appropriately with potential reward. A coal price in a peak coal world? This can be estimated to inform a judgement call. But when it comes to valuation, how cheap is cheap enough to compensate for poor governance and the risk of accounting irregularities? As the common quote says, “Not everything that can be counted counts. Not everything that counts can be counted.”

GLENCORE’S SHARE PRICE IS INFLUENCED BY THE COAL PRICE



INTEGRATING ESG RESEARCH WILL ENHANCE OUR ABILITY TO DELIVER SUPERIOR RISK-ADJUSTED RETURNS

The goal with integrating ESG research into the investment process is to reach a point where there is no longer “ESG research” and “bottom-up research”, but just research. The encouraging shift is the extent to which ESG issues have been elevated in investment debates. They are blending into conversations with company management alongside topics like competitor activity and managing working capital. Addressing ESG issues has the potential to become a box-ticking exercise, but we believe that integrating ESG authentically has the power to enhance our process.

Starting with bottom-up analysis, considering the cash flow impacts of ESG issues has sharpened our ability to forecast cash flows, assess companies’ ability to service debt and to pay dividends. ESG research has expanded our vision range in spotting unrealistic market expectations implied in share prices. As with valuation work, ESG research is forward-looking and subjective in nature, hence we believe in confirming our fundamental

research by evaluating stocks on quantitative quality, growth and sentiment factors based on historic data.

Most importantly, ESG research has cast a spotlight on unquantifiable risks that need to be considered when constructing portfolios. We select shares that rank best on both valuation and confirmation factors while managing overall portfolio volatility. Where valuation meets confirmation, we find our highest conviction ideas. However, neither our valuation nor our confirmation factors can always “count everything that counts”.

Therefore, integrating ESG research will enhance our ability to deliver superior risk-adjusted investment performance to clients. 🌱



CASE STUDY: TONGAAT LIMITED

Tongaat Hulett (Tongaat) applied for a suspension and was ultimately suspended from trading on the Johannesburg and the London Stock Exchanges in June 2019. They explained this move as an effort to protect clients after uncovering irregularities that resulted in inflated prices and profits.

When considering the Tongaat case, it appears as if the Tongaat combined audit function did their job properly when it picked up the financial irregularities within the company, but it could take a significant amount of time to determine what (and if) fraudulent activity took place, to what extent and for how long. However, the question remains: did the Tongaat internal audit function and its audit committee do enough when the discrepancies first emerged?

However, long before the irregularities emerged, we had started engaging Tongaat on their ESG proprietary scorecard, from as far back as 2017.



What was the ESG problem we were trying to solve?

From 2016 to 2018, our ESG proprietary score card started to indicate a steady decline in the company's governance practices. Along with poor financial performance, we began to lose faith in the Board's ability to drive a sustainable long-term outcome for the company. In addition, the company was rewarding its executive teams for consistent underperformance. This evidenced in our view a complete misalignment between the company's strategic performance and its remuneration practices.

What did relative success look like?

During 2018, we wanted the company to address shortcomings in its governance and remuneration as well as focus on succession planning to ensure a better outcome for investors.

In our view, a refreshed board with a new strategic vision would be able to turn the company around.

How did we engage – identify steps chronologically?

- During 2017, we engaged the remuneration committee on the company's misaligned remuneration policy and poor remuneration implementation. When there was no significant improvement in remuneration practices, we voted against the remuneration resolutions at the company's AGM.
- In 2018, our focus went beyond remuneration to succession planning:

Financial performance and remuneration – there was a clear need, communicated to and acknowledged by the company, to link the Long-Term Incentive Plan (LTIP) to restoration of a positive economic profit position and disclosure of key thresholds to incentivise management appropriately by introducing asset efficiency and sustainability measures into Short-Term Incentives STIs. This was to ensure that proper strategic decisions are made in the short term. They had to differentiate sugar production and land conversion key metrics for the executives directly responsible for making these decisions.

Board succession and communication – we communicated that the company needed appropriate board succession planning for both



executive and non-executive directors. They had to provide regular updates to investors from the chair of the nominations committee. In addition, they also had to provide clear communication on material risks such as land expropriation.

- We also supported calls by other institutional investors for the company to change the CEO.

What was the result?

In 2019, financial irregularities came to light. Whilst we couldn't have predicted all of them, we had sold out of our active positions in the company before these financial irregularities were announced to the market. We sold out, in a large part, because of the lack of progress by the company in addressing the governance issues it was facing as shown above.

What were the key learnings for the future?

Using the ESG tools at our disposal, as well as proactive engagement with company boards on material ESG risks, plays a significant role in the investment case for a company and how it effectively manages for long-term investor value. 🌱

FUTUREGROWTH – BALANCING ART AND SCIENCE

As defined by our Responsible Investment philosophy, we seek to promote sustainable ESG best practices in our investee companies. We believe that ESG issues are key components in managing investment risk. A lack of attention or management of ESG issues can have a negative impact on risks and rewards – as evidenced in many recent headlines relating to governance failures in the South African market.

Futuregrowth manages approximately R185 billion of assets in the fixed income space, ranging from money market instruments and vanilla and inflation-linked bonds to high-yielding credit bonds. In addition to delivering returns to our investors, many of our funds are mandated to invest directly into development sectors through a suite of developmental (impact) funds across a variety of asset classes. These funds deliver significant social and development benefits to society and the country.

POSITIVE IMPACT – CASE STUDY

The residents of Loeriesfontein in the Northern Cape, situated approximately 60 km away from the wind farm site, are the beneficiaries of community initiatives that will be carried out for the lifespan of the wind farm. These include community education, health, agriculture, sports and cultural initiatives, and social welfare development.

The Khobab Wind Farm is committed to contributing to sustainable community growth through financial and non-financial community development initiatives. This will be done by giving back a percentage of total revenue earned to the community – through socio-economic development (SED), enterprise development (ED) and the establishment of a Community Trust.

During the construction phase of the wind farm, the community had access to more job and business opportunities than were previously available in the area, which traditionally suffers from high unemployment rates and poor levels of socio-economic development.

During the operations phase of Khobab Wind Farm, a monetary commitment was made towards specifically developing enterprises and improving the socio-economic welfare of the community for 20 years.

The residents of Loeriesfontein will be the beneficiaries of community initiatives carried out for the 20-year lifespan of the wind farm.

SOCIO-ECONOMIC DEVELOPMENT

Khobab Wind Farm's socio-economic development projects will include healthcare initiatives such as HIV and AIDS awareness campaigns, infrastructure development, women empowerment and youth upliftment through investments in sport and recreational activities, academic support programmes and early childhood development.

ENTERPRISE DEVELOPMENT

Khobab Wind Farm will assist and accelerate the sustainability of local enterprises owned by previously disadvantaged people, with BBB-EE Recognition Levels, women-owned vendors, and Qualifying Small Enterprises and Exempt Micro Enterprises.

COMMUNITY DEVELOPMENT

The Khobab Renewable Energy Community Trust owns 5% of the wind farm. Established through loans from the Development Bank of Southern Africa (50%) and company shareholders (50%), the trust will invest in community education, health, agriculture, sports and cultural initiatives, and social welfare development once the loan has been repaid. 🌱



These funds deliver significant social and development benefits to society and the country.

OUR IMPACT





ALTERNATIVE INVESTMENTS

The core focus of our alternative investments is to deliver attractive and sustainable returns to investors, while making positive and lasting impacts on people's lives and/or the environment. Our investments in the infrastructure development, housing, schools and education, community property and private businesses serve as great engines of employment, skills development and economic growth.

INFRASTRUCTURE

OUR INVESTMENT APPROACH

With offices in South Africa, Nigeria, Kenya and Côte d'Ivoire, we have an on-the-ground approach that ensures a thorough understanding of the local operating environment. Our multi-disciplined and experienced infrastructure team specialises in originating, structuring, developing and managing infrastructure assets and transactions. Through long-term partnerships with governments, financial institutions and industry-leading operators, we aim to maximise infrastructure development opportunities for investors and make a tangible contribution to African economies and communities.

ESG INTEGRATION

ESG issues are deeply embedded into our investment decision-making processes throughout the investment lifecycle. Our fit-for-purpose environmental and social management system (ESMS) uses customised policies, tools and reporting guidance to identify and manage ESG risks and opportunities. The effective implementation of a well-structured, robust ESG management system assists us to achieve sustainable, risk-adjusted returns and the systematic consideration of positive opportunities.

CASE STUDY: RENEWABLE ENERGY INVESTMENT SOUTH AFRICA (REISA)

Renewable Energy Investment South Africa (REISA) is one of South Africa's largest solar photovoltaic (PV) plants. Located in South Africa's Northern Cape Province, REISA has a capacity of 75 MW and extends over 210 ha of land and boasts 343 200 solar modules. The plant produces approximately 180 000 MW of clean renewable energy every year, preventing around 125 000 tonnes of carbon emissions from traditional fossil fuel power plants.

When operating at full capacity, it is expected to supply enough green electricity to power around 75 000 medium-sized South African homes. In 2012, the South African government launched the Renewable Energy Independent Power Producer Procurement programme (REIPPP) to diversify the country's energy sources, and channel private sector investment and expertise into

the sector. REISA, which commenced construction in the same year, was the largest solar power project to be awarded the first round of this programme. Just 21 months later, in 2014, REISA reached commercial operations and began supplying renewable energy to the national grid under a 20-year Power Purchase Agreement with South Africa's power public utility, Eskom.

AFRICAN INFRASTRUCTURE INVESTMENT MANAGERS

African Infrastructure Investment Managers (AIIM), Africa's largest and most experienced infrastructure equity fund manager, identified the strong investment opportunity presented by the REIPPP programme. The South African government launched the REIPPP programme in 2012 with the first bidding round of a planned 7 000 MW programme.

Now in its fourth bidding round, REIPPP has procured 6 422MW from 112 independent power producers, bringing investment of R201 billion. The recent signing of 27 new projects has generated R56 billion in investment alone, with AIIM's managed funds representing one of the largest investors in the programme with more than R7 billion committed across 26 projects. REISA was one of the first commercial, large-scale PV plants to be brought into operation in South Africa, therefore enjoying a strong first mover advantage. And although nascent in South Africa, solar PV assets had an internationally proven track record of delivering robust returns to investors with low operational risk. Based on its experience in operating in the region since 2000, AIIM could position itself to take advantage of the well-structured REIPPP bidding programme, with clear qualification criteria and an independent and objective assessment of bids, notwithstanding it being the first such programme of scale to be implemented on the continent. The investment, which was financed through AIIM's African Infrastructure Investment Fund 2 (AIIF2) and IDEAS Fund, provided the funds with strong risk-adjusted returns through a contractually robust investment structure with experienced international partners. As the majority investor in the project, AIIM took responsibility for the recruitment of the management team, establishment of the management company and implementation of governance and reporting structures. As part of the governance structures, AIIM took three seats on the board of REISA and helped it navigate along the path of successful construction through to commercial operation. AIIM provided strategic guidance on the procurement of services, as well as high-level advice on contract management and negotiations. Since its investment, AIIM has also played a key role in supporting

REISA to deliver on its socio-economic development (SED) objectives, ensuring a positive long-term impact on its surrounding communities. AIIM led the establishment of the local community trust and the appointment of trustees and has overseen the roll-out of community improvement projects. These projects help enhance the lives of local communities and instil a true alignment of interests while complying with REISA's contractual SED obligations.

A FORCE FOR GOOD

REISA is a committed corporate citizen. The company supports many community projects, with a focus on education, social infrastructure, welfare and poverty alleviation through job creation and enterprise development. As part of its commitment to developing social infrastructure, REISA has funded two solar street light initiatives since 2015: the Dibeng Solar Street Light Project - the first beneficiary of REISA's Solar Street Light programme, which included the installation of 52 solar street lights covering over 2 km of road; and the Olifantshoek Solar Street Light Project - about 105 solar street light units have been installed along Olifantshoek's busiest roads. These initiatives resulted in a significant improvement to the lives of REISA's host communities in terms of safety and security, all the while using environmentally friendly solar energy.

The solar street lights typify REISA's approach to social economic development projects. Not only has the implementation of the street lights solved a social issue, but in so doing, it has also created an opportunity to train a local person to become an electrician with their own small business, who will continue to be involved in the maintenance of these lights. At the launch of the Olifantshoek project, Sylvia Lucas, Premier of the Northern Cape, said it has the potential to change the landscape of the town. "On a deeper level, it adds to our collective commitment to make this province a safe and prosperous one for the benefit of our people living in it."

THE COMPANY VIEW

It's always a pleasure working with the AIIM directors. They bring a significant level and diversity of experience to the board allowing us to tap into a wealth of knowledge, networks and capabilities gained across other assets. There is a deeply embedded culture of open and collaborative dialogue within the team, resulting in rigorous conversation and robust recommendations. We have a strong and trusting relationship with the AIIM directors, which allows us to be innovative in problem-solving and gives us the space to present solutions.

IMPACT FUNDS

OUR INVESTMENT APPROACH

By addressing the gaps in social infrastructure, we aim to achieve large-scale impact and appropriate long-term investment returns. Focusing primarily on affordable housing, SMME finance and education, we provide debt and equity finance to a diversity of projects. Our approach is to partner with business managers that are experts in their fields and have proven track records. This reduces investment risk, has a positive impact on investment returns (through greater efficiency and lower costs) and allows us to provide an end product that is affordable to our target market.

CASE STUDY: ROYAL SCHOOLS STORY

The Royal Schools business was first incorporated in 1993 on the brink of South Africa's democratic dawn.

The mission of Royal Schools founder, Dr Bennie Fourie, is to enable students from lower income families to maximise their life opportunities through the access to quality, independent education.

Soon after the business was established, Royal Schools opened its first two campuses in inner-city Pretoria in 1993, which provided affordable, English-medium education to underprivileged youth. The schools, namely Princess Park College and Queens Private School, are still successfully operating today. Today, Royal Schools include 10 schools across five campuses, catering to over 4 500 learners and employing more than 200 members of staff. The most recently established school, Amberfield College, successfully opened in 2019 with over 800 learners. Dr Bennie Fourie Jnr, the founder's son, is now managing director.

BENEFITS OF IMPACT INVESTING

In 2012, Dr Bennie Fourie Jnr approached Old Mutual Alternative Investments (OMAI) seeking strategic advice and finance (via OMAI's Schools Education Impact Investment Fund South Africa (the Schools Fund)) to develop the business.

Old Mutual and the Public Investment Corporation (PIC) had set up the Schools Fund that year with a mission to address education infrastructure backlogs and improve South Africa's educational attainments. After due diligence of the Royal Schools business, the Schools Fund approved a Phase One investment of R78.5 million

(US\$5.8 million) for the redevelopment and expansion of the Queens and Princess Schools as well as the development of a large greenfield school in Alberton (south of Johannesburg). As the Royal Schools business has proven itself to be successful, in 2016 a second phase of the investment was approved, with an investment size of R267 million.

The Amberfield College investment was approved in 2017 and presently the total approved investment is R372 million.

BEYOND THE OBVIOUS

OMAI uncovers attractive investment opportunities often overlooked by others. Examples of our "beyond the obvious" approach at Royal Schools include:

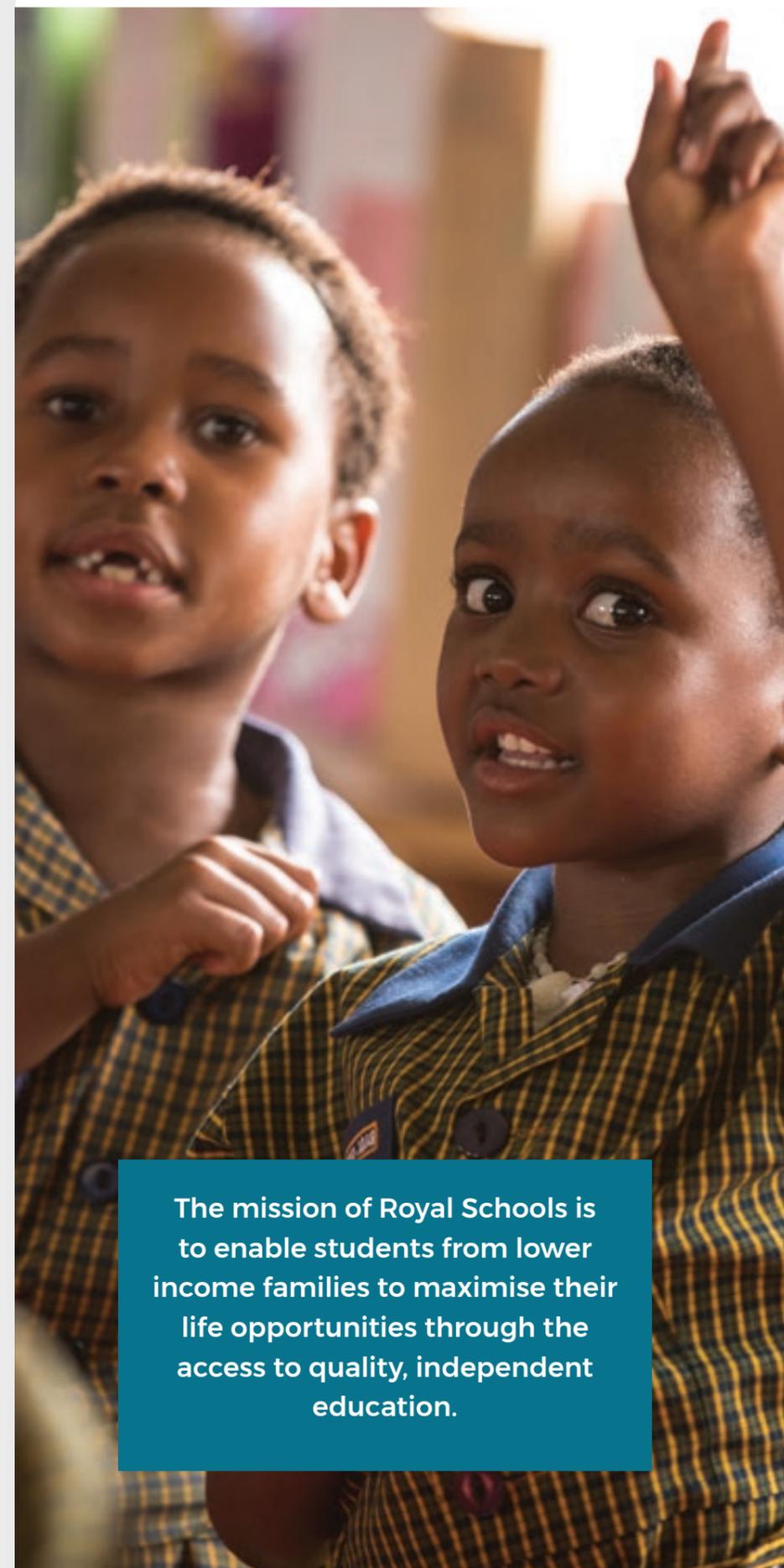
- Setting long-term investment horizons that allow new schools, as vital community assets, the time to develop and mature at a sustainable pace.
- A mission based on constantly improving education outcomes as well as growing profitable businesses that generate investment returns.
- Understanding the highly complex approval processes within local, municipal and national authorities, including government departments, necessary to develop a new school.

A TESTAMENT OF THE SUCCESS OF ROYAL SCHOOLS

Former Royal Schools' student Refilwe Mekwa is a talented and hard-working young woman and the youngest in a family of three girls. Through the support of her single mother, a teacher at a government school, Refilwe has made the most of her life opportunities.

In 2009, she moved from a small village to Pretoria to enrol in Grade 8 at Royal Schools' Princess Park College. Refilwe faced her greatest challenge in her first year, working hard to improve her English instead of speaking Sepedi, her mother tongue.

She soon mastered English and from Grades 8 to 12 she was among the top three performing learners in her grade. By Grade 12, Refilwe received the distinguished Dux learner accolade, marking the highest ranking academic performance in that academic year. At matriculation, she earned six distinctions and the top performing student award. After school, she enrolled at Wits University for a Bachelor of Accounting Sciences, which she completed in 2016. She then went on to study towards a Certificate of Theory in Accounting at Wits



The mission of Royal Schools is to enable students from lower income families to maximise their life opportunities through the access to quality, independent education.

University and is currently working as a trainee accountant at one of the big four auditing firms.

THE COMPANY VIEW

Bennie Fourie, MD of Royals Management Company, comments: "A crucial part of OMAI's added value was the bespoke structuring to be able to do the deal. Their structure recognised the value of our schools and allowed us to retain majority ownership in the overall business. They also provided working capital loans for expansion, and bespoke repayment terms for the schools' business model, something that simply would not be feasible with normal bank financing."

Lala Steyn, Head of OMAI's education portfolio, adds: "It is incredibly fulfilling to see the transformational power of education. Schools like Royals, with effective leadership and management, are creating opportunities for first-time matriculants in families to contribute to growing a sustainable South Africa. Private sector impact investments, working alongside Government, are helping to solve some of the country's education obstacles. Many more such investments are needed."

AGRICULTURE

OUR INVESTMENT APPROACH

Investing in farmland and agriculture production, our aim is to add value through appropriate funding, operational excellence and social impact. Our approach is to develop and manage farmland in partnership with large-scale agricultural operators. We generate profits from capital gains, lease income and/or profit sharing. Our extensive experience in all agricultural disciplines has resulted

in us providing investors with a compelling risk/return profile while also meeting social and environmental targets.

INTEGRATING ESG FACTORS

Good environmental and social governance is integral to our investment process. We not only aim to improve farm production, but also to address a range of social and environmental aspects to ensure we develop sustainable operations that result in lasting and positive change. Environmental, social and governance (ESG) issues across all the farms are independently assessed and monitored using the International Finance Corporation (IFC)'s Performance Standards as a guide.

Application of internationally recognised standards:

- All funds and portfolio companies in the portfolio implement comprehensive operational environmental and social management plans (that are aligned with the International Finance Corporation Performance Standards' internal systems in place)
- Social and environmental management system (to manage the investment cycle and an asset's environmental and social performance holistically) developed in conjunction with DFI investors and systems
- Independent environmental audit programmes to manage ESG risks
- Comprehensive stakeholder engagement in line with defined Stakeholder Engagement Strategies and Stakeholder Engagement Plans
- Consultation with DFI ESG representatives for all high-risk transactions through the ESG subcommittee of the Limited Partner Advisory Committee (LPAC)
- Comprehensive monitoring and evaluation of CSI and socio-economic development programmes.

CASE STUDY: ENERGISING THE CONTINENT BBOXX DRC, RWANDA AND KENYA

In December 2018, the African Infrastructure Investment Fund 3 (AIIF3) acquired a minority stake in BBOXX's operations in East Africa, as part of a R558 million investment plan.

Some 86% of the population in sub-Saharan Africa live without clean fuels for cooking. As a result, BBOXX has developed a pay-as-you-go cooking solution, BBOXX Capital. BBOXX is a solar electricity service company that designs, manufactures and distributes plug-and-

play solar home systems for off-grid rural and peri-urban communities. AIIF3 has a minority interest in BBOXX's subsidiaries operating in Kenya, Rwanda and the Democratic Republic of Congo, referred to as Next Generation Utilities (NGUs).

BBOXX's vision is to provide 20 million people with electricity by 2020. BBOXX focuses on satisfying the fundamental need for electricity as well as providing superior customer service.

ESG OVERVIEW AND PROGRESS

- Over 43 000 solar home systems installed in the first half of 2019
- In H1 2019, employees totalled 428, of whom approximately 30 are female
- ESG committee established with an accepted Charter
- NGUs have signed Environmental, Social, Health and Safety Policies in place
- Additional policies and procedures to be developed and implemented via the ESMS

SHORT-TERM ESG PRIORITIES

- Complete environmental and social management system development and training
- Risk management associated with Ebola in DRC
- Monitoring progress on ESAP item completion
- ESG reporting

CASE STUDY: DC GO SOUTH AFRICA

DC Go provides efficient, accessible off-grid solar energy solutions to currently unserved customers and communities. Energy solutions are available to our customers through affordable and adaptive pay-as-you-go packages, which range from basic lighting to a full suite of low energy, direct current appliances available from DC Go.

Through our solutions we aim to be a catalyst to improve the quality of life of our customers whilst alleviating poverty through job creation, skills and enterprise development, and safe-guarding the environment for future generations.

ESG OVERVIEW AND PROGRESS

During the ramp-up phase:

- 177 towers installed in Diepsloot, Johannesburg without incident
- Installing a further 23 towers
- Access to 3 200 households



The entire business model of DC revolves around positive relations with communities.

SHORT-TERM ESG PRIORITIES

- E&S DD complete
- Development of ESMS with key focus on stakeholder management
- Post mortem Investigation Report on interruption of service, vandalism and theft at Nkaneng, Rustenburg

WHAT WE LEARNT

The entire business model of DC revolves around positive relations with communities, to the extent that security of equipment is ensured by customers. To achieve this sales staff are embedded within communities and an extensive process of engagement takes place both before and during operation.

The company strives to push the boundaries in terms of value for money and service provision to customers. This takes the form of technical innovation through high efficiency devices and improvements in battery technology. 🌱

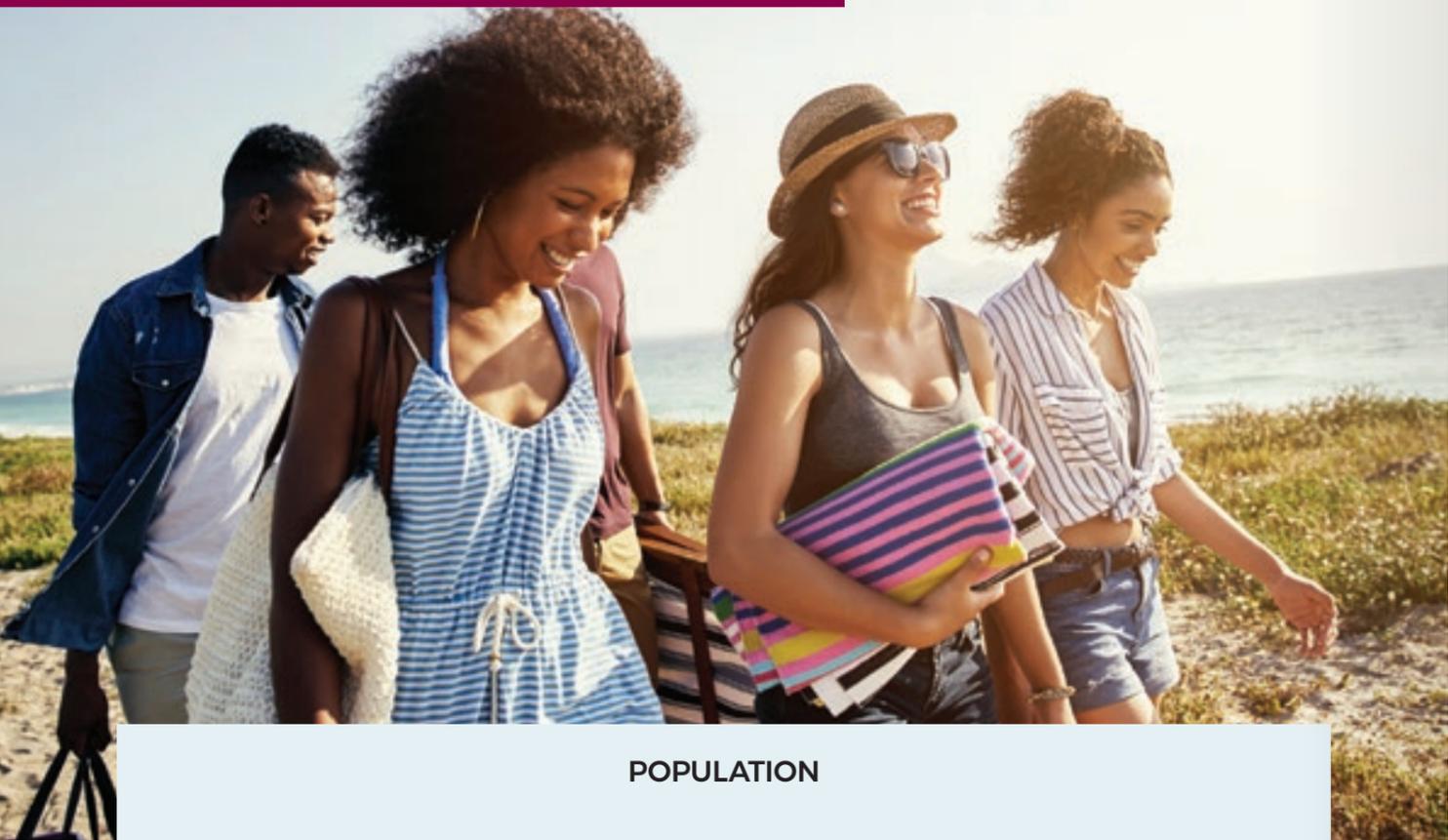
OUR CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Here is a snapshot of our contribution towards some of these Global Goals.



<p>2 ZERO HUNGER</p> 	<p>THE NEED: One in nine people in the world today (815 million) are undernourished.</p> <p>OUR CONTRIBUTION: We have committed over R1 billion on behalf of our clients to agricultural investments at 15 farms on the African continent.</p>
<p>4 QUALITY EDUCATION</p> 	<p>THE NEED: More than half of the 57 million children that have not enrolled in schools globally live in sub-Saharan Africa.</p> <p>OUR CONTRIBUTION: The R2.3 billion committed to education affords access to quality education to more than 18 000 children across SA.</p>
<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>THE NEED: Energy is the dominant contributor to climate change, accounting for around 60% of total global greenhouse gas emissions.</p> <p>OUR CONTRIBUTION: Our investments in renewable energy projects power over 800 000 homes with clean energy.</p>
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>THE NEED: 470 million jobs are needed globally for new entrants to the labour market between 2016 and 2030.</p> <p>OUR CONTRIBUTION: The investments we make on behalf of our clients fuel job creation in various sectors, including agriculture, education and construction, to name a few.</p>
<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p>THE NEED: For many African countries, particularly the lower-income countries, the existing constraints regarding infrastructure affect firm productivity by around 40%.</p> <p>OUR CONTRIBUTION: Our commitment to the green economy includes a R20 billion transport infrastructure investment, which includes rail, road and airports.</p>
<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<p>THE NEED: 95% of urban expansion in the next decade will take place in the developing world.</p> <p>OUR CONTRIBUTION: Our housing investments have provided over 20 000 affordable homes in SA cities.</p>
<p>13 CLIMATE ACTION</p> 	<p>THE NEED: Global emissions of carbon dioxide (CO2) have increased by almost 50% since 1990.</p> <p>OUR CONTRIBUTION: The renewable energy projects we have invested in help us avoid 3 052 638 tonnes of carbon dioxide from the environment every year.</p>
<p>15 LIFE ON LAND</p> 	<p>THE NEED: 52% of the land used for agriculture is moderately or severely affected by soil degradation.</p> <p>OUR CONTRIBUTION: Our agricultural investments prioritise water conservation, reduced soil erosion and limiting emissions that contribute to global warming.</p>

SOUTH AFRICA BY THE NUMBERS



POPULATION

58.7 million

Total number: (Mid-year 2019 estimates)



48.8%

Male



51.2%

Female



28.8%

0 - 14 years



9.0%

+60 years

POVERTY

56%
of population



Upper bound poverty line
R1 227

25%
of population

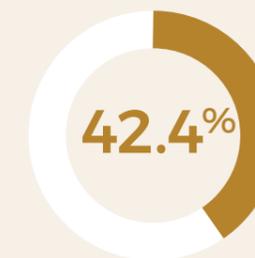


Food poverty line
R561

EMPLOYMENT



Unemployment rate



Absorption rate
Proportion of working age population 15 - 65 employed



Participation rate
Proportion employed or seeking employment 15 - 65 years

INEQUALITY

INCOME (2015)



FEMALE-HEADED HOUSEHOLDS

R18 406

Average annual income

R8 225

Median annual income



MALE-HEADED HOUSEHOLDS

R38 180

Average annual income

R14 897

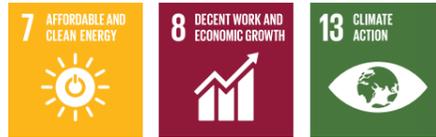
Median annual income

GINI COEFFICIENT

0.7



ENERGY PROVISION



Our investment in energy not only contributed to Goal 7, but also to Goal 8 because of jobs created, and Goal 13 because the energy provided was mostly clean.

Our investment in energy contributes to energy provision, 87% of which is clean energy, which has a positive impact on climate change. It also contributes to job creation and economic growth, with over 3 000 people employed in our energy investments.

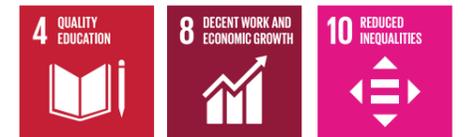
Total contracted capacity (GW)	1.56
Total energy produced in 2019 (GWhr)	3.625
Equivalent households powered	Over 1 150 000
Of total power produced, this is the % generated from renewable energy	87%
GWhr of renewable energy produced	3.146
Equivalent households powered by renewable energy	947 946
Total employees in energy sector as at Dec 2019	3 121

INFRASTRUCTURE



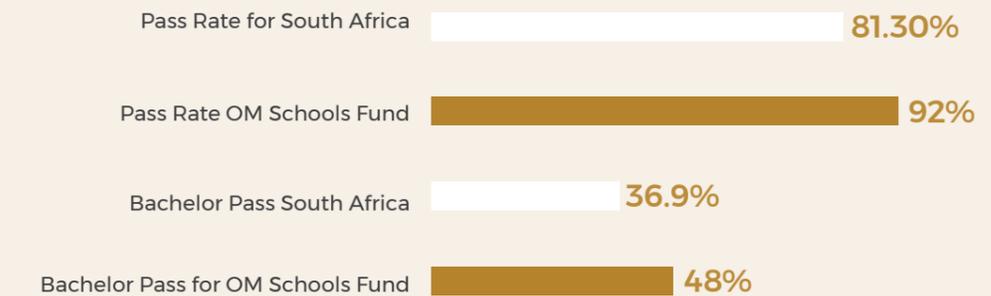
Airport number of flights - 2019	39 899
Number of passengers - 2019	3 380 091
Number of telecommunication towers - 2019	24 076
Product throughput tonnage - 2019	531 897
Total kilometres of road transport route	1 370

EDUCATION



Our investment in energy not only contributed to Goal 4, but also to Goal 8 because of jobs created and Goal 10 because of the focus on equitable employment and registration of girl children.

Matric pass rate for OM Schools Fund



EMPLOYMENT AND GENDER EQUITY IN THE SCHOOLS FUND

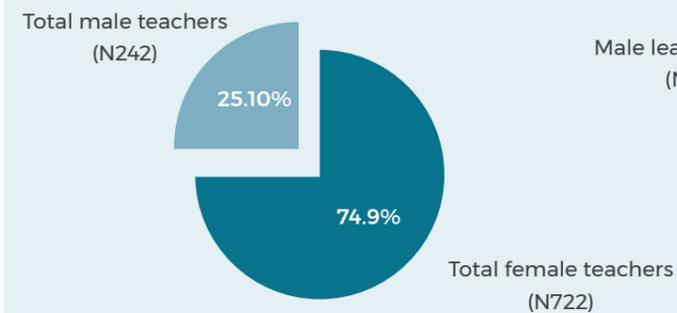


Total overall teachers

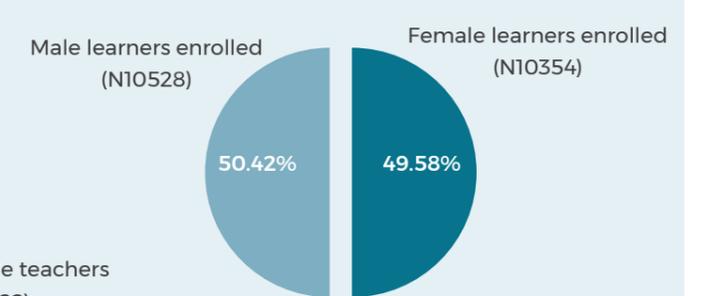


Total employees as at Dec 2019

Gender equity - teachers



Gender equity - learners



LOW-INCOME HOUSING/HOUSING FOR VULNERABLE (FOR HIFSA FUND)



Total employees as at Dec 2019	2 290
Certified EDGE units in portfolio	688
Student beds	7 648
FSC student beds	6 239
FSC % student beds (mostly NSFAS students)	82%
FSC greenfields units	13 208
FSC % greenfields	77%
Rental units in the portfolio	6 610
FSC rental units	5 535
FSC % rental	84%
FSC % average	81%
Housing opportunities created and transferred	17 110



ESG GLOSSARY

ACTIVE OWNERSHIP *n* When shareholders exercise their rights, actively engaging with the investee companies on business strategy, including sustainability issues, to reduce investment risk and/or enhance long-term shareowner value.

CODE OF RESPONSIBLE INVESTING IN SOUTH AFRICA (CRISA) *n* Principles that give guidance on how institutional investors should promote sound governance. The code came into effect in February 2012. See Principles of Responsible Investment (PRI).

ENGAGEMENT *n* A purposeful dialogue between shareholders and boards with the aim of ensuring a company's long-term strategy and day-to-day management are effective and aligned with shareholders' interests.

ENVIRONMENTAL FACTORS *n* Issues related to resource use, pollution, climate change, energy use and other environmental challenges and opportunities that do or could impact the shareholder value. See ESG.

ESG *n* Stands for environmental, social and governance factors, the three categories of factors investors consider with regard to an investment's sustainable practices.

FSCA *n* The Financial Sector Conduct Authority is the market conduct regulator of financial institutions that provide financial products and financial services; financial institutions that are licensed in terms of a financial sector law, including banks, insurers, retirement funds and administrators; and market infrastructures.

FIDUCIARY DUTY *n* The legal duty of one party (the fiduciary) to act in the best interests of another (the principal). In the investment chain, there are a number of these relationships, including the duty that boards have to shareholders, the duty between trustees and beneficiaries and the duty between asset managers and their clients.

GOVERNANCE FACTORS *n* Issues related to a company's internal structure and practices, its consideration for shareholder rights, its accountability and wider

transparency framework. Measures of governance can include board structure and independence, executive remuneration or auditor independence. See ESG.

GREEN ECONOMY *n* A low-carbon, resource-efficient and socially inclusive economic growth path for improved human well-being and social equity while reducing environmental risks. It is an alternative concept to typical industrial economic growth, which focuses on increasing GDP above all other goals.

GREENWASHING *v* The practice of making an unsubstantiated or a misleading claim about the environmental benefits of a product, service, technology or company practice. It can make a company appear to be more environmentally friendly than what it really is.

SOCIAL WASHING *v* The practice of overstating the impact of an investment on labour rights or human rights.

IMPACT INVESTING *v* Investing with the primary goal of achieving specific, positive social benefits, while also delivering an attractive investment return. Typically, these are investments in projects with clear social goals, for example, education or housing.

INTEGRATION *n* An approach to investing which considers integrating ESG issues into the research, valuation and portfolio construction processes to improve the risk/return characteristics of a portfolio.

PRINCIPLES OF RESPONSIBLE INVESTMENT (PRI) *n* Founded in 2006 in partnership with the United Nations (UN), this is an investor initiative that supports a global network of signatories to incorporate ESG factors into their investment decisions. Old Mutual has been a signatory to the PRI since June 2012.

PROXY VOTING *v* A form of voting whereby a shareholder with voting rights delegates his or her voting power to a representative (in this case, the asset manager) to enable a vote in absence at a company's annual general meeting or special meeting.

RENEWABLE ENERGY *n* Electricity harvested from resources that are naturally replenished, such as sunlight, wind, water and geothermal heat.

REGULATORY INFORMATION

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- Old Mutual Investment Group (Pty) Ltd (Reg No 1993/003023/07), FSP No: 604.
- Old Mutual Customised Solutions (Pty) Ltd (Reg No 2000/028675/07), FSP No: 721.
- Old Mutual Alternative Investments (Pty) Ltd (Reg No 2013/113833/07), FSP No: 45255.
- African Infrastructure Investment Managers (Pty) Ltd (Reg No 2005/028675/07), FSP No: 4307.
- Futuregrowth Asset Management (Pty) Ltd (Futuregrowth) (Reg No 1996/18222/07), FSP No: 520.

Market fluctuations and changes in rates of exchange or taxation may have an effect on the value, price or income of investments. Since the performance of financial markets fluctuates, an investor may not get back the full amount invested. Past performance is not necessarily a guide to future investment performance. The investment portfolios may be market-linked or policy based. Investors' rights and obligations are set out in the relevant contracts. Unlisted investments have short-term to long-term liquidity risks and there are no guarantees on the investment capital nor on performance. It should be noted that investments within the fund may not be readily marketable. It may therefore be difficult for an investor to withdraw from the fund or to obtain reliable information about its value and the extent of the risks to which it is exposed. The value of the investment may fluctuate as the value of the underlying investments change. In respect of pooled, life wrapped products, the underlying assets are owned by Old Mutual Life Assurance Company (South Africa) Ltd, who may elect to exercise any votes on these underlying

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INVESTMENT GROUP