

OLDMUTUAL

ASSET OWNER RESPONSIBLE INVESTMENT **CLIMATE CHANGE** ACTION STATEMENT

MARCH 2022



DO GREAT THINGS EVERY DAY

In line with our fiduciary responsibility to contribute towards achieving the global net zero emissions target, we fully commit to decarbonising our proprietary investment portfolios by 2050.

PURPOSE

Old Mutual's purpose is to Champion Mutually Positive Futures Every Day. This means that we work to sustain, grow, and protect the prosperity of all our stakeholders, including our clients, shareholders and the communities in which we operate. An important part of this commitment is to demonstrate, through our actions, that we care for the environment by addressing the systemic risks posed by Climate Change.

One of the ways we do this is through Responsible Investing.

We view Responsible Investment as a way of conducting business that enables us to achieve our purpose, through creating positive societal impacts and protecting the planet by confronting Climate Change.

The science behind Climate Change is clear, and we recognise the urgency of taking action to ensure that we fulfil our fiduciary duty to our stakeholders, whilst contributing towards economic and social stability. Our view is that the long-term implications on investment returns are likely to be more detrimental if we take no action.

At Old Mutual, we are therefore committed to taking action to reduce negative impacts on the environment, through the active management of the carbon emissions and associated risks within our investment holdings.

The purpose of this statement is accordingly intended to define our commitment and how we intend to achieve it.

JURISDICTION

While Old Mutual is a pan-African business operating in 13 African countries, this statement relates to Old Mutual's primary jurisdiction of operation, being South Africa. As our Climate Change strategy develops our scope will widen to include all the countries in which we operate.

ASSETS

This statement applies to all South African assets held by Old Mutual as an asset owner. It encompasses all "with-profit" policyholder and shareholder assets held by Old Mutual Life Assurance Company South Africa (OMLACSA). Collectively, these assets are referred to as our proprietary investment portfolios. For the purposes of this statement, segregated mandates and third-party funds are excluded.¹

PRIORITISING OUR FOCUS ON THERMAL COAL INVESTMENT HOLDINGS

For the purposes of this statement, thermal coal investment holdings include investments in the primary production of thermal coal², its use in industrial and energy generation activities, but exclude metallurgical coal³.

MATERIAL IMPACT THEME AND ESG ISSUE

Evidence shows that the incorporation of material ESG considerations (e.g., low carbon exposure) into investment decision-making can be positive for investment performance⁴. It could also demonstrate lower downside risks and offer market-matching, or even better returns over the long term⁵.

Our prioritisation of thermal coal is part of our broader responsible investment response to fossil fuels. Given its contribution to carbon intensity⁶, we view thermal coal as an impact theme and material ESG issue within our investment holdings.



1 In alignment with the Net-Zero Asset Owner Alliance Target Setting Protocol, this is not considered asset owner capital as it does not appear on the balance sheet of the asset owner.

2 Thermal coal is used to make steam that generates electricity.

3 Metallurgical coal is mined to produce the carbon used in steelmaking.

4 <https://www.unpri.org/research/how-esg-investing-affects-financial-performance/548.article>

5 https://unctad.org/system/files/official-document/diae2021d1_en.pdf

6 <https://climateanalytics.org/briefings/coal-phase-out/>





We recognise that we have significant influence over the deployment of funds, particularly in relation to supporting the development of a green economy.

OUR APPROACH TO THE TRANSITION

We support the imperatives of a just transition of the workforce and the creation of decent work and quality jobs according to nationally-defined development priorities as provided for by the Paris Agreement⁷.

As an asset owner considering long-term horizons, we are committed to effecting change in the real economy, through both timeous action and robust planning.

The phase out of thermal coal is critical for the reduction of carbon emissions to limit global warming to the 1.5°C target of the Paris Agreement⁸. We acknowledge the dependence on thermal coal within South Africa and commit to supporting this transition to minimise the negative impacts on socio-economic development within our communities. Our approach incorporates a measure of flexibility, recognising the unique circumstances of the emerging market economies we operate in.

Our approach to the transition seeks to balance the scientific basis of thermal coal as a significant contributor to adverse Climate Change, with the social and economic implications thereof. Cumulative emissions from coal power generation are projected to be almost four times larger than what would be compatible with the Paris Agreement⁹. According to the Intergovernmental

Panel on Climate Change (IPCC), there needs to be an immediate reduction in coal use for power generation and a coal phase-out before 2040 if we are to limit global warming to 1.5°C¹⁰. We recognise that the phase out of thermal coal is unavoidable, however we must act responsibly in effectively managing a just transition and ensuring that we remain at the forefront of changing socio-economic dynamics. We are committed to working with stakeholders, in securing a just transition and managing Climate Change risks within our proprietary investment holdings.

OUR AMBITION

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Old Mutual Group supports and subscribes to the Task Force on Climate-related Financial Disclosures (TCFD) and its recommendations. We have declared our commitment towards building a more resilient financial system and recognise the role that we have to play in this endeavour as fiduciaries of capital.

NET-ZERO ASSET OWNER ALLIANCE

As an asset owner, we are a proud member of the Net-Zero Asset Owner Alliance and as such, we seek to align our actions to the recommendations of the Alliance. In doing so, our ambition is to contribute towards reducing emissions within the real economy in order to align to the 1.5°C Paris Agreement goal.

OUR PLEDGE TO PHASE OUT THERMAL COAL

We are committed to phasing out thermal coal within our proprietary investment holdings over time and strive to reassess our approach continually and proactively in line with national commitments, international good practice, legislative and regulatory developments, scientific advances, the state of reliance of the South African energy system on thermal coal, as well as just transition imperatives. Furthermore, we intend to enhance our commitments as we progress on our journey as a member of the Net-Zero Asset Owner Alliance.

⁷ <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

⁸ <https://climateanalytics.org/briefings/coal-phase-out/>

⁹ <https://climateanalytics.org/publications/2019/coal-phase-out-insights-from-the-ipcc-special-report-on-15c-and-global-trends-since-2015/>

¹⁰ Based on regional pathways considered by the Special Report on Global Warming of 1.5°C by the Intergovernmental Panel on Climate Change (IPCC SR1.5).



OUR INVESTMENT ACTIONS

HARD EXCLUSION ON NEW THERMAL COAL PRODUCTION FACILITIES AND NEW COAL-FIRED POWER PLANTS

In respect of both debt and equity investments in listed equity and private market asset classes, we will not directly invest in, finance, or be involved in the building, development, or planning of any greenfield thermal coal production facilities and thermal coal-fired power plants.

INVESTING IN RENEWABLE ENERGY AND LOW CARBON TECHNOLOGIES

We recognise that we have significant influence over the deployment of funds, particularly in relation to supporting the development of a green economy. We view our historic investment in green economy assets, especially in relation to renewable energy, as a key investment lever in transitioning towards net-zero by 2050.

We commit to actively investing in further green economy assets aimed at progressing the transition, in line with our risk-return objectives, risk appetite, and subject to investment merits such as accessibility, liquidity and our asset allocation limits. This includes investments in renewable energy and the deployment of low carbon technologies. Through our capital allocation to these categories of investment, we aim to both mitigate the adverse effects of Climate Change as well as contribute towards employment opportunities in order to alleviate any potential socio-economic challenges posed by the transition.

ENGAGEMENT, COLLABORATION AND ADVOCACY

We are committed to enhancing the role of influence that we play as an asset owner to actively engage our appointed asset managers in stewarding the companies in which we invest.

The reduction in our portfolio holdings' carbon emissions is largely informed by the equivalent progress of the underlying companies in which we invest. As such, we view our efforts in engaging and supporting these companies on their transition journeys as an inherent component of our role as an asset owner. Whilst we have a well-established and robust engagement programme in our Old Mutual Investment Group's listed equity stewardship function, we will endeavour for this practice to be entrenched amongst all of our appointed asset managers, where engagement is a critical lever in effecting change.

It is our duty as a responsible asset owner to mandate our appointed asset managers to first

engage with investee companies to develop their individual transition pathways towards decarbonisation, before considering divestment. Our intention is to encourage the companies in which we invest to publicly support and disclose against the TCFD recommendations, as well as to adopt science-based transition plans to reduce their carbon emissions. Where we find such engagement and stewardship efforts unfruitful, we will seriously consider divestment as an option.

We view both collaboration and advocacy as integral to addressing the systemic risks associated with Climate Change. We commit to working together with key stakeholders, including policymakers, regulators, market participants and industry bodies

to encourage and drive actions towards responsible decarbonisation within our sphere of influence.

In addition, we commit to contributing towards advocacy and thought leadership on championing the development and issuance of green bonds as well as the establishment of low carbon investment benchmarks. Following these efforts, we undertake to expand our own investment universe to incorporate green bonds and low carbon benchmarks into our investment decision-making processes.

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