

# OLD MUTUAL PLC MONTREAL PLEDGE CARBON DISCLOSURE

<b>Company name:</b> Old Mutual plc	<b>Holdings</b> South African Local Listed-Equity Holdings, Old Mutual South Africa
<b>Sector</b> Financial Services	<b>Value of assessed holdings</b> ZAR 72.2bn (£ 3.2bn)*
<b>Region</b> International	<b>Manager:</b> Old Mutual Investment Group
<b>Total funds under management</b> ZAR 7,482.1bn (£327.9bn)*	<b>Benchmark</b> FTSE/JSE Shareholder Weighted All Share Index (SWIX)
<b>Business owner</b> Jon Duncan, Head of Responsible Investment	<b>Service provider</b> MSCI ESG Research Inc.

\*As at 31 December 2015

## ABOUT US

Old Mutual provides investment, savings, insurance and banking services to 18.9 million customers in Africa, the Americas, Asia and Europe. Originating in South Africa in 1845, Old Mutual has been listed on the London and Johannesburg Stock Exchanges, among others, since 1999.

For the year ended 31 December 2015, Old Mutual plc reported an adjusted operating profit before tax & non-controlling interests of £1.7 billion and had £327.9 billion of funds under management. For further information on Old Mutual plc and the underlying businesses, please visit the corporate website at [www.oldmutual.com](http://www.oldmutual.com)

Managed separation entails separating the Group through a series of steps that will ultimately result in four standalone entities:

- Old Mutual Emerging Markets: An African financial services leader, providing long-term savings, protection, investment and lending to retail and corporate customers
- Nedbank: Old Mutual owns a 54% stake in Nedbank, one of South Africa's top four banks, providing wholesale and retail banking, insurance and asset management for individuals and businesses
- Old Mutual Wealth: a leading wealth management business in the UK and international markets
- OM Asset Management: Old Mutual owns 65.8% in the New York Stock Exchange listed OM Asset Management which offers a diverse range of investment strategies and products for institutions, delivered worldwide through seven US-based boutiques.

## RESPONSIBLE INVESTMENT = POSITIVE FUTURES

Old Mutual became signatory to the Principles for Responsible Investment in 2012 as an asset owner and, in September 2015, signed the Montreal Pledge.

We view responsible investment as a cross-cutting approach to investment that integrates the consideration of material environmental, social and governance (ESG) factors into investment and ownership practices and as a basis for making the transition to a low-carbon, socially inclusive economy.

Our approach to responsible investment is founded on an understanding of the growing sustainability megatrend and its potential to impact the competitive landscape across all sectors.

Consequently, as a provider of investment, savings, insurance and banking services, we believe that considering relevant material ESG factors in our investment and ownership decisions is consistent with the pursuit of superior risk-adjusted returns for our beneficiaries and customers. It not only makes sound business sense, but in our role as custodian of our shareholders' and beneficiaries' long-term futures, we believe that it is the right thing to do. As such, responsible investment is an important element of our Positive Futures Plan.

## WHY ARE WE DISCLOSING OUR CARBON FOOTPRINT?

The World Economic Forum's Global Risks Report 2016 shows that climate change and related events rank in the top 10 risks list – both in terms of likelihood and impact. In 2015, Old Mutual released its Climate Change Position Statement recognising the scientific work undertaken by the Intergovernmental Panel on Climate Change (IPCC) in its Fifth Assessment Report ([www.ipcc.org](http://www.ipcc.org)) and the long-term implications of the continued burning of fossil fuels. In December 2015, at the 21<sup>st</sup> Conference of the Parties, the cause of a warming climate was almost universally acknowledged to be caused by human activity.

Old Mutual's position on climate change recognises our role as long-term investor in supporting a transition to a mixed energy, resource-efficient and socially inclusive economy.

Read our Climate Change Position Statement [here](#), and find out more about our Positive Futures Plan and commitment to transitioning to a mixed- energy future [here](#).

Consequently, we have embarked on a process of measuring and disclosing the carbon intensity of our largest internally managed, listed-equity portfolio as a basis for understanding the potential carbon risks and opportunities in the portfolio. Due to carbon data constraints, we have at this stage only focused on the domestic listed-equity aspect of the Old Mutual Life Assurance Company South Africa (OMLACSA)'s listed-equity holdings.

## CARBON DISCLOSURE OF OLD MUTUAL'S SOUTH AFRICAN LISTED-EQUITY HOLDINGS

This analysis is as at 31 December 2015 and is a portion of the South African (SA) listed-equity holdings that is managed by Old Mutual Investment Group, thus excluding any third party managers.

These holdings represent 2% of the Old Mutual plc's total funds under management (ZAR 7,482.1bn; £327.9bn), and around 19% of OMSA's R773.7bn/£33.9bn (as at 31 December 2015) book, and is benchmarked against the FTSE/JSE Shareholder Weighted All Share Index (SWIX).

At the time of measurement, the carbon intensity of the portfolio was 12.3% less than the SWIX. This translates in an intensity measure for the holdings of 382.7tonnes of carbon dioxide equivalents (tCO<sub>2</sub>e)/US\$ million versus the SWIX's 436.6 tCO<sub>2</sub>e/US\$ million.

The carbon intensity of the SWIX when compared with other emerging market indices is roughly in line – however these emerging market indices are typically more carbon intensive than

developed market indices. This reflects the fossil fuel intensive nature of many emerging market economies.

In respect of our SA listed-equity holdings, our carbon footprint work has allowed us to identify the biggest carbon contributors as a basis for further engagement and analysis. We will continue to track and disclose the carbon intensity of these holdings with the aim of better understanding the opportunities to reduce the carbon intensity over time, without impacting the risk-adjusted investment performance.

### **Corporate Engagement**

In addition, our South African-based asset manager, Old Mutual Investment Group, is an active shareholder and regularly engages with investee companies on environmental, social and governance (ESG) related issues. In addition, they may work together with peers to drive change at a sector or industry level.

### **Aiming for A**

The Aiming for A coalition is backed by a wide range of investors and engages with climate exposed companies in the oil & gas, mining and utilities sectors to gain commitments to analyse and report on the portfolio resilience of their assets under a range of low-carbon scenarios. As shareholder resolutions have proven difficult to put on the agendas of companies in certain jurisdictions, the coalition proposes that company boards commit to enhanced reporting.

With respect to Anglo American plc, Old Mutual was asked to participate, and by committing our shareholding in support of the resolution tabled at the AGM, the requisite threshold was achieved, and a resolution for enhanced reporting was passed by an overwhelming majority.

### **Sasol**

Sasol, a chemicals and energy company that is listed on South African and New York stock exchanges, sued the SA government for minimum emissions legislation. Old Mutual Investment Group (OMIG) viewed this as a costly undertaking and as a reputational risk. In addition, OMIG was concerned about the effects of emissions on surrounding communities. As OMIG has a significant holding in the company, the ESG Engagement Manager met with management on these issues. Thereafter, Sasol dropped the air quality standards litigation, and stepped up their corporate social engagement with affected communities. OMIG will continue to monitor these environmental and social issues, and will review updates from other institutional investors and stakeholders.

### **Investment in the green economy**

Old Mutual is proud of the active role we are playing in respect of facilitating the transition to a mixed-energy future through our investments in South African renewable energy.

Today, through Old Mutual Investment Group and Nedbank, Old Mutual is the largest investor in renewable energy in South Africa.

## APPROACH TO CARBON FOOTPRINT CALCULATION

### WHAT IS A CARBON FOOTPRINT?

In 2008, the UK Carbon Trust defined a carbon footprint as: *the total set of Green House Gas (GHG) emissions caused directly and indirectly by an individual, organisation, event or product.*

There are seven primary GHGs, each of which has a different global warming potential (GWP), which basically means that different GHGs warm the atmosphere at different intensities. In order to simplify reporting, all GHG's are converted using their unique GWP, and the resulting Carbon Footprint is reported in **carbon dioxide equivalents** (CO<sub>2</sub>e).

In the case of a listed-equity portfolio, it quantifies the GHG emissions to which the portfolio is exposed through the shares it holds, based on the GHG emissions of individual investee companies, as well as the carbon efficiency of their supply chains.

### OUR SERVICE PROVIDER AND METHODOLOGY

We selected MSCI ESG Research Inc. to support our carbon footprint exercise. MSCI ESG Research defines portfolio carbon footprint as the carbon emissions of a portfolio per \$million invested. Portfolio carbon intensity measures the carbon efficiency of a portfolio and is defined as the total carbon emissions of the portfolio per US\$ million of portfolio sales. Weighted average carbon intensity is a measure of a portfolio's exposure to carbon related potential market and regulatory risks and is computed as the sum product of the portfolio companies' carbon intensities and weights.