

Application of the KING IV™ principles

For the year ended 31 December 2018

Old Mutual Limited's Board endorses the King IV™ Report on Corporate Governance and this code was a key input into our Group Governance Framework (GGF).

The JSE Listings Requirements applicable for Integrated Reporting purposes stipulate that a listed company's annual report must, as a minimum, include a narrative statement on its application of the King IV™ code principles.

The Board has opted to apply all 17 of the King IV™ principles and the application status of each of these principles are outlined in the table below.

Leadership, Ethics and Corporate Citizenship		
	Applied	Our response
<p>Principle 1: The Board should lead ethically and effectively.</p> <p>Principle 2: The Board should govern the ethics of the company in a way that supports the establishment of an ethical culture.</p>	Yes	<p>The Board of directors holds that ethics and integrity are fundamental to an effective governance framework and the foundation for developing a culture that supports employee, customer and investor confidence. Accordingly it strives to set the highest standards both for itself as well as for the subsidiary Boards throughout the Group.</p> <p>The Group's Code of Ethics, which is included in our Code of Conduct, is deeply embedded throughout the organisation and is supported and extended by a number of Policies, inter alia, Anti-Bribery & Corruption Policy and Conflicts of Interest Policy.</p> <p>All employees are expected to read and understand Old Mutual's Code of Conduct and attest thereto on an annual basis. The last attestation was completed in November 2018.</p> <p>The Board has furthermore implemented and embedded a robust and effective governance environment where instances of compromised ethical and integrity standards within the organisation are identified, reported and managed transparently.</p> <p> <i>Read more in our Governance Report on www.oldmutual.com/Investor-relations/reporting-centre/reports</i></p>
<p>Principle 3: The Board should ensure that the company is and is seen to be a responsible corporate citizen.</p>	Yes	<p>Responsible business is at the heart of our strategy and embedded in our operations, underpinned by our belief that, over the longer term, creating value for society is the most sustainable way to create value not only for shareholders, but for all our stakeholders.</p> <p>The Group is committed to being proactive in making a positive contribution to society by leveraging our extensive footprint and focusing on education, SMME development, entrepreneurship and vulnerable members of the society through employee volunteerism.</p> <p>Our businesses are guided by the values of respect, integrity, trust and accountability, championing the customer, agile innovation that makes a difference and the power of diversity and inclusion.</p> <p> <i>Read our Responsible Business committee (incl Social and Ethics) report in our Governance Report on www.oldmutual.com/investor-relations/reporting-centre/reports</i></p>

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Strategy, Performance and Reporting		
	Applied	Our response
<p>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.</p>	Yes	<p>Old Mutual Limited has a top-down strategy development process followed by a bottom-up validation and planning approach across our various businesses. This follows a common strategic planning process, which delivers a consistent documented strategic baseline across the Group.</p> <p>The Board's framework for governance of strategy comprises two principal themes:</p> <ul style="list-style-type: none"> • Strategy setting and annual approval and • Monitoring strategic execution against the strategy and business plans <p>In our Integrated Report we demonstrate how value is created through the execution of our 8 strategic battlegrounds, which take into consideration our business model and the risks and opportunities we face.</p> <p> Read more about our Strategy, business model and risks and opportunities in our Integrated Report on www.oldmutual.com/investor-relations/reporting-centre/reports</p> <p>Read about strategy governance in our Governance Report on www.oldmutual.com/investor-relations/reporting-centre/reports</p>
<p>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.</p>	Yes	<p>The Board is responsible for formulating the Group communication policy and ensuring that spokespeople of the company adhere to it. This responsibility includes clear, transparent, balanced and truthful communication to shareholders and relevant stakeholders.</p> <p>In our interim results and Integrated Report to stakeholders, we detail both our historical performance and outlook. These reports, together with our extended reporting suite, enable stakeholders to make informed assessments of Old Mutual's prospects.</p> <p> Please see our full reporting suite on www.oldmutual.com/investor-relations/reporting-centre/reports</p>

Governing structures and delegation

Primary role and responsibilities of the Board

	Applied	Our response
<p>Principle 6: The Board should serve as the focal point and custodian of Corporate Governance in the company.</p>	Yes	<p>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.</p> <p>The Board fully acknowledges and accepts the significant responsibility to ensure our customers' interests are represented and safeguarded and further, that the Group continues to operate responsibly, sustainably and in an ethical fashion, for the benefit of all our stakeholders for generations to come.</p> <p>The Board operates in terms of a Board charter, which defines its functions and responsibilities. Aside from the requirements of statute and common law, the Board collectively acknowledges its key deliverables as providing the Group with clear strategic direction, ensuring that there is adequate succession planning at senior levels, reviewing operational performance and management and facilitating an effective governance environment.</p> <p>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 delegation of authority framework.</p> <p> <i>Read our Board Charter on oldmutual.com/about/governance</i></p> <p><i>Read more about the Board's responsibilities from page 10 of our Governance Report on www.oldmutual.com/investor-relations/reporting-centre/reports</i></p> <p><i>Read about our Group Governance Framework from page 20 in our Governance Report on www.oldmutual.com/investor-relations/reporting-centre/reports</i></p>

Composition of the Board

<p>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.</p>	Yes	<p>The Old Mutual Limited Board has been operating effectively as a "Board in waiting" since October 2017. In 2018, the Board oversaw the listing of the Group (through the then holding company of the South Africa Group - Old Mutual Group Holdings Ltd) and the unbundling of Nedbank Group Limited. These were key parts of the Managed Separation strategy agreed to by Old Mutual plc and the subsidiary boards.</p> <p>This "Board in waiting" was specifically constituted in terms of expertise and collective skills required for managing a successful listing and steering a large and complex business into the future. We believe that we have brought together the necessary skills through this detailed recruitment process, save for marketing and digital distribution skills, for which we will continue to search.</p> <p>The Board was formally appointed on the 5th of March 2018 to facilitate the approval of the Group's Pre-listing Statement (PLS).</p> <p>The majority (13/16) of our Board members are considered independent non-executive directors.</p> <p> <i>Read more about our Board composition and our directors' experience, skills, tenure and other listed board representation from page 8 in our Governance Report on www.oldmutual.com/investor-relations/reporting-centre/reports</i></p> <p> <i>See our directors' CVs on www.oldmutual.com/about/leadership/board-of-directors</i></p>
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Governing structures and delegation		
Effective Board structures and delegation of authority		
	Applied	Our response
<p>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.</p>	Yes	<p>The Old Mutual Limited 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 regularly reviewed to ensure effective decision-making, discharge of duties and independent judgement and to take into consideration the changing environment within which the Group and the Board is operating.</p> <p>The composition of membership of the committees and the allocation of roles across committees are regularly considered and reviewed to ensure effective collaboration, efficient use of Board resources and a balanced distribution of power across the committees.</p> <p>Current Old Mutual Limited Board committees are:</p> <ul style="list-style-type: none"> • Audit committee • Risk committee • Remuneration committee • Corporate Governance and Nomination committee • Technology and Platform committee • Responsible Business committee (incorporating Social & Ethics) and • Related Party Transaction committee <p> Read our Board committee feedback reports from page 26 in our Governance report on www.oldmutual.com/investor-relations/reporting-centre/reports See our Board committee's Terms of Reference on www.oldmutual.com/about/governance</p>
Evaluations of the performance of the Board		
<p>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.</p>	Yes	<p>We hold our Board members accountable through annual Board evaluations.</p> <p>Each year, the Old Mutual Limited Board will conduct 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.</p> <p>The Board furthermore sets self-assessment review expectations for all subsidiary Boards (including individual directors). The frequency and nature of assessments is influenced by subsidiaries' classification in terms of the GGF, taking into account the principle of applying governances proportionally in the Group and regulatory requirements.</p> <p>An external independent assessment of the Board was carried out during October and November 2018.</p> <p> Read about the 2018 Board assessment outcomes in our Governance Report on www.oldmutual.com/investor-relations/reporting-centre/reports</p>

Governing structures and delegation

Appointment and delegation to management

	Applied	Our response
<p>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.</p>	Yes	<p>Chief Executive Officer</p> <p>In terms of the Board Charter, the Board appoints the CEO who is responsible for the implementation and execution of approved strategy, policy and operational planning, and serves as the primary link between management and the Board.</p> <p>Through the Corporate Governance and Nominations committee the Board ensures that there is succession planning for the CEO position and that it is regularly reviewed.</p> <p>The Group CEO, Peter Moyo, is accountable to and reports to the Board, and in line with best practise, is not a member of Remuneration, Audit or Corporate Governance and Nomination committees. The CEO scorecard, with agreed performance measures and targets, is tabled with the Corporate Governance & Nomination committee.</p> <p>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. The Board also defines the level of materiality and approves a delegation of authority framework.</p> <p>The CEO has an employment contract that can, subject to fair labour practices, be terminated upon six month's notice.</p> <p> See our CEO's CV on www.oldmutual.com/about/leadership/executive</p> <p>Company secretary</p> <p>The Group Company Secretary, Elsabé Kirsten, and the Group Secretariat provide professional and independent guidance to the Board on corporate governance and the Board's legal duties. She further supports and coordinates the functioning of the Board and its committees.</p> <p>The Company Secretary has unfettered access to the Board, is not a Board member and maintains an arms-length relationship with the Board and its members.</p> <p>The Company Secretary reports to the Board via the Chairperson on all statutory duties and functions performed in connection with the Board.</p> <p>The Board can confirm that it is satisfied that the company secretary:</p> <ul style="list-style-type: none"> • Is competent, suitably qualified and experienced; • Has the requisite skills, knowledge and experience to advise the Board on good governance; • Maintains an arm's-length relationship with the Board of directors; and • Has discharged her responsibilities for the year under review.

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Governance Functional Areas		
Risk Governance		
	Applied	Our response
<p>Principle 11: The Board should govern risk in a way that supports the company in setting and achieving its strategic objectives.</p>	Yes	<p>Audit and Risk committees</p> <p>The Audit and Risk committees assist the Board with the governance of risk. The Board is aware of the importance of risk management as it is linked to the strategy, performance and sustainability of the Group.</p> <p>The aforementioned committees have implemented a process whereby risks to the sustainability of the company's business are identified and managed within acceptable parameters and defined risk appetite.</p> <p>The Audit and Risk committees delegate the duty to management to continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of our operating environment. Mitigating controls are formulated to address the risks and the Board is kept up to date on progress on the risk management plan.</p> <p> Read the Audit and Risk committees' reports in our Governance Report on www.oldmutual.com/investor-relations/reporting-centre/reports</p> <p>Enterprise risk management</p> <p>Old Mutual's well-defined Enterprise Risk Management policy is a systematic approach to decision making based on the principles of cooperation, participation, mitigation and sustainability, adopted to achieve more effective risk management and support good governance practices.</p> <p>Our risk management system includes:</p> <ul style="list-style-type: none"> • 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 categorization model and metrics • Stress testing, and contingency and crisis planning • A system of internal controls including risk, compliance, actuarial oversight and internal audit control functions

Governance Functional Areas		
Technology and Information Governance		
	Applied	Our response
<p>Principle 12: The Board should govern technology and information in a way that supports the company setting and achieving its strategic objectives.</p>	Yes	<p>Information and Technology (IT) governance is integrated into the Group Risk Management Framework and the Group Risk and Technology and Platform committees ensure that IT governance is appropriately addressed within the context of the strategy of the Group. IT governance is an agenda item at committee level, with regular reporting to the Board.</p> <p>The two components of Technology and Information Governance are defined within the GGF:</p> <p>Technology and Platform Governance – focuses on IT systems, hardware, software, telecommunications, networking, services, data hosting and facilities.</p> <p>Information Security Governance – focuses on the security of all information generated, managed and stored in the organisation.</p> <p> Read the Technology and Platforms committee report in our Governance Report on www.oldmutual.com/investor-relations/reporting-centre/reports</p>
Compliance Governance		
<p>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.</p>	Yes	<p>The Group Compliance Function establishes and maintains mechanisms and systems of internal control to assist the Group Board and managing executives in meeting legal, regulatory and supervisory obligations and to promote and sustain a sound compliance culture. This includes ensuring legal and regulatory compliance implications are integrated into material strategic, financial and operational decisions.</p> <p>Group Compliance operates within an extensive compliance framework created by our GGF, the Group Compliance Policy, the Group Compliance Mandate and the Group Compliance Methodology.</p> <p>The Board is ultimately accountable for compliance and continually provides guidance on, and oversight of, the management of compliance risk.</p> <p>There were no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations during the year under review.</p> <p> See the Risk and Responsible Business committees' reports in our Governance Report on www.oldmutual.com/investor-relations/reporting-centre/reports</p>

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Governance Functional Areas		
Remuneration Governance		
	Applied	Our response
<p>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.</p>	Yes	<p>Responsible remuneration</p> <p>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.</p> <p>We have developed guiding principles, through an organisation-wide approach, which ensures transparent, fair and responsible remuneration.</p> <p>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 Resources (HR) director, supported by the Group Reward Function.</p> <p>Shareholder engagement and voting on the remuneration policy and implementation report</p> <p>The Group is committed to maintaining regular, transparent and informative dialogue with our shareholders, aimed at building relationships based on trust and mutual understanding.</p> <p>In line with best practice, the Group will table its remuneration policy, as well as the remuneration report for approval by shareholders by a non-binding resolution from 2019 onwards.</p> <p>If 25% or more of the shareholders vote against the remuneration policy, or the implementation report (or both), the Remuneration committee will take measures to engage proactively with shareholders and ascertain their reasons for the dissenting votes.</p> <p> See our Remuneration Report on www.oldmutual.com/investor-relations/reporting-centre/reports</p>

Governance Functional Areas

Assurance

	Applied	Our response
<p>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.</p>	Yes	<p>Assurance</p> <p>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.</p> <p>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 on-going focus on increased collaboration and sharing of information as well as reducing duplication of activities.</p> <p>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 Group Board.</p> <p>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.</p> <p> <i>Read the Audit committee report in our Governance Report on www.oldmutual.com/investor-relations/reporting-centre/reports</i></p>

Stakeholder relationships

<p>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.</p>	Yes	<p>The Board is ultimately responsible for the monitoring of the quality of stakeholder relationships and the effectiveness of our stakeholder engagements and adopted a Stakeholder Relations Policy during the year under review.</p> <p>Boards of all subsidiaries where Old Mutual Limited 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.</p> <p> <i>Read more about our Stakeholders and how we engage them in our Integrated Report on www.oldmutual.com/investor-relations/reporting-centre/reports</i></p>
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Stakeholder relationships		
	Applied	Our response
<p>Principle 17: The Board of an institutional investor company should ensure that responsible investment is practised by the company to promote the good governance and the creation of value by the companies in which it invests.</p>	Yes	<p>Old Mutual is a signatory to the United Nations-supported Principles for Responsible Investment (PRI). We view responsible investment as a cross-cutting approach that explicitly acknowledges the relevance of Environmental, Social and Governance (ESG) issues to both the investor and the long-term stability of the market and society.</p> <p>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.</p> <p>Consequently, 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.</p> <p>As at 31 December 2018 R100.6 billion of our assets under management is invested in the green economy, with:</p> <ul style="list-style-type: none"> • R23.9bn invested in renewable energy, • R60.5bn invested in infrastructure, • R16.1bn invested in affordable housing, • R64.4 million invested in Small, Medium and Micro-sized Enterprises financing.

Conclusion

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