SMOOTHED BONUS FUNDS **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

CORPORATE

175 YEARS OF DOING GREAT THINGS

> "We actively invest in the building blocks of a sustainable economy, including renewable energy, housing, schools and agriculture."

INTRODUCTION TO RESPONSIBLE INVESTING

Responsible Investing (RI) is an investment practice within the Smoothed Bonus Funds that advocates consideration of Environmental, Social and Governance (ESG) factors. RI is a broad term that encompasses different approaches that can be applied across various investment styles including Socially Responsible Investing (SRI), targeted investments or developmental investing, ESG screening, investor engagement or active ownership initiatives.

RI is a key part of Old Mutual's broader approach to Responsible Business, which is characterised by the following five pillars:

1. Responsible to our Customers
2. Responsible Investment
3. Responsible to our Employees
4. Responsible to our Communities
5. Responsible Environmental Management

RI is therefore one pillar in the broader Old Mutual Responsible Business framework and we believe that RI is an essential enabler of our goal of pursuing long-term returns for our Smoothed Bonus customers, while aligning with the broader interests of society.

For the Smoothed Bonus funds, RI means considering material Environmental, Social and Governance (ESG) risk and opportunity when making investment decisions. It also means being responsible stewards of our customers' money. This means actively engaging with companies around ESG issues, and voting on company resolutions (proxy voting). This helps to ensure that companies follow sound governance practices and good labour practices, and that they actively manage their impact on the environment and local communities.

In addition to this commitment to monitoring the extent to which all our asset managers invest responsibly, the Smoothed Bonus funds actively invest in the building blocks of a sustainable economy, including renewable energy, housing, schools and agriculture.

Our approach to RI recognises the requirements of the Code for Responsible Investment in South Africa (CRISA), Regulation 28 of the Pension Funds Act, and the UN-backed Principles for Responsible Investments (UNPRI), to which Old Mutual is a signatory.

PRI Principles for Responsible Investment

CRISA CODE FOR RESPONSIBLE INVESTING IN SOUTH AFRICA

OUR COMMITMENT TO A BETTER FUTURE

In South Africa, we are faced with a unique set of challenges, ranging from extreme social inequality, poor economic growth and lagging infrastructure to increasing environmental stress. Against this backdrop, Old Mutual embraces the responsibility, and opportunity, we have to constructively contribute to creating a sustainable and an inclusive future for all, without sacrificing investment returns or outcomes for our clients. As custodians of our clients' wealth, and acting on their behalf, Old Mutual is fully committed to this responsibility, which informs our overall approach to responsible investing across assets.

MAKING ESG OUR BUSINESS

Environmental, Social and Governance (ESG) factors have become increasingly important considerations for both asset owners and investors. This isn't surprising, because the very future of the world as we know it is at stake. Mankind faces an existential crisis if our impact on society and the environment continues unabated. As such, we all have a responsibility to contribute to the creation of a sustainable future for all.

What is becoming increasingly apparent is that delivering on this responsibility by integrating ESG considerations into investment decisions does not have to come at a cost to investment returns. On the contrary, there is extensive evidence that these ESG factors can, and do, make a positive contribution to long-term investment performances.

OUR APPROACH TO RESPONSIBLE INVESTMENT

A clear understanding that ESG issues impact returns motivates our approach to RI. We are bound by a fiduciary duty to our clients to address these issues as well as by our sincere belief that this is the right and smart thing to do.

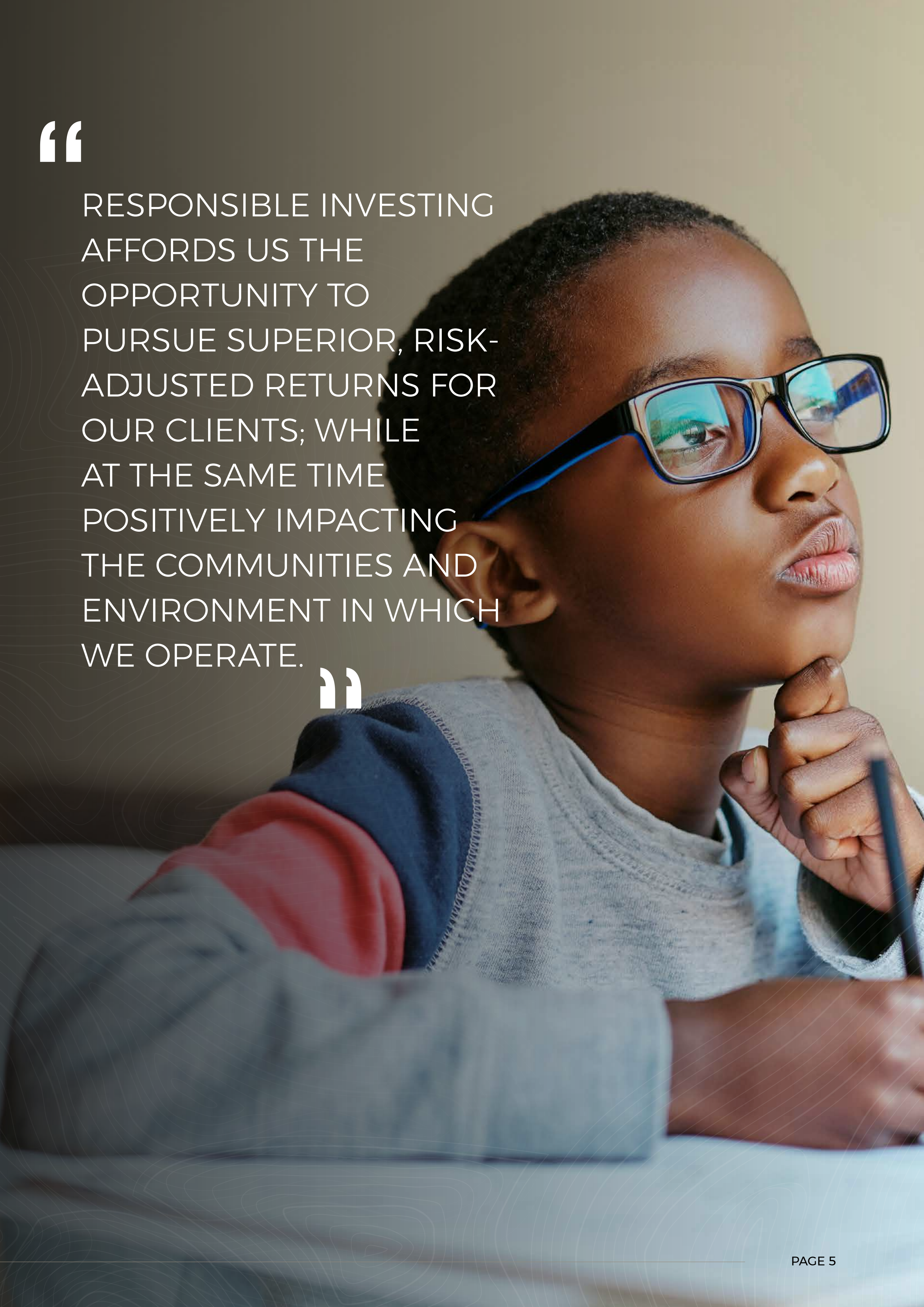
Old Mutual Investment Group manages the majority of the underlying investments of the Smoothed Bonus funds and is guided by a publicly available Responsible Investment Policy that commits us to integrate ESG issues across all of our investment and ownership capabilities.

The 2019 year saw the continued deepening of awareness of the importance of ESG issues across the South African market. The investment community continued to grow and expand its collective efforts to address ESG issues, the JSE developed new market regulation to strengthen governance, and the Financial Sector Conduct Authority (FSCA) rolled out pension fund sustainability reporting guidelines for comment.

The Old Mutual Investment Group remains focused on the following two priority areas:

1. Deepening our ESG research and integration practices.

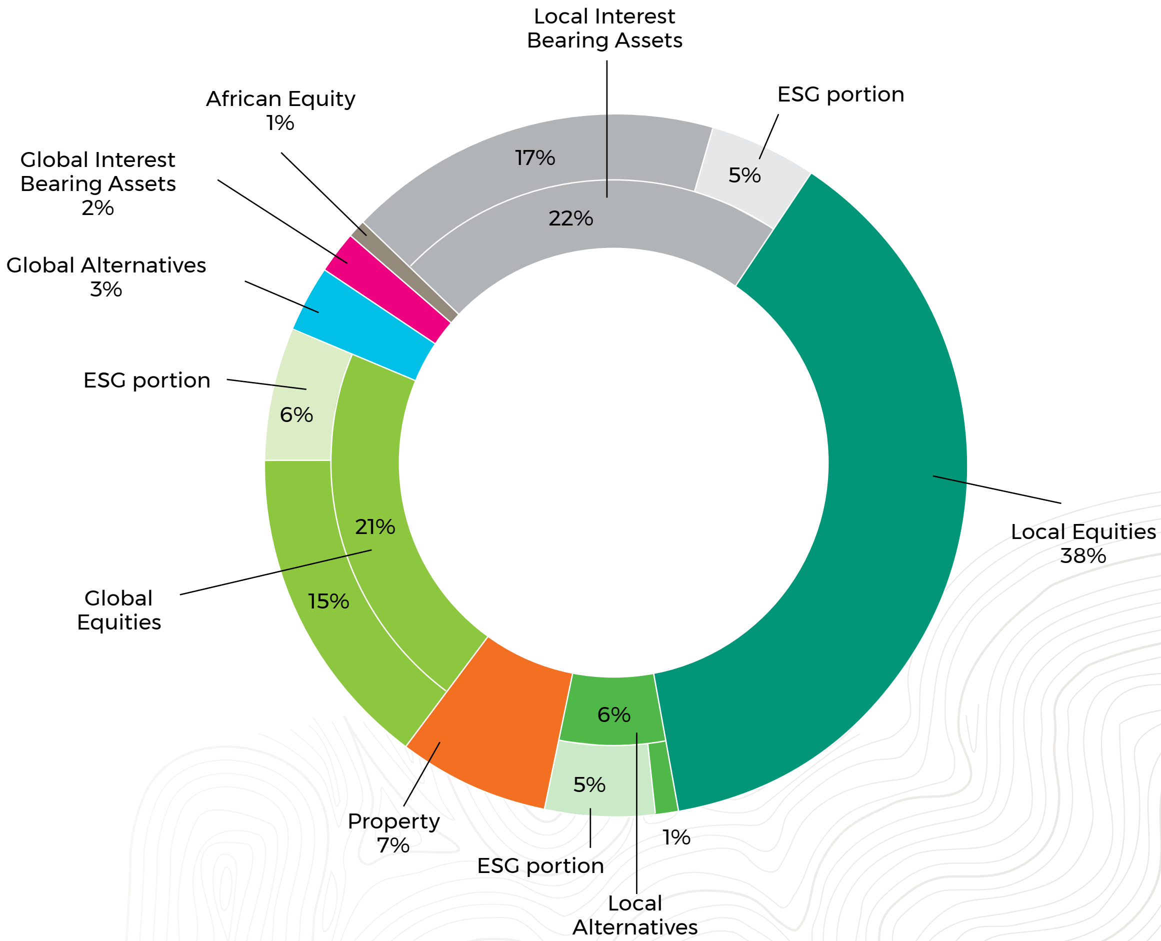
2. Focusing our capabilities on investment solutions that address long-term sustainability issues (for example, renewable energy, education, ESG indices).



"RESPONSIBLE INVESTING AFFORDS US THE OPPORTUNITY TO PURSUE SUPERIOR, RISK-ADJUSTED RETURNS FOR OUR CLIENTS; WHILE AT THE SAME TIME POSITIVELY IMPACTING THE COMMUNITIES AND ENVIRONMENT IN WHICH WE OPERATE."

ESG WITHIN THE SMOOTHED BONUS FUNDS

The graph below provides a look through based on the average asset allocation of all Smoothed Bonus asset and highlights the current exposure to ESG assets. It should be noted that the exposures are based on actual allocations as at 31 December 2019 and not strategic allocations.



The inner circle reflects the asset allocation for the balanced fund and the outer circle indicates the ESG portion for that asset class.

	PORTFOLIO HOLDING	ESG ALLOCATION WITHIN ASSETS CLASSES	ESG ALLOCATION RELATIVE TO TOTAL FUND AUM		
			AGGRESSIVE FUND	BALANCED FUND	CONSERVATIVE FUND
Local Interest Bearing Asset	22%	5%	0.7%	1.1%	1.6%
Local Alternative Assets	6%	5%	0.3%	0.3%	0.3%
Global Equity	21%	6%	1.1%	1.0%	0.9%

Apart from the ESG allocations shown in the graph/table above, the Smoothed Bonus Funds also incorporates ESG within the local equity channel through proxy voting and by engaging with the various companies.

HARNESSING ESG DATA IN LISTED EQUITY

Old Mutual Investment Group's Responsible Investment team worked in tandem with our listed equity analysts and portfolio managers throughout the year to highlight the key ESG risks and opportunities with companies and across sectors. The focal points of their work in this regard are transformation, long-term sustainability and ethical leadership.

LOCAL EQUITIES

1. OLD MUTUAL EQUITIES BOUTIQUE

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

OME's approach to ESG integration is a structured and repeatable process that is led by its portfolio managers and investment analysts in conjunction with a dedicated specialist ESG research unit. The first step in the process involves screening the investment universe with a proprietary ESG quantitative tool developed by a 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 (taking into account the firm's capability in managing these risks), as well as a company's history of controversial events. OME uses these insights to focus its 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, OME may also engage directly with the management teams of companies to better understand the issues.

2. CUSTOMISED SOLUTIONS BOUTIQUE

ESG indices

Markets have been experiencing an increase in low-cost indices that offer ESG-led mandates and champion responsible investment. ESG-led index-tracking products can offer investors the opportunity to send signals to capital markets that sustainability considerations are of prime importance, without adversely affecting the risk-return characteristics of an investor's financial returns, while also benefiting from substantially lower fees.

Old Mutual Customised Solutions, with its scale and depth of experience, launched the very first responsible investment equity index fund in South Africa in 2016. The Old Mutual Responsible Investment Equity Index Fund invests in companies that have measurably better ESG performance than their sector peers. This is particularly attractive to long-term investors that value sustainable economic themes, given their extended investment time horizon. Looking through the lens of sustainability gives better insight into the risks and opportunities a company faces.

3. OLD MUTUAL MULTI-MANAGERS (OMMM)

Old Mutual Multi-Managers (OMMM) believe ESG analysis is part of understanding the risk and returns dynamics of a company and should therefore be part of the overall analysis and research process. As part of its initial and ongoing due diligence assessment of managers, OMMM aims to understand how ESG issues are integrated into the investment process, how analysts incorporate these factors into their research and how this feeds through to the proxy voting process.

Promoting a long-term focus in the management of a company requires a thorough understanding of the industry within which it operates and management's strategic focus. Integrating ESG criteria into the process ensures that all these aspects are considered when evaluating an investment in an asset/security.

Philosophically, OMMM also seeks to understand what impact the managers aim to have in supporting long-term sustainability through their RI practices. This includes issues around climate change, as well as transformation, which is particularly pertinent in South Africa, but is also applicable globally in terms of promoting diversity.

Active ownership

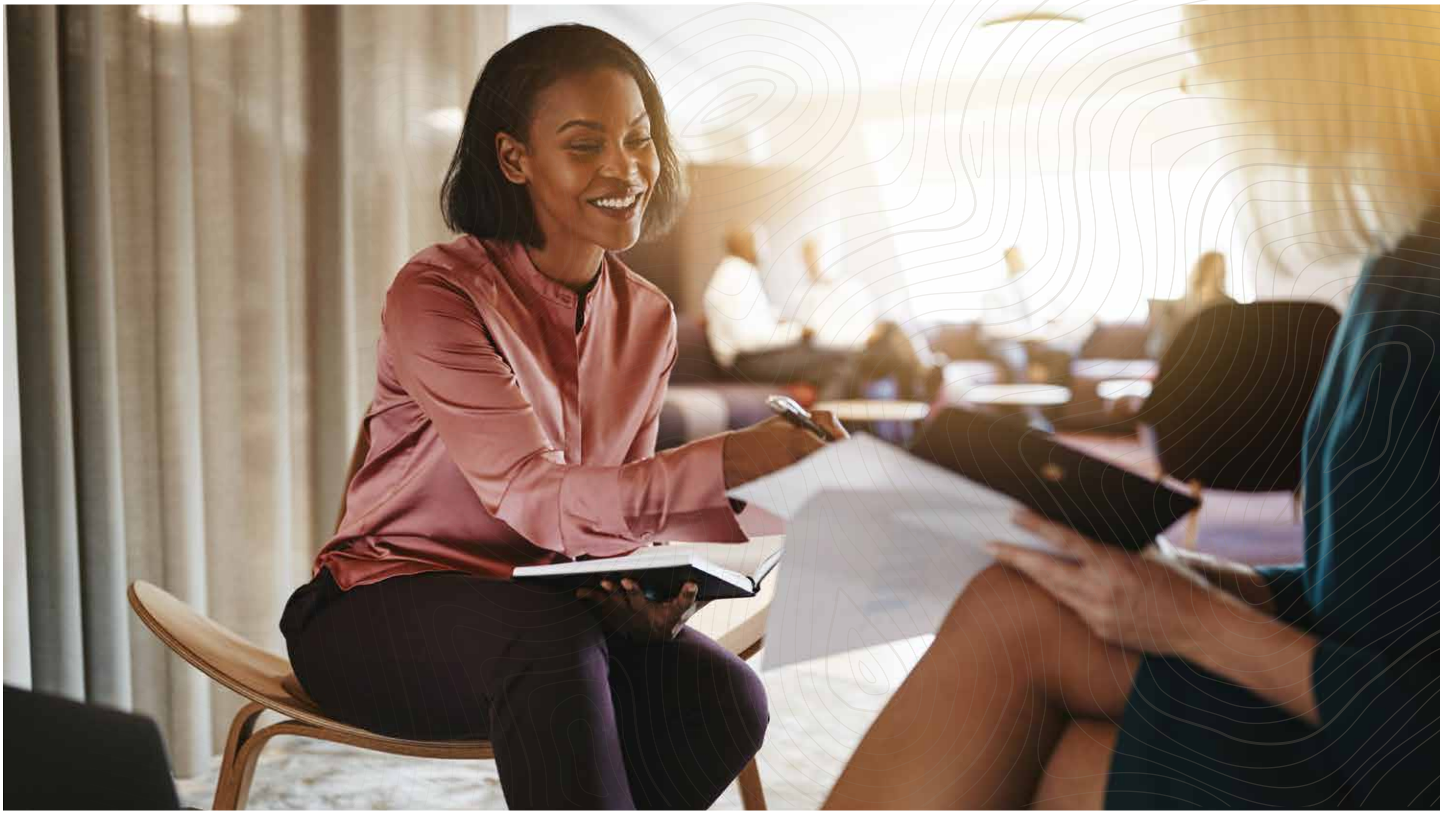
OMMM expects its asset managers to actively engage with companies to effect changes that promote better governance, social and environmental practices, as well as a long-term focus in the way companies are run. It outsources the voting of proxies to its managers, and expects them to vote in a manner aligned to the Responsible Investing guidelines and policies of both OMMM and the manager concerned. Where necessary, OMMM believes collaboration between managers (within regulatory constraints) is sometimes required, in order to promote the above principles.

GLOBAL EQUITIES

Within the global equities building block, the Customised Solutions boutique manages a passive portfolio that tracks the MSCI World ESG Developed Market Index and the MSCI Global Emerging Market (GEM) ESG Tracker. These indices are designed to give effect to responsible investing through greater exposure to companies that meet specific economic, social and governance (ESG) criteria. The ESG indices targets the same sector and regional weights as the MSCI World Index and MSCI Emerging Market Index. This is aimed at achieving performance that is similar to that of the MSCI World Index and MSCI Emerging Market Index, while also delivering on the broader objective of investing in companies with strong ESG ratings.

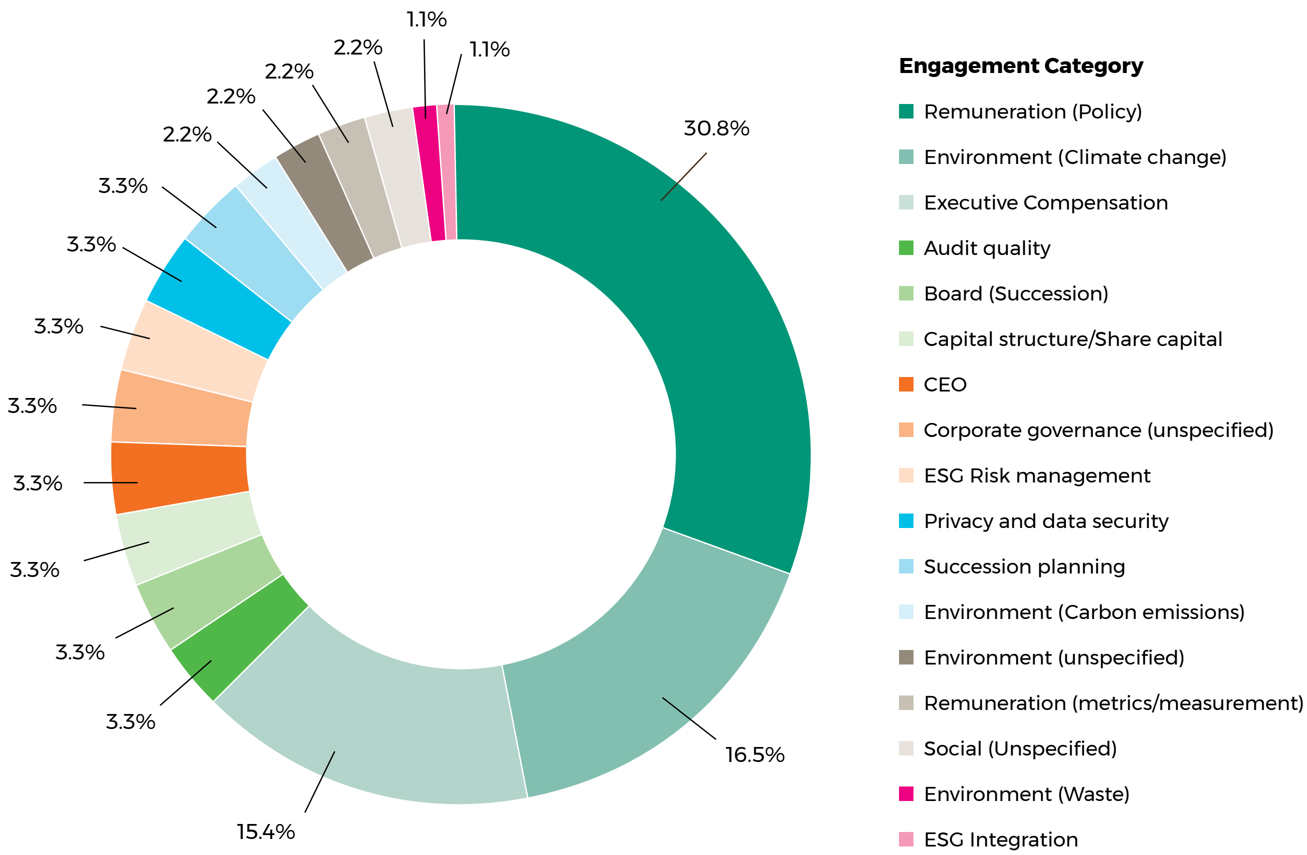
LISTED EQUITY STEWARDSHIP

Old Mutual Investment Group's Responsible Investment team work in tandem with the listed equity analysts and portfolio managers throughout the year to highlight the key ESG risks and opportunities with companies and across sectors. The focal points of the work done in this regard were the identified themes of transformation, long-term sustainability strategy and ethical leadership, which were highlighted in communications sent to the CEOs of the JSE's Top 100 companies.

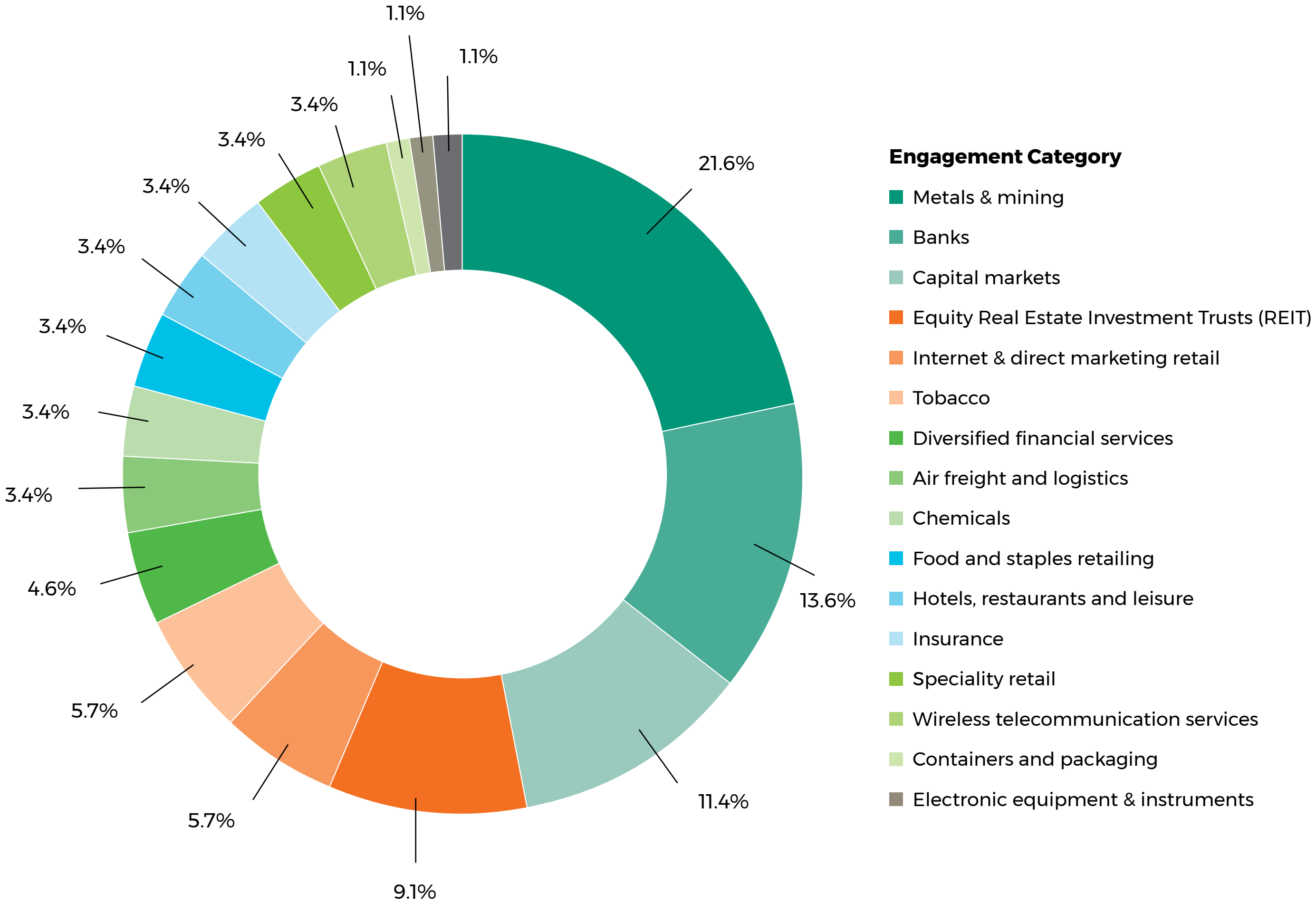


LISTED EQUITY STEWARDSHIP IN 2019

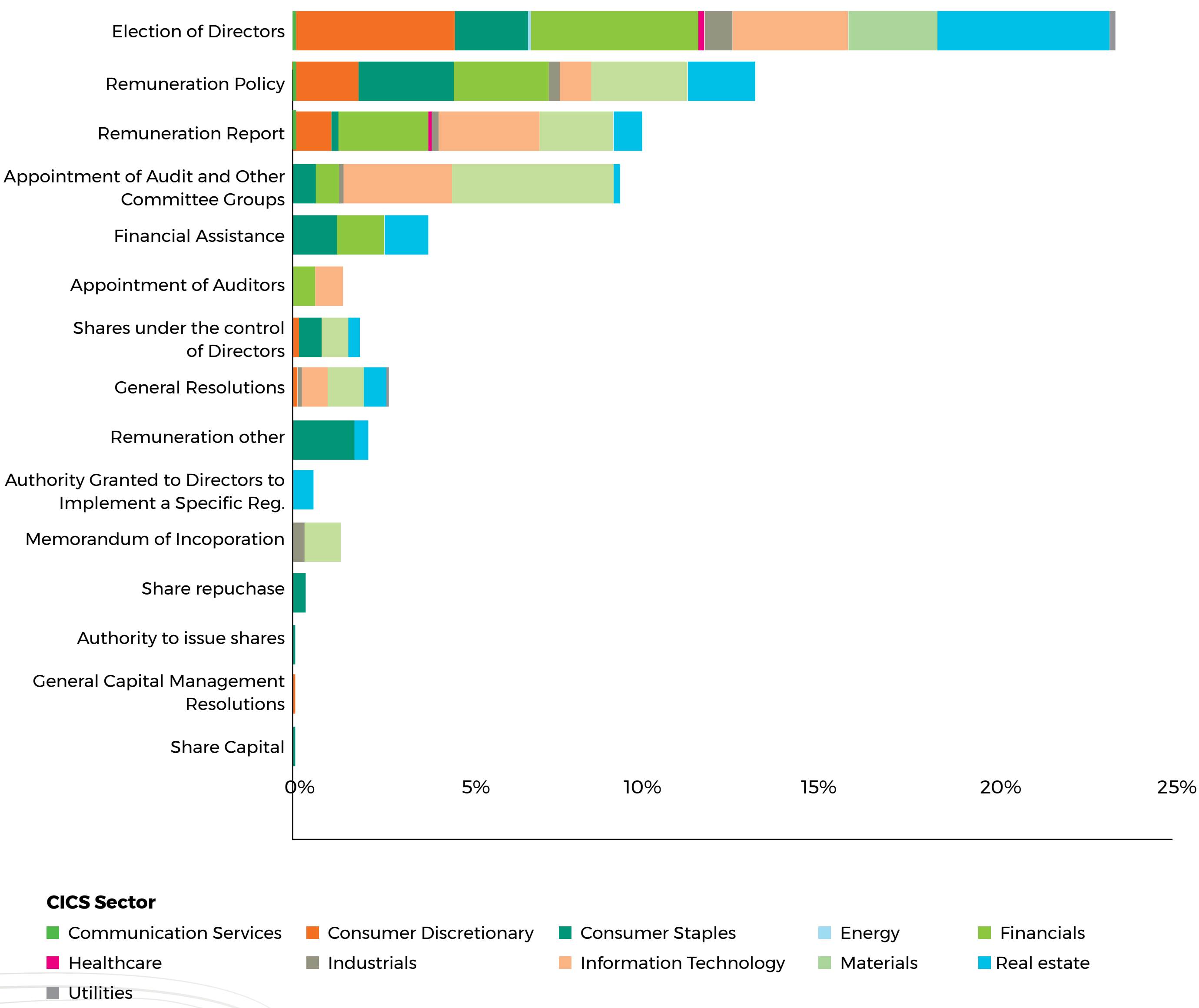
ESG ENGAGMENTS PER CATEGORY



ESG ENGAGMENTS PER SECTOR



RESOLUTIONS WE VOTED AGAINST – SPLIT BY SECTOR



“Mankind faces an existential crisis if our impact on society and the environment continues unabated.”

CASE STUDY

LESSONS LEARNT FROM GLENCORE

Glencore was a significant holding across our funds at the start of 2019. However, over the course of the year the fund manager sold the stock to zero.

WHY DID THE FUND MANAGER BUY GLENCORE?

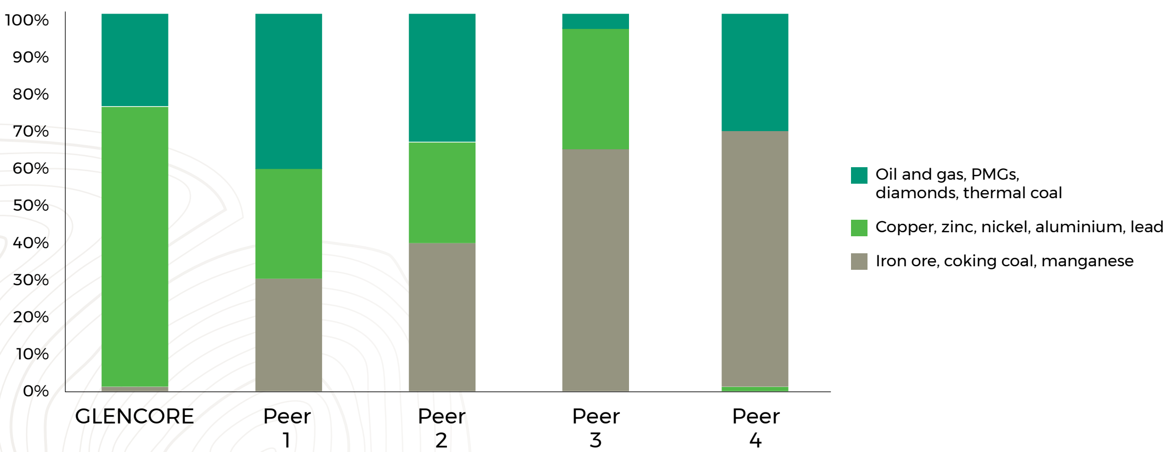
The fund manager's initial investment in Glencore took place in 2014. Fundamental research concluded that Glencore offered significant value relative to the price at which it was trading. Glencore is different from the other mining houses listed on the JSE in that it has no exposure to iron ore, which in 2014 had risen to levels beyond their estimates of what was sustainable. They therefore concluded that investing in miners that had high exposures to iron ore presented a risk of capital loss.

Glencore has a commodities trading business referred to as the Marketing Division. This is an opaque, but a stable and profitable business. The Marketing Division's business model means that 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. They continued to invest client funds into Glencore as the price fell to lows of R19 in 2015, and subsequently earned positive returns for clients as the price rose to peaks of R68 in 2018. Throughout these years, their quantitatively driven confirmation factors ranked Glencore as a potentially high-return investment.

SO, WHAT CHANGED?

Glencore was no stranger to controversy. 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. Then, early 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, but this headline news was still troubling.



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

INTEGRATING ESG RESEARCH INTO THE GLENCORE INVESTMENT CASE

In 2019, the fund manager ratcheted up their ESG integration efforts by revisiting the investment cases of their key holdings while paying specific attention to ESG issues. Glencore was one of the holdings reviewed, and several issues were highlighted. The two of particular significance were 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. The fund manager's ESG analysis emphasised the risk associated with 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; and natural gas is a less carbon-intensive source of energy than coal. As gas has become cheaper, many countries have pivoted away from thermal coal towards natural gas as a way 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 could not 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 a significant carbon emissions contributor. So, in response to pressure from the activist investor group, Glencore committed to capping its coal production at 2019 levels, thereby limiting further volume growth. Consequently, this environmental issue was 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 the Marketing Division, as did many other senior executives.

The Marketing Division'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, and revenue recognition has been flagged as a key audit risk by the auditors for many years.

SELLING GLENCORE – NOT EVERYTHING THAT COUNTS CAN BE COUNTED

Based on all of the above, the fund manager took the decision to switch their Glencore shares into Anglo American, which offered value at the time, albeit slightly less than Glencore, but also with significantly lower risk. They arrived at this decision after weighing up the valuation work, the quality, growth and sentiment factors, the coal price scenarios and the growing list of governance concerns.

Their 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 saying goes: "Not everything that can be counted counts. Not everything that counts can be counted."

GLENCORE'S SHARE PRICE IS INFLUENCED BY THE COAL PRICE

Source: Factset

"Not everything that can be counted counts.

Not everything that counts can be counted."

LOCAL INTEREST BEARING ASSETS

Futuregrowth manages approximately R195 billion of assets in the fixed income space, ranging from money market, vanilla and inflation-linked bonds to high-yielding credit bonds, and a suite of developmental (impact) funds across a variety of asset classes.

APPLYING ESG ANALYSIS TO FIXED INCOME

Futuregrowth's primary objective is to earn appropriate risk-adjusted returns at all times for its clients. As such, it is necessary that ESG screening and analysis forms part of an integrated investment process across its wide range of mandates. In this way, non-financial ESG indicators are assessed along with financial and credit indicators in order to produce a holistic risk profile of any new or existing loan, at a given point in time. Futuregrowth uses a variety of tools and inputs for this purpose, and these are constantly fine-tuned as new learnings arise.

The fixed income asset class is complex due to the wide variety of issuers, and therefore there is no “one-size-fits-all” solution to analysing companies on sustainability issues. Therefore, there will be variances in Futuregrowth's approach to, for example, issuers in the listed space versus those in private debt.

A COMPETITIVE ADVANTAGE

In a rapidly changing environment, where responsible investment practices are gaining momentum and evolving, the financial services industry continues to grapple with risks of an ESG nature. Futuregrowth believes that its focused and dynamic approach has set it apart in this field. It adds value to clients’ portfolios by integrating ESG into its investment processes and engaging borrowers on material issues that affect the sustainability of their business. It also strives to add value to the broader industry by engaging the market around improving capital market standards, while being mindful of the issues summarised below:

- ESG risks can impair an issuer’s credit quality
- ESG is full of judgement and biases. Managers should exercise judgement
- Build investment processes that earn sustainable returns
- ESG should never compromise risk/return principles
- There is no standard set of ESG risk parameters for fixed income. These differ across issuers and sectors

FUTUREGROWTH ESG SCORECARD: SCREENING AND ANALYSIS

Environmental (25%)	• Compliance with environmental laws • Does the company access the environmental risks arising from its operations, what processes are in place? • Does the company take action to reduce Greenhouse Gas emissions?
Social (25%)	• What impact may the company's activities have on local communities and other shareholders? • Does the company comply with Operational, Health and Safety standards? • Does the workforce appear to be representative of the local population with respect to gender, race etc?
Governance (50%)	• Compliance with all codes and regulations • Board composition: Does the board have an independent non-executive director as chairman? • Have you had any material transactions that involved conflicts of interest with any directors, in the past twenty-four months?

WHAT DOES THE FUND DO?

It makes investments that facilitate infrastructural, social, environment and economic development in South Africa.

EXPOSURE ACROSS VARIOUS INFRASTRUCTURE SECTORS

- Telecommunications
- Energy including renewable energy
- Roads
- Healthcare
- Water infrastructure

and local water reticulation, airports, rail, harbour, Development Finance Institutions, education and tourism.

EXPOSURE ACROSS VARIOUS DEVELOPMENTAL SECTORS

- Affordable housing
- Shopping centres in township and rural areas
- Agriculture
- Consumer and business access to finance
- SMME finance

and other developmental sectors.

ACTIVELY INVESTING IN ALL 9 PROVINCES

DELIVERS SOCIAL IMPACT THAT CHANGES LIVES

CASE STUDY

SA TAXI

SA Taxi provides finance to SME minibus taxi operators in South Africa. It's financing activities are an important catalyst for empowerment and development of start-up SMEs and make SA Taxi a key contributor to what is often the only means of transport for millions of commuters who use minibus taxis in South Africa. Thus, as a secondary role, SA Taxi is an enabler of affordable and safe transport to 19 million commuters who travel the roads of South Africa every day in minibus taxis.

- SA Taxi provides credit, together with insurance and other allied products, to 30 000 minibus taxi operators, utilising a combination of credit assessment, collection, refurbishment and refinancing methodologies
- SA Taxi views its clients as entrepreneurs and endeavours, within reason, to keep the minibus taxi businesses that it finances profitable; actively monitoring all vehicles with tracking technology and working with its clients to manage performance
- Unlike traditional banks, where vehicle financing is one of many product offerings and minibus taxi finance is a small segment of the total vehicle types financed, SA Taxi's sole focus is vehicle finance for minibus taxi operators
- This specialisation has resulted in an in-depth understanding of the risks associated with the taxi industry, enabling the provision of finance to SME minibus taxi operators who would otherwise not have had access to credit from traditional sources
- SA Taxi has been financing minibus taxi operators for more than 20 years, during which time it has facilitated the creation of over 64 000 black SMEs in the minibus taxi sector

ALTERNATIVE ASSETS

Old Mutual Alternative Investments (OMAI) is one of the largest alternative investment managers in Africa, investing in infrastructure, private equity and impact investment sectors. In addition to targeting sustainable, superior returns for investors, OMAI strives to have positive, long-term impact in the communities in which it operates and invests.

At the heart of OMAI’s investment objectives and processes is a commitment to responsible investment, and it takes into consideration all the ESG factors that accompany its investment and ownership decisions.

IMPACT

As a responsible investor, Old Mutual is committed to sustainable investments to both generate long-term returns and positively impact communities. Below is a high-level view of some of these positive impacts delivered by the investments underlying Old Mutual's Smoothed Bonus Funds.

R34.5 bn
Green Energy Wind/Solar/Hydro

- Invested in over 40 projects
- Able to power approximately 800 000 households

R2.6 bn
Quality Education

- 34 schools built
- Employing 1 074 staff
- Educating 18 500 scholars

R18 bn
Affordable Housing

- 10 360 Greenfield houses transferred to owners
- 9 930 student beds
- 6 169 rental units

R2 bn
Start-up finance

- Empowering >500 000 entrepreneurs
- including 74 335 taxi owners
- More than 80 000 taxi loans granted

R1.2 bn
Sustainable Agriculture

- 22 541 hectares of farm land
- 803 permanent workers
- Up to 4 523 seasonal workers

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 access to quality, independent education.

Soon after the business was established, Royal Schools opened its first two campuses, Princess Park College and Queens Private School, in inner-city Pretoria in 1993. These provide affordable, English-medium education to underprivileged youth and are still in operation.

Today, Royal Schools includes 10 schools across five campuses, catering to over 4 500 learners and employing more than 200 staff members. The most recent school, Amberfield College, was opened in 2019 with an intake of more than 800 learners. Dr Bennie Fourie Jnr, the founder's son, is now managing director of the business.

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 (Schools Fund), with the aim of further developing the business.

Old Mutual and the Public Investment Corporation (PIC) had set up the Schools Fund that year with the aims of addressing education infrastructure backlogs and improving South Africa's education outcomes.

After due diligence of the Royal Schools business, the Schools Fund approved a Phase One investment of R78.5 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 and sustainable, in 2016 a second phase of the investment was approved, to the tune of R267 million. Then, in 2017, the Amberfield College investment was approved, bringing the total investment support for this important organisation to R372 million.

COMPANY
Royal Schools

COUNTRY
South Africa

REGION
Gauteng

SECTOR
Educational Infrastructure

BUSINESS FOCUS
Providing access to affordable independent high quality schooling

SIZE
5 011 learners

FUND
Schools Education Impact Investment Fund South Africa (SEIIFSA)

IMPACT HIGHLIGHTS

- **2018 overall matric pass rate of 94.4%** compared to South Africa's national matric pass rate of 78.2%
- **Average pass rates across its schools reached 50.2%,** comfortably exceeding national average pass rates of 33.6% in 2018.
- **100% matric pass rate achieved in 2018** by Princess Park College and Royals Alberton
- OMAI **builds new schools** and **renovates existing school buildings.** It adds sports facilities and makes access to buildings and grounds **more secure.**

BEYOND THE OBVIOUS

OMAI works to uncover attractive investment opportunities that are often overlooked by others. Examples of how this 'beyond the obvious' approach was implemented 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 approvals processes within local, municipal and national authorities that are necessary when developing 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. With the support of her single mother, a teacher at a government school, Refilwe has made the most of her 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.

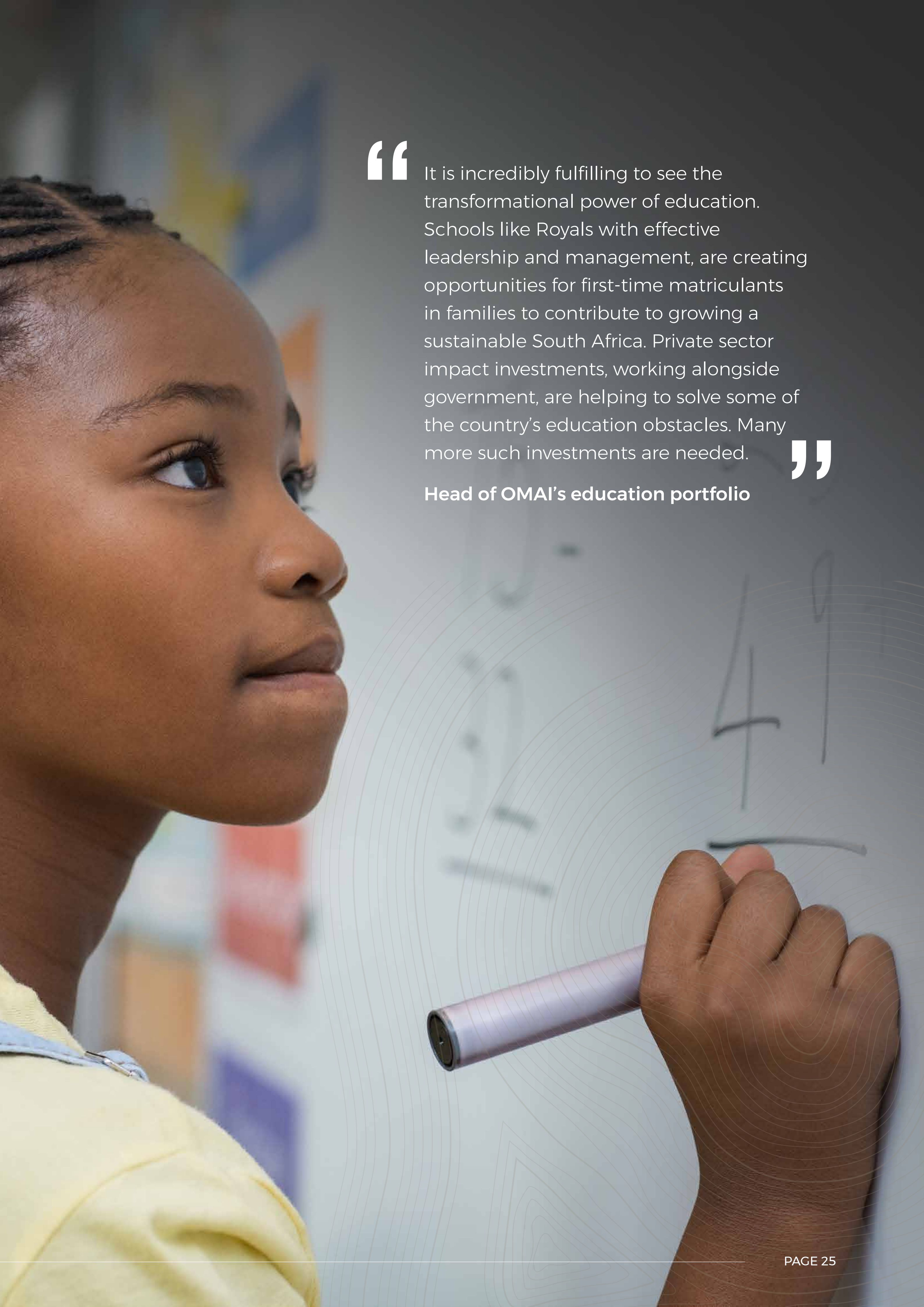
She soon mastered English, and from Grades 8 to 12 Refilwe was among the top three performing learners in her grade. By Grade 12, Refilwe received the distinguished Dux learner accolade, marking the highest ranking academic performance in that academic year. She matriculated with six distinctions and earned the top performing student award.

After school, she enrolled at Wits University for a Bachelor of Accounting Sciences degree, which she completed in 2016. She then went on to study towards a Certificate of Theory in Accounting at Wits University and is currently working as a Trainee Accountant at one of the big four auditing firms.

The Company view:

"A crucial parts of OMAI's added value was the bespoke structuring in order 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."

Bennie Fourie, MD of Royals Management Company



"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."

Head of OMAI's education portfolio

CASE STUDY

UMOYA ENERGY WIND FARM

Located 125 km north of Cape Town, Umoya Energy Wind Farm is the first utility scale wind farm in South Africa to have achieved commercial operation. It did so on 1 February 2014, just over a year after construction started.

THE ROLE PLAYED BY INFRASTRUCTURE INVESTMENT

African Infrastructure Investment Managers (AIIM), part of Old Mutual Alternative Investments and Africa's largest and most experienced infrastructure equity fund manager, identified the strong investment opportunity presented by the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). This government initiative to increase the country's renewable energy production, and channel private investment and expertise into the sector was launched in 2012, with the first bidding round of a planned 7 000 MW programme.

UMOYA BY THE NUMBERS

- 37 Vestas V100 1.8 MW wind turbines
- A capacity of 67 MW
- Spanning about 900 hectares
- Supplies approximately 176 600 MWh of clean renewable energy to the national grid every year
- Enough green electricity to supply approximately 49 000 low-income or 22 000 medium-income South African homes
- To produce the same amount of electricity, a South African coal-fired power station would emit approximately 183 000 tonnes of carbon dioxide every year. This makes the carbon savings achieved through Umoya the equivalent of taking over 37 000 cars off the road

CASE STUDY

KARINO LIFESTYLE ESTATE'S STORY

Set in the hills of Mpumalanga, the award-winning Karino Lifestyle Estate lies 15 kilometres outside of Nelspruit in north eastern South Africa.

Karino Lifestyle Estate is part of a larger affordable housing development made possible by Old Mutual Alternative Investments' (OMAI) Housing Impact Fund of South Africa (HIFSA). Construction at Karino began in 2009, with completion expected in 2024. Karino offers a lifestyle experience that combines affordability, secure living, attractive architecture and a convenient locality. It also enables first time home buyers to get a foot on the property ladder by means of a good investment opportunity.

Karino residents enjoy one of the safest, most desirable estates in South Africa's affordable housing sector. The controlled access provides a reassuring sense of security and the estate's on-site amenities include parks, walking trails and a soccer field. With good access to public transport, Karino is conveniently close to the Meridian Karino Private School that offers affordable, quality education. It is also in close proximity to the newly built Crossings Karino shopping centre.

Once Karino's sister housing development, Summer Rain Private Estate, is completed, the two estates will offer a total of 1 654 affordable homes in an array of sizes, styles and positions for residents to either own or rent. Currently, there is a rental portfolio of 222 units.

THE ROLE PLAYED BY PRIVATE EQUITY

OMAI's largest impact fund, HIFSA's mission is to address South Africa's affordable housing shortage. OMAI's investment management capabilities enable it to support projects that most rivals wouldn't consider, but that provide solid returns to investors over a longer investment horizon than typical private equity. OMAI has been working closely with various South African partners to deliver affordable housing developments with enhanced environmental quality. HIFSA and its partners, through a shared philosophy, have created cohesive communities where South Africans can thrive.

KARINO LIFESTYLE ESTATE

COUNTRY
South Africa

REGION
Mpumalanga

DEVELOPER
HIFSA managed by OMAI Impact Fund

SECTOR
Residential housing

BUSINESS FOCUS
Affordable housing

SIZE
1 654 units

INVESTORS
HIFSA (Development Bank of Southern Africa, Old Mutual Life Assurance Company, Government Employees Pension Fund, Eskom Pension and Provident Fund.

INVESTMENT
Impact Fund

IMPACT HIGHLIGHTS
- **815 units** have been completed (as at 31 December 2018)
- In 2014 the estate won the **SA Housing Foundation's Housing Project of the Year Award**
- Most building materials are **locally sourced**
- **Includes reservoirs and water purification plant**
- **Home ownership education initiatives** for first time home buyers who were helped to understand the processes involved in buying a home and the upkeep of the estate

BEYOND THE OBVIOUS

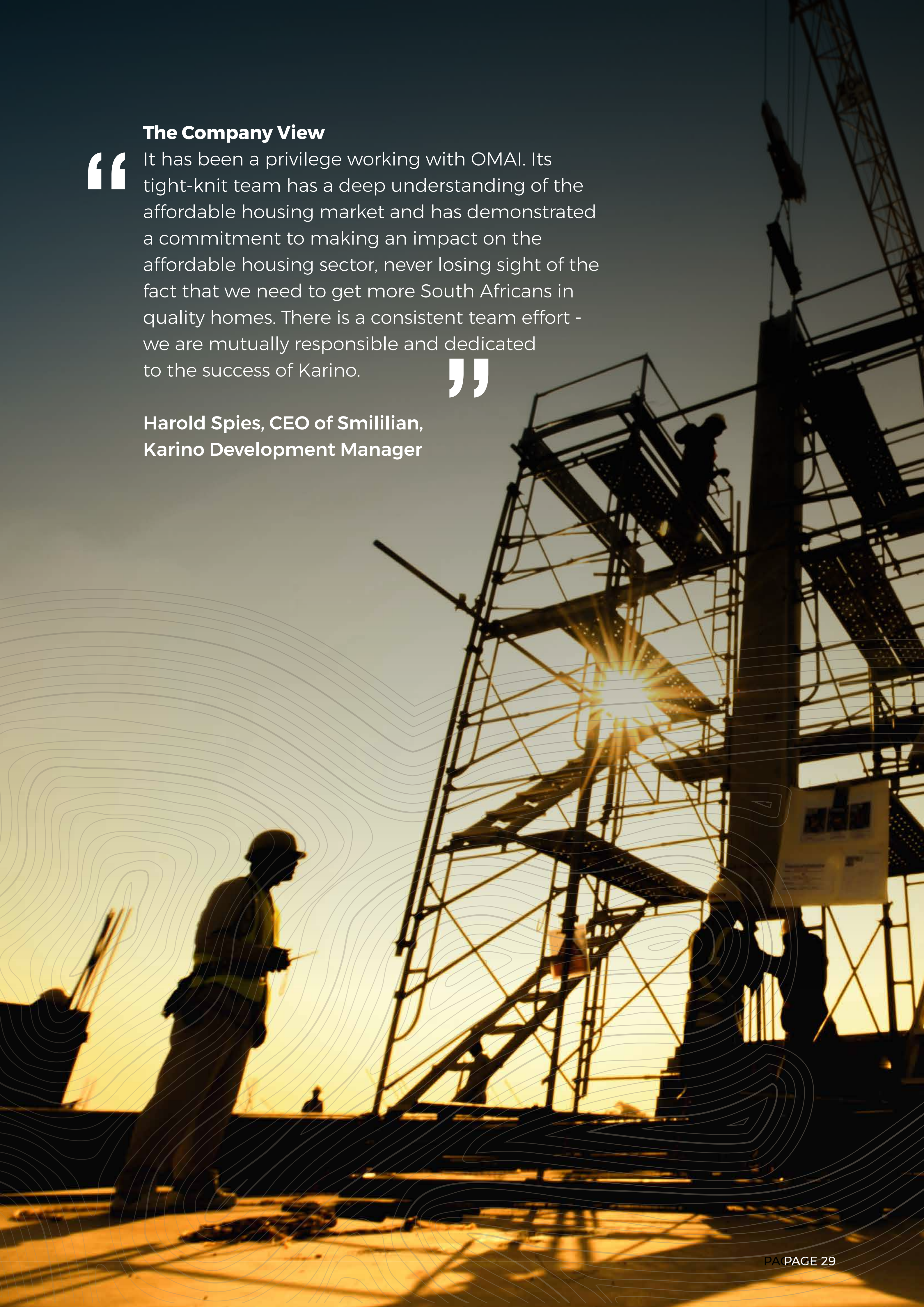
OMAI focuses on generating superior investment returns across its range of funds by uncovering attractive investment opportunities that are often overlooked by others. Some of the ways in which the Karino investment demonstrates this philosophy are as follows:

- The OMAI team follows a “boots on the ground” approach and work with the developers through the entire process, which creates expertise, knowledge sharing and experience for all stakeholders
- Karino offers the potential for investment returns via affordable rental as well as home ownership models

A FORCE FOR GOOD

Housing can be an exceptionally challenging industry. It requires vision, professional integrity and imaginative solutions. By investing in affordable housing, OMAI is bridging the gap between those who have access to government-provided housing and those who use bank financing to purchase their own homes.

There is a large group of low-income South Africans who do not generally have access to high quality, affordable housing. Karino Lifestyle Estate provides these individuals and families with the opportunity to live in an aesthetically pleasing, safe community that is affordable without sacrificing quality of life. Owning a home enables people to expand their wealth and increase their standards of living. And OMAI is committed to building safe, inclusive and sustainable housing for South Africa’s growing population.



The Company View

"It has been a privilege working with OMAI. Its tight-knit team has a deep understanding of the affordable housing market and has demonstrated a commitment to making an impact on the affordable housing sector, never losing sight of the fact that we need to get more South Africans in quality homes. There is a consistent team effort - we are mutually responsible and dedicated to the success of Karino."

Harold Spies, CEO of Smililian, Karino Development Manager

CASE STUDY

MARBLE HALL

Marble Hall is a citrus farm in the Limpopo province of South Africa and was acquired in December 2010.

The farm is a consolidation of three farm properties, and supplies both the local and international markets. The Agriculture Fund invests in the actual farmland and infrastructure, which is leased to an approved operator to run the farm. The farmland is then developed and managed in partnership with these large-scale agricultural operators to further enhance its value. With support from the Fund, in the form of funding for expansion, as well as agronomical, technological and marketing expertise, production on the Marble Hall farm more than doubled during the first three years of Fund ownership.

FOOD SECURITY AND JOB CREATION

At the outset, the Marble Hall farm was identified as having good development potential. To date, 190 hectares of new orchards have been planted and 50 hectares of aging orchards replanted through the Fund's expansion programme. Newly planted citrus trees reach their full fruit bearing stage in eight to nine years, meaning that the new plantings will be in peak condition at the time of the Fund's planned exit, when the ultimate returns on this investment will be realised. The Fund's expansions and other improvements have helped to boost job security and job creation in the area. Permanent jobs on the farm had increased by 168% and seasonal jobs by 87% since acquisition.

EMPOWERING THE COMMUNITY

The Marble Hall Sekhukune district has a high illiteracy rate and an official unemployment level of 50%. Most of the agricultural activity in the area is subsistence farming, with only 30% of the district's land used for commercial farming. Only 6% of the local population have access to a flush toilet.

In addition to providing economies of scale, operator guidance, marketing expertise and capital for expansion, the Fund invests in the education, healthcare and housing of the workers on the farm. The investment caters for up to 6% of its lease income (equaling 0.5% of the leasable value of the land) to be spent on healthcare and educational programmes for workers.

HEALTHCARE

All permanent workers have been enrolled on a pre-paid healthcare programme, giving them unlimited doctor visits, as well as optometry, dentistry and prescribed medicine benefits. This is unprecedented in the agricultural sector. Innovations such as these have been noticed in the surrounding area, and enabled the farm to attract a high calibre of worker. Some neighbouring farmers have enquired about the healthcare programme, with the intention of implementing it for their workers. The farm is also collaborating with local initiatives supporting Aids relief and occupational health services for the broader community, and is participating in the district's infrastructure development forum.

EDUCATION

A new training facility was built on the farm, and workers have received extensive training, funded by both the Fund and the farm operator, in order to improve efficiencies and enable the workers to realise more of their individual potential. Courses cover literacy, numeracy, computers, citrus production management, team leadership, irrigation, carbon credit calculation, permaculture, recycling, housing maintenance, worker rights and wellbeing.

When a junior management role became vacant on the farm early in 2019, the operator seized on the chance to fill the role from within the workforce. Four of the most talented team leaders were identified and promoted to share the new position. Each of the four are permanent workers who live on the farm, and all have passed through an experiential learning-based leadership training programme provided by EduPark and financed by the Fund – which has contributed to the development of their leadership and communication skills.

CONCLUSION

In order to remain competitive, the farm needs to produce quality fruit and maintain a productive workforce. On both counts, this farm exemplifies the impact of the Fund in maximising the use of the land, contributing to long-term agricultural sustainability and the social and economic benefits that flow from this.

GOAL ORIENTED

The United Nations Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Below is a snapshot of our contribution towards some of these global goals.

THE NEED: One in nine people in the world today (815 million) are undernourished.

OUR CONTRIBUTION: We have committed over R1 bn on behalf of our clients to agriculture investment at 15 farms on the African continent.

THE NEED: For many African countries, particularly the lower-income countries, the existing constraints regarding infrastructure affect firm productivity by around 40%.

OUR CONTRIBUTION: Our commitment to the green economy includes a R20 billion transport infrastructure investment, which includes rail, road and airports.

THE NEED: More than half of the 57 million children that have not enrolled in schools globally live in sub-Saharan Africa.

OUR CONTRIBUTION: The R2.3 billion committed to education affords access to quality education to more than 18 000 children across South Africa.

THE NEED: 95% of urban expansion in the next decade will take place in the developing world.

OUR CONTRIBUTION: Our housing investments have provided over 20 000 affordable homes in South African cities.

THE NEED: Energy is the dominant contributor to climate change, accounting for around 60% of total global Greenhouse Gas emissions.

OUR CONTRIBUTION: Our investments in renewable energy projects power over 800 000 homes with clean energy.

THE NEED: Global emissions of carbon dioxide (CO^2) have increased by almost 50% since 1990.

OUR CONTRIBUTION: The renewable energy projects we have invested in help us avoid 3 052 638 tonnes of carbon dioxide from entering the environment every year.

THE NEED: 470 million jobs are needed globally for new entrants to the labour market between 2016 and 2030.

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.

THE NEED: 52% of the land used for agriculture is moderately or severely affected by soil degradation.

OUR CONTRIBUTION: Our agricultural investments prioritise water conservation, reduce soil erosion and limit emissions that contribute to global warming.

RI DISCLOSURE

As a signatory to the UNPRI, the Old Mutual Group prepares an annual report of its RI activities, the results of which are available on the UNPRI website.

Old Mutual's RI Policy and other documents listed below are available publicly on Old Mutual's website by following the RI link at Responsible Investing and browsing the Responsible Investment pages for Old Mutual and OMIG.

Alternatively, click directly on the links below:

- **Responsible Investment Policy**[1]
- OMIG RI Resources – for example the RI Policy, the Proxy Voting Policy and the CRISA Report[2]
- UNPRI Transparency Report[3]

Responsible Investment Policy Link:
[1] http://www.oldmutual.co.za/docs/default-source/corporate/products-services/employee-benefits/retirement-investments/guaranteed-investments/responsible-investing/omcresponsibleinvest.pdf?sfvrsn=2

OMIG RI Resources Link:
[2] http://ww2.oldmutual.co.za/old-mutual-investment-group/about-us/responsible-investing/ri-resources

UNPRI Transparency Report Link:
[3] https://www.unpri.org/download?ac=3672

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