



OLDMUTUAL

# KING IV

OLD MUTUAL LIMITED

## APPLICATION OF THE KING IV PRINCIPLES

2020



DO GREAT THINGS EVERY DAY



# Application of the KING IV principles

For the year ended 31 December 2020

Old Mutual Limited's (OML) Board endorses the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV) and this code is a key input into our Group Governance Framework (GGF).

The Johannesburg Stock Exchange (JSE) Listings Requirements applicable for integrated reporting purposes stipulate that a listed corporate's annual report must, as a minimum, include a narrative statement on its application of the King IV principles.

The Board applies all seventeen King IV principles and the application status of each is outlined in the table below.

| Applied  | Our response  |
|--|---|
| <b>Leadership, Ethics and Corporate Citizenship</b>  |   |
| <p><b>Principle 1:</b> The Board should lead ethically and effectively.</p> <p><b>Principle 2:</b> The Board should govern the ethics of the company in a way that supports the establishment of an ethical culture.</p> | <p>Yes</p> <p><b>Our ethics</b></p> <p>Ethics and integrity set the standards for corporate governance at Old Mutual. We strive to conduct our business responsibly and ethically and ensure our behaviour is consistent with our values, policies, code of ethics and relevant regulations applicable to financial services companies on the African continent.</p> <p>Our code of ethics, the Maadili charter, defines ethical behaviour as following the spirit and intention of the law and treating all of our stakeholders fairly and respectfully. It is supported and extended by a number of policies, which include our anti-bribery and corruption policy and our conflicts of interest policy. The Maadili Charter is reviewed regularly and revised accordingly to ensure a progressive ethical culture.</p> <p>The Board has delegated to management the responsibility for the implementation and execution of the Maadili charter and supporting policies, as well as effective monitoring, control and assurance on same.</p> <p>The Board and all employees are subject to the Maadili charter and attest to it on an annual basis.</p> <p><b>Embedding ethics in our culture</b></p> <p>The Board is responsible for setting and steering the culture of the Group and it holds management to account for ensuring the Group adheres to the highest standards of ethics and integrity. This forms the foundation of a culture that supports employee, customer and investor confidence.</p> <p>The management of ethics is informed by, among other things, the relevant provisions of the Companies Act, King IV, the United Nations Global Compact (UNGC) principles and best practice guidelines.</p> <p>A continued enhancement of Old Mutual's culture of ethics remains top of mind for the Board, the Responsible Business committee and our executive management.</p> <p>This is facilitated in part through the implementation of measures and processes which drive a culture of ethics:</p> <ul style="list-style-type: none"> <li>– <b>Recruitment:</b> Prospective employees are assessed against integrity checks</li> <li>– <b>Consequence management:</b> Our disciplinary processes hold employees accountable for their conduct</li> <li>– <b>Awareness drives:</b> Ongoing communication with employees reiterate the behaviour expected from all employees</li> <li>– <b>Attestation and letters of representation:</b> Risk Letters of Representation are a key Group-wide control through which the Board obtains assurance on the effectiveness of governance, the risk management systems and the system of internal controls across the Group.</li> </ul> |



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Leadership, Ethics and Corporate Citizenship

### Principle 1 (continued):

The Board should lead ethically and effectively.

Yes

### Governance of ethics

The Board fully acknowledges and accepts the significant responsibility for ensuring our customers' interests are represented and safeguarded and that the Group continues to operate responsibly, sustainably and in an ethical fashion, for the benefit of all our stakeholders.

Board members are individually and collectively accountable for their ethical and effective leadership of the Group. During 2020, Board members were individually assessed by their peers, with a report in this regard submitted to the Chairman.

 *See Principle 9 for Board evaluations*

All deliberations, decisions and actions of the Board are based on fairness, accountability, responsibility and transparency.

Director, prescribed officer and employee interests are managed through formal internal processes. In addition, the director recruitment process includes fit and proper assessments.

We have a variety of internal and external mechanisms, including a whistleblower hotline, email and website, for reporting actual or suspected unethical or unlawful behaviour by directors, employees or external third parties. These are supported by strong investigative capabilities and rigorous disciplinary processes and sanctions.



# Application of the KING IV principles

For the year ended 31 December 2020

## Applied

## Our response

### Leadership, Ethics and Corporate Citizenship

#### Principle 1 (continued):

The Board should lead ethically and effectively.

Yes

#### Independent ethics assessment

During the year under review the *Ethics Institute* conducted an ethics management maturity assessment to determine any areas of improvement with regards to our ethics management. The review assisted the Group in our consideration of current practices, as well as with the implementation of enhancements to further embed the Maadili Charter and its related policies.

#### Focus areas for 2021 and beyond

##### Governance of ethics

- Oversee continued embedding of the pro-active management of an ethical culture

##### Attestation simplification

- Oversee the review of systems and processes to further enhance the conflict of interest management process
- Ensure key ethics related policies are linked to the Maadili charter electronically

##### Communication

- Oversee the embedding of the ethics narrative in all culture related communication in the Group

##### Data ethics

- The Board recognises the need to reinforce and advocate the responsible use of customer data and digital platforms. Several initiatives are already underway in the area of data ethics as part of our conduct risk, cyber risk and protection-of-personal-information programmes. This will be a key focus for the Board, the Risk and the Technology & Platforms committee over the medium term.

[Read our Responsible Business committee report in our Corporate Governance report on \[www.oldmutual.com/Investor-relations/reporting-centre/reports\]\(http://www.oldmutual.com/Investor-relations/reporting-centre/reports\)](#)



# Application of the KING IV principles

For the year ended 31 December 2020

**Applied**      **Our response**

## Leadership, Ethics and Corporate Citizenship

**Principle 3:** The Board should ensure that the company is and is seen to be a responsible corporate citizen.

Yes

The Board assumes and accepts the responsibility for corporate citizenship and has set the direction for how it should be approached and addressed by the Group within a policy framework. This framework includes responsible business, market conduct, compliance, conflicts of interest and privacy policies.

A key responsibility of the Board is to ensure that the Group's strategic objectives are achieved in a sustainable way.

The Group supports initiatives around education, responsible investing, skills development, entrepreneurship, financial wellbeing, environmental impact as well as diversity and inclusion. Investment into these areas will ensure the sustainability of our business for many years to come.

During 2020 Environmental, Social and Governance (ESG) metrics have been added to relevant management scorecards. An overall ESG metric for our short and long term variable pay schemes have also been agreed.

Details on how we monitor our corporate citizenship, the outcomes of our responsible business initiatives during the year under review and our future focus areas can be found in our Responsible Business committee report and our Responsible Business Impact report.

[Read our Responsible Business committee report in our Corporate Governance report on \[www.oldmutual.com/investor-relations/reporting-centre/reports\]\(http://www.oldmutual.com/investor-relations/reporting-centre/reports\)](#)

[Read our Responsible Business Impact report on \[www.oldmutual.com/investor-relations/reporting-centre/reports\]\(http://www.oldmutual.com/investor-relations/reporting-centre/reports\)](#)



# Application of the KING IV principles

For the year ended 31 December 2020

**Applied**      **Our response**

## Strategy, Performance and Reporting

**Principle 4:** The Board should appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

Yes

Old Mutual has a top down strategy development process followed by a bottom up validation and business planning approach across our various businesses. The overarching process delivers a consistent documented strategic baseline across the Group, with agreed upon deliverables, key performance indicators and financials.

The Board's framework for governance of strategy comprises three principal themes:

- Iterative strategy setting/refresh
- Annual strategy approval, within the context of business planning process
- Monitoring strategic execution against the strategy and business plans

### Strategy setting and approval

The Board takes an integrated view with regards to strategy setting and delegates execution of the strategy to the chief executive officer (CEO) and the executive committee. It ensures that the strategy is sustainable and aligned across the Group and works with management to develop the strategy. It retains the responsibility for approval of the strategy.

### Short and medium term strategy

Strategy development is predominantly addressed in the annual business plans, which focuses on the short to medium term. Each business unit presents its plans to the executive committee and these are consolidated for approval by the OML Board on an annual basis. The business plan covers progress on the previous plan, highlights the environmental opportunities and threats identified and lists the Group's strategic responses in terms of defensive and offensive actions, deliveries and targets.

### Long term strategy

The high level vision of where the Group aims to be in the medium to long term is articulated and refreshed on a regular basis. The long term strategy is reflected in the annual business plans, which include both business sustaining strategic initiatives and strategic initiatives that contribute to achieving the long term strategy.

The long term strategy is supported by a clearly defined set of strategic focus areas, with deliverable objectives, which are informed by the Group's risk appetite. The vision, strategy statement and strategic objectives of each business in the Group must be aligned with the Group's overarching vision and strategy.

All businesses are required to confirm that their strategy and business plans are aligned to the Group strategy, take into account the changes in the environment in which they operate and are approved by the Board before proceeding with implementation.

The Board reviewed, interrogated and approved the Group's long term strategy during the year under review.

The Board considers possible disruption to this strategy, and remedial actions, on an ongoing basis.



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Strategy, Performance and Reporting

### Principle 4 (continued):

The Board should appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

Yes

### Monitoring strategic execution against the strategy and business plans

The Board, through a comprehensive set of frameworks, structures and policies exercises ongoing oversight of the implementation of the strategy and business plans by management.

#### Quarterly

Our formal Quarterly Business Reporting provides a comprehensive, robust view of the performance of the business against the approved Business Plan. It enables the Board and executive management, on a quarterly basis, to monitor and measure operational and financial performance and progress against agreed key performance indicators and strategic deliverables, linked to the short term strategies.

#### Annually

The Board reviews the medium and long term strategies and provides guidance on key strategy questions and options raised by the executive committee through a series of engagements. These engagements also explore the operating environment and specific strategic questions that arise, thus providing context to the Group's strategic execution approach.

The annual business plan process culminates in strategic documents being presented to the Board for challenge and approval.

#### Governance over strategic transactions

The Group has a detailed acquisition framework in place which sets out the governance procedures and structures over strategic transactions in the Group.

The Board has final sign off over material strategic transactions, and considers the following:

- Whether a transaction aligns with the Group strategy
- Whether a transaction's internal rate of return exceeds the required hurdle rate
- Whether a transaction valuation reflect the impact of COVID-19
- The fungibility of capital and future profits
- The risk of a transaction to the Group's license to operate
- Management's capacity to rapidly realise proposed synergies

[Read more about our Strategy, business model and risks and opportunities in our Integrated Report on \[www.oldmutual.com/investor-relations/reporting-centre/reports\]\(https://www.oldmutual.com/investor-relations/reporting-centre/reports\)](https://www.oldmutual.com/investor-relations/reporting-centre/reports)



# Application of the KING IV principles

For the year ended 31 December 2020

**Applied**      **Our response**

## Strategy, Performance and Reporting

**Principle 5:** The Board should ensure that reports issued by the company enable stakeholders to make informed assessments of the company's performance, and its short, medium and long term prospects.

Yes

The Board oversees and ensures, through an effective control environment, appropriate management structures and a robust assurance framework, that all external communication and reports are issued in compliance with legal requirements and meet the legitimate and reasonable information needs of material stakeholders.

The Board, through the Group Audit committee, with input from the actuarial and risk control functions and the Group Risk committee, assumes and accepts the responsibility for the Group's financial reporting and sets the direction for how it should be approached and conducted.

In our Board approved extended reporting suite, which includes our integrated report, interim results and various ancillary reports, we detail both our historical performance and outlook. These reports enable stakeholders to make informed assessments of Old Mutual's performance and prospects.

 *Please see our full reporting suite on [www.oldmutual.com/investor-relations/reporting-centre/reports](http://www.oldmutual.com/investor-relations/reporting-centre/reports)*



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Governing structures and delegation

### Primary role and responsibilities of the Board

**Principle 6:** The Board should serve as the focal point and custodian of corporate governance in the company.

Yes

Old Mutual has an iconic brand and the Group is not only the custodian of our customers' savings and financial wellbeing, we also play a material role in broader society.

The Board has adopted a charter which defines its functions and responsibilities and separates it from the role of management.

Under the direction and oversight of the Corporate Governance and Nominations committee, the Group has approved and implemented a Group Governance Framework (GGF) with attendant policies and a delegation of authority framework. King IV was a key input into our GGF.

The application of the GGF is monitored on a quarterly basis by the Corporate Governance and Nominations committee, which ultimately gives effect to the application of King IV throughout the Group.

**The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.**

[Read our Board charter on www.oldmutual.com/about/governance](http://www.oldmutual.com/about/governance)

[See our Board and committee attendance register on page 37 of our Corporate Governance report](#)

[Read about our Group Governance Framework from page 22 in our Corporate Governance report on www.oldmutual.com/investor-relations/reporting-centre/reports](http://www.oldmutual.com/investor-relations/reporting-centre/reports)

### Composition of the Board

**Principle 7:** The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

Yes

The Old Mutual Board has sixteen members and is specifically constituted in terms of expertise and collective skills required for managing and steering a large and complex business into the future.

The majority of the Board members, including the Chairman, are considered independent directors.

The Board takes responsibility for its composition and the process for attaining the appropriate diversity as per the targets of its charter. Board composition is assessed on a quarterly basis by the Corporate Governance and Nominations committee.

The Board has an agreed succession pipeline, which identifies immediate and planned successors for all directors on the Board, including the specific roles fulfilled by these directors, such as the committee chairpersons.

[Read more about our Board composition from page 9 in our Corporate Governance report on www.oldmutual.com/investor-relations/reporting-centre/reports](http://www.oldmutual.com/investor-relations/reporting-centre/reports)

[See our directors' CVs on www.oldmutual.com/about/leadership/board-of-directors](http://www.oldmutual.com/about/leadership/board-of-directors)

[Read more about our Board succession plans from page 12 in our Corporate Governance report on www.oldmutual.com/investor-relations/reporting-centre/reports](http://www.oldmutual.com/investor-relations/reporting-centre/reports)



# Application of the KING IV principles

For the year ended 31 December 2020

## Applied

## Our response

### Governing structures and delegation

#### Effective Board structures and delegation

**Principle 8:** The Board should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties

Yes

The delegation of powers to perform operational functions or represent Old Mutual in the conclusion of contracts and the performance of juristic acts, plays a key role in the good governance of the Group.

Delegation of authority is done in accordance with the GGF and the Group's Memorandum of Incorporation (MoI).

The Board has a coherent and comprehensive committee structure with clear and specific terms of reference for each committee. The committee structure and the relevant terms of reference are reviewed annually. The Board believes this structure ensures effective decision making, discharge of duties, independent judgement and takes into consideration the complex and changing environment within which the Group and the Board are operating.

The composition of membership of the committees and the allocation of roles across committees are considered and reviewed on a quarterly basis to ensure effective collaboration, efficient use of Board resources and a balanced distribution of power across the committees.

Current Board committees are:

- Audit
- Corporate Governance and Nominations
- Related Party Transaction
- Remuneration
- Responsible Business (incorporating social & ethics)
- Risk
- Technology and Platforms

The Audit committee has constituted an actuarial sub committee.

[Read our Board committee feedback reports from page 23 in our Corporate Governance report on \[www.oldmutual.com/investor-relations/reporting-centre/reports\]\(http://www.oldmutual.com/investor-relations/reporting-centre/reports\)](#)

[See our Board committee's Terms of Reference on \[www.oldmutual.com/about/governance\]\(http://www.oldmutual.com/about/governance\)](#)



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Governing structures and delegation

### Evaluations of the performance of the Board

**Principle 9:** The Board should ensure that the evaluation of its own performance and that of its committees, its Chairman and its individual members, support continued improvement in its performance and effectiveness.

Yes

We hold our Board members accountable through annual board evaluations.

Each year, the Board conducts an assessment of its own performance and of the appropriateness and effectiveness of its procedures and processes. The actions from these reviews are agreed, and implementation thereof is tracked.

The assessment in 2020 was, similar to the prior year, facilitated by an independent service provider, *The Board Practice*, as recommended by King IV.

The detailed results of the assessment have been shared with the Board, noting that the Board was operating effectively. Areas of focus for 2021 were identified and relate to succession planning for independent and executive directors, as well as the effectiveness of information sharing between subsidiary companies and the Board.

The assessment included a director peer review, as well as a review of the performance of the Chairman and Group company secretary.

The Board also sets self assessment review expectations for subsidiary boards (including individual directors). The frequency and nature of assessments are influenced by subsidiaries' classification in terms of the GGF, considering the principle of proportionally.

**The Board is satisfied that the evaluation process is improving its performance and effectiveness.**

[Read about the 2020 Board assessment outcomes on page 15 in our Corporate Governance report on \[www.oldmutual.com/investor-relations/reporting-centre/reports\]\(http://www.oldmutual.com/investor-relations/reporting-centre/reports\)](#)



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Governing structures and delegation

### Appointment and delegation to management

**Principle 10:** The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

Yes

#### Chief Executive Officer (CEO)

In terms of the Board charter, the Board appoints the CEO who is responsible for the implementation and execution of the approved strategy and policy and operational planning. The CEO serves as the primary link between management and the Board.

Through the Corporate Governance and Nominations committee the Board ensures that there is succession planning in place for the CEO position and that it is regularly reviewed.

The CEO, Iain Williamson, is accountable to and reports to the Board, and in line with best practice, is not a member of the Audit, Corporate Governance and Nominations and Remuneration committees.

The CEO's performance scorecard, with agreed performance measures and targets, is tabled with the Corporate Governance and Nominations committee and the Board.

The Board charter is very clear on the powers, which are reserved for the Board, and those that are to be delegated to management via the CEO.

To formalise the delegation of managerial powers and functions, the Board has resolved that, subject to the GGF, the MoI, the policies, limitations and requirements prescribed by the Board from time to time, the following powers are delegated to the CEO:

- the powers reasonably required to perform all internal managerial functions in relation to the management, administration and functioning of the Group, including
  - the power to sub delegate any such power, and
  - the power to confer powers of sub delegation as may be required at the different levels of management.

The Board also defines the level of materiality and approves a delegation of authority framework.

The CEO has an employment contract that can, subject to fair labour practices, be terminated upon six month's notice. He serves on the Nedbank Limited board, which constitutes his only external board membership.

[See CEO's CV on www.oldmutual.com/about/leadership/executive](http://www.oldmutual.com/about/leadership/executive)

**The Board is satisfied that the approval framework and the Group operating model contribute to role clarity and effective exercise of authority and responsibilities.**



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Governance functional areas

### Risk governance

**Principle 11:** The Board should govern risk in a way that supports the company in setting and achieving its strategic objectives

Yes

The Board's responsibility for risk governance is expressed in the Board charter, the terms of reference of the Risk and Audit committees and the risk policies and plans of the Group.

The Board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of the Group. It sets the Group's risk appetite and tolerance levels annually as part of its review of the Group's risk strategy.

#### Enterprise risk management

Old Mutual's well defined Enterprise Risk Management policy is a systematic approach to decision making based on the principles of evaluating and managing business opportunities, uncertainties and threats in a structured, disciplined manner, while ensuring risk and capital implications across the full spectrum of risks are considered when making strategic and operational decisions.

Our risk management system includes:

- A clearly defined and documented risk strategy
- A risk governance model based on the three lines of assurance
- Defined accountabilities, roles and responsibilities for boards, management and employees
- Defined risk policies that set the requirements for managing material risks
- Standard processes, procedures and methodologies for identifying, assessing, monitoring, managing and reporting on material risks, including processes for risk based decision making
- A common risk categorisation model
- Stress testing and contingency and crisis planning
- A system of internal controls including risk, compliance, actuarial oversight and internal audit control functions

The Group internal audit function performs periodic assessments of the effectiveness of the Group's risk management function and highlights any deficiencies in formal audit reports.



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Governance functional areas

### Risk governance

#### Principle 11 (continued):

The Board should govern risk in a way that supports the company in setting and achieving its strategic objectives

Yes

#### Group Risk Policy suite

The Group Risk Policy suite is key to ensuring the Group applies a common set of standards for the management of risk within the approved risk appetite limits. The risk policies are aligned to the Risk Classification Model, with each policy having a designated Old Mutual executive committee member as executive sponsor.

The principle of proportionality is applied to reduce the administrative burden without significantly impacting the risk control and governance environment. For each category of entity, as defined by the GGF, there is a very clear set of governance requirements and risk policies which must be applied. The model identifies material entities and functional structures in the Group and describes the minimum internal governance requirements they must implement, adhere to and report on.

The Group Risk Classification Model defines the types of risks we face as a financial services Group. It consists of a number of defined Level 1 risk types covering the full spectrum of risks the business faces in conducting its operations, including external and internal risks as well as financial and non-financial risks.

The Group Risk Policies are principle based and can therefore be applied across lines of business as applicable. Management are required to obtain Group Board approval for any changes in policy content, oversee subsidiary implementation of the requirements and provide periodic compliance assessments.

A formal waiver must be approved when a subsidiary is not able to comply with the requirements of the GGF or the Risk Policies. Waivers are temporary approvals for exemptions granted for a maximum of one year and may be made subject to additional or alternative mitigating controls being introduced in the interim.

#### Audit and Risk committees

The Audit and Risk committees assist the Board with the governance of risk.

These committees have implemented a process whereby risks to the sustainability of the company's business are identified and managed within acceptable parameters and an approved and defined risk appetite.

The duty to identify, assess, mitigate and manage risks within the existing and ever changing risk profile of our operating environment is delegated to management. Mitigating controls and actions are put in place and the Board is provided with regular updates on the progress of the risk mitigation.

The Board and the Audit and Risk committees also continuously monitor and challenge risk management exposures and responses through the regular submission and review of the chief risk officer's report.

[Read the Audit and Risk committees' reports](#) in our Corporate Governance report on [www.oldmutual.com/investor-relations/reporting-centre/reports](http://www.oldmutual.com/investor-relations/reporting-centre/reports) for future focus areas



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Governance functional areas

### Risk governance

#### Principle 11 (continued):

The Board should govern risk in a way that supports the company in setting and achieving its strategic objectives

Yes

#### Risk letters of representation

The Risk Letters of Representation are a key Group wide control through which the Board obtains assurance on the effectiveness of governance, the risk management system and the system of internal controls across the Group.

Periodically subsidiary management self assessments are conducted to confirm the extent to which:

- Subsidiaries have adequate and effective risk management and internal control systems in place
- Subsidiaries comply with applicable laws and regulations, the GGF and Group Risk Policies
- The risk culture in the subsidiaries aligns to that of the Group

These management self assessments are reviewed and challenged, where appropriate, by Group policy owners and the second and third line control functions.

Concerns are reported to the Group Risk committee.

[See our Risk report from page 31 of our Integrated report 2020 on report on \[www.oldmutual.com/investor-relations/reporting-centre/reports\]\(http://www.oldmutual.com/investor-relations/reporting-centre/reports\)](#)



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Governance functional areas

### Technology and information governance

**Principle 12:** The Board should govern technology and information in a way that supports the company setting and achieving its strategic objectives.

Yes

Information and technology (IT) are key to our business and there is an increased regulatory focus on these areas.

The Board is responsible for the oversight of the Group's IT strategy and policy and ensuring that supporting governance structures and processes are robust. This includes setting the direction of the policy, challenging IT risk assessments and evaluating the effectiveness of the IT function.

The Technology and Platforms committee was established to provide oversight and governance of the Group's strategic investment in digital, data, and technology management. This committee is supported by the chief operating officer, chief information security officer, chief information officer, chief digital and data officer and the chief risk officer. These individuals are responsible for ensuring that the Group implements appropriate system security, data integrity and business continuity processes.

The Risk committee, together with the Technology and Platforms committee, ensure that IT governance is appropriately addressed by management within the context of the strategy of the Group. The Group's IT governance focusses specifically on cybersecurity, data governance, business resilience, financial management, technology architecture and operations. Technology risks are integrated into the Group Risk Management Framework and are reviewed at regular intervals. Changes to our systems are security tested before implementation and this is enforced by regular, comprehensive external testing.

IT governance is an agenda item at committee level, with regular reporting to the Board.

The two components of IT governance are defined within the GGF:

**Technology and Platform Governance** – focuses on IT systems, hardware, software, telecommunications, networking, services, data hosting and facilities.

**Information Security Governance** – focuses on the security of all information generated, managed and stored in the organisation.

Old Mutual is committed to ensuring the security and confidentiality of all personal information processed from internal and external stakeholders, including our employees. Information shared with any third party is disclosed strictly in accordance with relevant data protection legislation. There is executive and Board oversight to monitor our compliance with the standards of the European General Data Protection Regulation (GDPR) and the Protection of Personal Information (POPI) Act 4 of 2013 in South Africa.

The threat of cyber risk within Old Mutual is managed by our people, processes and procedures, as well as associated technologies to protect against malicious and non malicious threats.

Old Mutual uses the NIST Cybersecurity Framework and the ISO27001 Information Security Standard to classify technology risks. The IT function has processes in place to monitor, contain and rapidly respond to cyber attacks on Old Mutual's networks as well as other data-related incidents, including leaks of information.

The Group has been enhancing our cyber capability programme, embedding and improving our overall cyber resilience capability in response to increased cyber threats. Efforts have focused on the risk assessment of current cyber resilience capabilities and the mitigation of any weaknesses identified.

#### Digital, Data and IT strategy

The Board keeps a watching brief on the deliverables agreed in terms of the digital, data and IT strategy. It was encouraged by management's progress on a number of key matters during the year under review, which could provide a competitive edge to the business in the near future.



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Governance functional areas

### Compliance governance

**Principle 13:** The Board should govern compliance with applicable laws and adopt non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen.

Yes

The Board is accountable for compliance and continually provides guidance on and oversight of the management of compliance risk.

The Group compliance function establishes and maintains mechanisms and systems of internal control to assist the Board and management in meeting legal, regulatory and supervisory obligations and to promote and sustain a sound compliance culture. This includes ensuring that legal and regulatory compliance is embedded in our strategic, financial and operational decisions.

It operates within an extensive compliance framework created by our GGF, the Group compliance policy, the Group compliance mandate and the Group compliance methodology.

The Group compliance function is also responsible for coordinating formal and informal engagements with regulators.

A suitably experienced expert in each of our businesses oversees anti bribery and corruption compliance. Any concerns are reported to the executive committee and the Risk and Audit committees.

The Risk committee also receives an annual compliance assessment as part of the Group wide financial crime prevention report. Each business has established anonymous whistleblowing arrangements facilitating the reporting of actual or suspected unethical or corrupt behaviour, supported by strong investigative capabilities and rigorous disciplinary processes and sanctions. Any concerns are reported to the executive committee and the Risk and Audit committees.

The Responsible Business committee is responsible for monitoring compliance with laws, rules, codes and standards relating to broad based black economic empowerment, employment equity, environmental management, health and safety, HIV/Aids, the United Nations Global Compact Principles and the relevant Organisation for Economic Co-operation and Development (OECD) recommendations, in accordance with its statutory duty as social and ethics committee.

The Board receives assurance on the effectiveness of the Group compliance function by way of Group internal audit reporting.

In respect of compliance, the Board will monitor the delivery of the following items in 2021:

- Embedding of the mature market conduct framework in day-to-day operations
- Assessment of the 2nd draft of the Conduct of Financial Institutions Bill along with implementation plans to address identified gaps
- Alignment of the Group with the final Retail distribution review proposals

[See the Audit, Responsible Business and Risk committees' reports in our Corporate Governance report on \[www.oldmutual.com/investor-relations/reporting-centre/reports\]\(http://www.oldmutual.com/investor-relations/reporting-centre/reports\)](#)

**There were no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations during the year under review.**



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Governance functional areas

### Remuneration governance

**Principle 14:** The Board should ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

Yes

#### Responsible remuneration

Old Mutual manages remuneration on a total remuneration basis, which incorporates a combination of remuneration elements (both financial and non financial) to allow the Group to attract, motivate and retain appropriately skilled and experienced individuals who will enable the Group to meet its strategic objectives.

We have developed organisation wide remuneration guiding principles and the Board, through the Remuneration committee, is committed to ensuring that remuneration of executive management is fair and responsible in the context of overall employee remuneration.

The Board established and approved the Group remuneration policy in line with applicable laws and regulations and oversees the implementation thereof.

This policy is reviewed annually, which includes benchmarking remuneration levels against industry peers and organisations of similar complexity.

The Remuneration and Risk committees set the requirements for policies, relating to remuneration, and oversee the operational implementation of the applicable requirements by the group human capital director, supported by the Group Reward function. The Remuneration committee also reviews executive remuneration outcomes to ensure that these reflect the overall contribution to the performance of Old Mutual for the benefit of all stakeholders. This includes reviewing the individual scorecards of each member of the executive committee, satisfying itself as to the accuracy of recorded performance measures that govern vesting of incentives.

Other than as provided for in the relevant legislation and the company's policies related specifically to redundancy or retrenchment, there is no automatic entitlement to termination payments.

The Group also has a malus and clawback policy in place.

#### Shareholder engagement and voting on the remuneration policy and implementation report

The Group is committed to maintaining regular, transparent and informative dialogue with our shareholders, aimed at building relationships based on trust and mutual understanding. In line with best practice, the Group tables its remuneration policy, as well as the remuneration implementation report, for approval by shareholders by a non binding resolution at its Annual General Meeting (AGM).

The Group's remuneration policy achieved 92.29% approval from shareholders at the 2020 AGM. The non-binding advisory resolution on the endorsement of the remuneration implementation report, achieved 73.77% approval (up from 30.87% in the prior year) from shareholders. This is below the requisite support of 75% of votes.

The Board therefore invited, through a SENS issued on 15 June 2020, dissenting shareholders to make written submissions to outline concerns and make recommendations regarding this non binding advisory resolution. Further engagements were initiated with shareholders.

[See our Remuneration Report on www.oldmutual.com/investor-relations/reporting-centre/reports](http://www.oldmutual.com/investor-relations/reporting-centre/reports)

[See the Board and our stakeholders on page 17 in our Corporate Governance report on www.oldmutual.com/investor-relations/reporting-centre/reports](http://www.oldmutual.com/investor-relations/reporting-centre/reports)



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Governance functional areas

### Assurance

**Principle 15:** The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the company's external reports.

Yes

### Assurance

The Board is accountable for combined assurance and sets the direction for the Group assurance services and functions by means of the combined assurance framework. The Board delegates to the Audit and Risk committees the responsibility for overseeing that our combined assurance activities are effective in achieving its objectives.

Our combined assurance framework establishes integrated and coordinated assurance activities between the three lines of assurance across all levels of the organisation. There is continued and ongoing focus on increased collaboration and sharing of information as well as reducing duplication of activities.

The three lines of assurance establishes clear accountability and ownership for risk management, the control environment and required mitigating management actions. It also enables effective separation of risk taking from risk oversight activities.

Lines of assurance:

- The first line of assurance comprises the business owners, whose role is to identify and monitor risk, as well as execute actions to manage and mitigate it.
- The second line of assurance comprises the control functions (Risk, Compliance and Actuarial Oversight) which are responsible for establishing risk policies and procedures and exercising oversight over the first line of assurance.
- The third line of assurance comprises of the independent assurance providers (internal and external audit) who report independently to the Audit and Risk committees.

Management may not abdicate or delegate their responsibility for risk management to their local risk control function or to an outsourced function. They retain accountability for monitoring any outsourced functions.

In accordance with the principle of proportionality of our GGF, the boards of non operating holding companies and holding companies with own operations are required to adopt the combined assurance framework and ensure that the framework is implemented within their entity. Any areas of concern are escalated to the Board.

We provide granularity on the internal and external audit functions, as well as the key areas of focus for the year under review, in our Audit committee report.

[Read the Audit committee report in our Corporate Governance report on \[www.oldmutual.com/investor-relations/reporting-centre/reports\]\(https://www.oldmutual.com/investor-relations/reporting-centre/reports\)](https://www.oldmutual.com/investor-relations/reporting-centre/reports)

**The Board is satisfied that our assurance activities result in an adequate, effective control environment and the integrity of reports relied upon for decision making.**



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Governance functional areas

### Stakeholder relationships

**Principle 16:** In the execution of its governance role and responsibilities, the Board should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the company over time.

Yes

The Board is ultimately responsible for the governing and monitoring of the quality of stakeholder relationships and the effectiveness of our stakeholder engagements in the Group.

Oversight is provided by the Responsible Business (including social and ethics) committee at Group level and the Committee for Customer Affairs (CCA) at the Old Mutual Life Assurance Company (South Africa) Limited level. The CCA considers the interests of one of the Group's largest stakeholder groups, our customers.

The Board has approved and adopted a formal stakeholder relations policy.

Boards of all subsidiaries where OML as shareholder has effective management control, must adopt this policy and ensure all the applicable requirements are implemented and complied with, unless it is expressly agreed otherwise. Subsidiary boards must ensure local regulatory requirements that apply are included in policies adopted at subsidiary level.

The Board has delegated to management the responsibility for implementation and execution of stakeholder relations policy. Management has developed a strategy and formulated policies for the management of relationships within each defined stakeholder grouping.

Stakeholder risks are incorporated into the risk management process and are identified, assessed, mitigated and reported on in the same way as all other risks to the Group.

 See *The Board and our stakeholders* on page 17 in our Corporate Governance report for information on Board stakeholder engagement on [www.oldmutual.com/investor-relations/reporting-centre/reports](http://www.oldmutual.com/investor-relations/reporting-centre/reports)

 See page 18 in our Corporate Governance report for AGM voting results on [www.oldmutual.com/investor-relations/reporting-centre/reports](http://www.oldmutual.com/investor-relations/reporting-centre/reports)

 See page 28 in our Corporate Governance report for our Responsible Business committee report for future focus areas for stakeholders on [www.oldmutual.com/investor-relations/reporting-centre/reports](http://www.oldmutual.com/investor-relations/reporting-centre/reports)

 Read more about our Stakeholders and how we engage them in our Integrated Report 2020 on [www.oldmutual.com/investor-relations/reporting-centre/reports](http://www.oldmutual.com/investor-relations/reporting-centre/reports)



# Application of the KING IV principles

For the year ended 31 December 2020

Applied Our response

## Governance functional areas

### Stakeholder relationships

**Principle 17:** The Board of an institutional investor company should ensure that responsible investment is practiced by the company to promote good governance and the creation of value by the companies in which it invests.

Yes

Old Mutual is a signatory to the United Nations-supported Principles for Responsible Investment (PRI). The Group also endorses the Code for Responsible Investing in South Africa (CRISA) and is a founding member of the CRISA committee.

We view responsible investment as a cross cutting approach that explicitly acknowledges the relevance of ESG issues to both the investor and the long term stability of the market and society.

As a provider of investment, savings, insurance and banking solutions, we believe that considering relevant material ESG factors in our investment and ownership decisions is not only consistent with the pursuit of superior risk adjusted returns for our customers and our shareholders, it is the right thing to do.

The Responsible Business committee, on behalf of the Board, annually reviews and approves the responsible investment policy. This committee is also responsible for monitoring the implementation of this policy by management.

Old Mutual submits an annual assessment of its responsible investment activities and this is published in a Responsible Investment Transparency report on UNPRI.org

Another key element of the Group's responsible business efforts is minimising our environmental impact. This has been supported by our Responsible Investing approach and the improvement of the green footprint of our own operations.

During the year under review a decision was taken by management, supported by the Board, that the Group will perform a detailed fossil fuel analysis of its assets by portfolio. This will provide a baseline view of exposure and carbon intensity of the Group's investments. It will enable the setting of targets against appropriate benchmarks, providing necessary direction on required revisions to our investment mandates.

Management also presented to the Board on the adoption of the Task Force on Climate-related Financial Disclosures policy, as recommended by the G20's Financial Stability Board. Work is ongoing to ensure reporting in terms of this policy. It will remain a key focus for the Group over the medium term.

[Read our Responsible Business Impact report on www.oldmutual.com/investor-relations/reporting-centre/reports](https://www.oldmutual.com/investor-relations/reporting-centre/reports)

### Conclusion

Old Mutual Limited's corporate governance philosophy, frameworks, standards, policies and practices support achievement of each of the King IV™ principles and enables the Board and management to conclude that the Group is currently achieving the desired King IV governance outcomes in all material respects.