



# OUR **IMPACT**

INVESTING FOR A  
FUTURE THAT MATTERS

DO GREAT THINGS



**OLDMUTUAL**  
INVESTMENT GROUP



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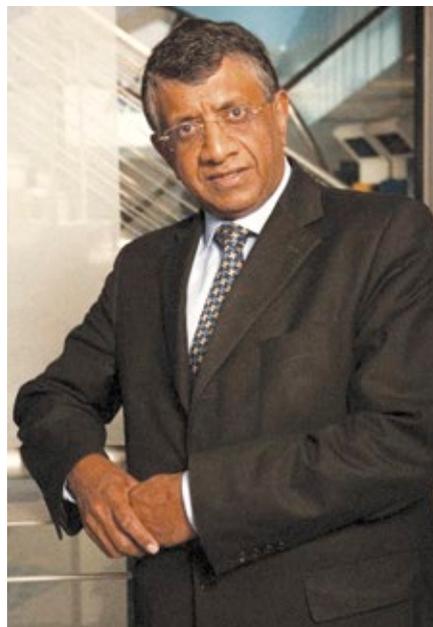
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# MESSAGE FROM OUR CHAIRMAN

Old Mutual Investment Group's commitment to sustainability is embedded in the way we work. By investing in opportunities associated with a low-carbon and socially inclusive economy; supporting and developing our people and the communities in which we invest, operate and live; and ensuring our business consistently seeks to reduce its environmental impact, we aim to benefit our investors and meaningfully contribute to the long-term stability of the financial markets and society.

Internally, our business invests in our people and works to ensure we have a diverse staff complement that represents the composition of our nation and contributes to South Africa's transformation agenda. Through scholarships and training programmes, we are able to help previously disadvantaged individuals develop crucial skills at various stages of their lives, thereby ensuring that more South Africans are part of our growth story. We are also wholeheartedly committed to supporting the most vulnerable members of our communities. Our corporate social initiatives thus fund projects we have identified as being worthy because they empower and develop our communities and take care of those most in need.

A growing focus on environmental, social and governance (ESG) issues that have an impact on business has shaped our approach to sustainability as an asset manager. Today, asset owners care more than ever before about how financial returns are generated. Recognising that ESG factors are critical to achieving our clients' goals enables us to be successful responsible investment stewards for our clients' capital. By integrating ESG factors into their investment philosophies and processes and investing in the green economy, our investment boutiques demonstrate that sustainability



## SUSTAINABILITY IS NOT A BARRIER TO PROGRESS BUT AN ESSENTIAL STEP IN SECURING THE LONG-TERM GROWTH OF OUR ECONOMY

is not a barrier to progress but an essential step in securing the long-term growth of our economy, which means securing more jobs, better quality lives and the potential to build wealth.

We strive to achieve measurable, long-term positive outcomes for all our stakeholders, namely, our shareholders, clients, employees, communities, partners, suppliers and the environment. As a business, we look to bequeath to our children a planet that is liveable and flourishing, while also addressing the pressing needs of our communities today.

In support of a transition to a more sustainable and vibrant economy, Old Mutual Investment Group upholds and operates according to the principles of sustainability, corporate governance and social responsibility.

**DR DEENADAYALEN KONAR**  
Chairman, Old Mutual Investment Group



# ABOUT US

**Old Mutual Investment Group is a leading African investment manager with a full range of investment capabilities, spanning the listed and unlisted universe.**

We are committed to delivering market-beating returns in a socially responsible and sustainable manner – a commitment that is enshrined in our Investment Partnership agreements with our investment boutiques. We are focused on being a responsible steward of the assets we manage and having a positive impact on the communities in which we invest.

## OUR CUSTOMER CHARTER

- We are committed to growing your wealth by delivering market-beating returns.
- We invest our money alongside yours, which means our investment goals and aspirations are closely aligned with yours.
- We invest responsibly for the long term, delivering good returns while also contributing to the greater good.

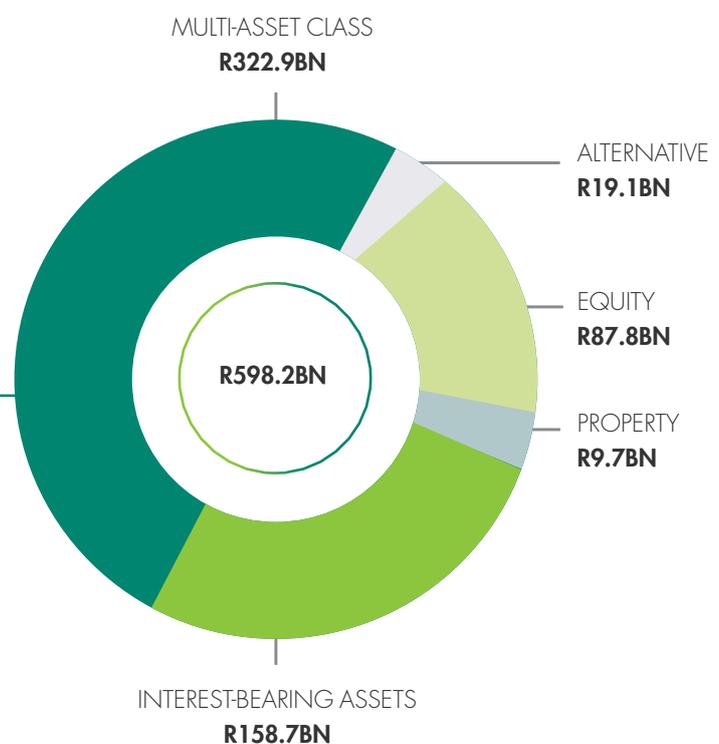
### THE NUMBERS

**ASSETS UNDER  
MANAGEMENT  
BY CAPABILITY**

**ASSETS UNDER MANAGEMENT**

**R598.2BN**

**MARCH 2017**



Figures as at 31 March 2017  
Source: Old Mutual Investment Group

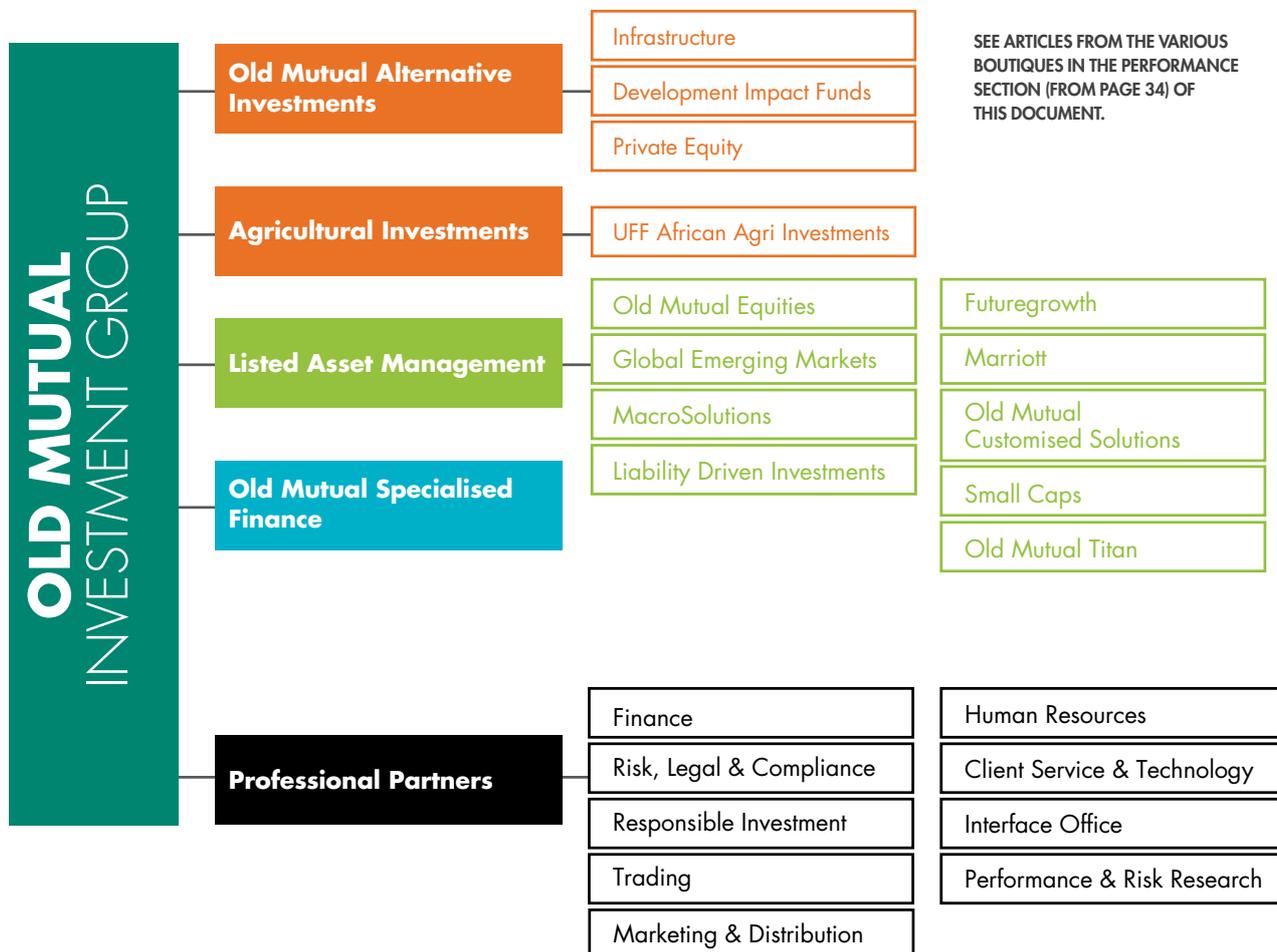
# A MULTI-BOUTIQUE APPROACH

**Our investment capabilities are managed by a range of independent investment boutiques, each focusing on its own specialist investment area.**

Each boutique has its own unique philosophy, proprietary research capability and robust investment process. This gives our investment boutiques the autonomy and focus required to deliver what is expected of them consistently over the long term. And it gives our clients a single point of access to world-class, specialist expertise within a comprehensive range of investment capabilities.

## AS INVESTED AS YOU ARE

As invested as you are. This is at the heart of who we are and what we do. It means that financially, professionally and personally we are as invested in the outcomes we deliver for all our clients who entrust their own money with us. Our investment professionals invest their money alongside their clients' money in the funds they manage, which means they are single-mindedly focused on growing wealth – both their clients' and their own – over time. They are also shareholders in their investment boutiques, making them wholly committed to the long-term future success of their investment businesses.



# OUR COMMITMENT

## THE FUTURE MATTERS

As a long-term investor, we are committed to investing and acting in ways that ensure the future is sustainable: for our employees, for our clients and for the environment as well as for the communities in which we operate.

We believe that incorporating environmental, social and governance (ESG) factors into our investment, staff and the communities in which we operate will enable us to deliver market-beating returns for our clients.

**As such, we are guided by the following overarching principles:**

- We are invested in the future through ethical investment and business practices that have generational horizons and have a positive impact on the environment and communities in which we invest.
- We are invested in our people; ensuring they are challenged, empowered and equipped to deliver the best they have to offer to our clients.

## RESPONSIBLE INVESTMENT

**Across Old Mutual Investment Group, we are focused on driving progress in our responsible investment efforts in the following two areas:**

- Incorporating mechanisms in our investment and ownership practices that allow us to consider **material ESG risks** and opportunities across all asset classes.
- Offering our clients access to a world-class suite of **green economy investment capabilities**. We see a growing opportunity to invest in socially inclusive, resource-efficient and low-carbon growth assets.

As a multi-boutique investment business, our boutiques each have their own approach to responsible investing, which is aligned with their specific asset class and investment philosophy.

## TRANSFORMATION

We also believe that there is a direct correlation between the prosperity of our company and the prosperity of our country: the more South Africa prospers, the more we will prosper. We therefore view empowerment not only as the right thing to do but also as a business imperative – it is an integral part of everything we do.

**Our strong internal transformation agenda ensures the socioeconomic advancement of previously disadvantaged individuals, with the aim of ensuring that we have a vibrant, socially relevant and demographically representative staff complement.**

Our efforts in responsible investing and transformation form an important component in enabling the broader Old Mutual Emerging Markets Responsible Business programme, which is focused on unlocking shared value opportunities across our business. This programme is central to Old Mutual's goal of enabling positive futures.

WE ALSO BELIEVE THAT THERE IS A DIRECT CORRELATION BETWEEN THE PROSPERITY OF OUR COMPANY AND THE PROSPERITY OF OUR COUNTRY:

THE MORE  
SOUTH AFRICA  
PROSPERS, THE  
MORE WE WILL  
PROSPER.

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# OUR HIGHLIGHTS

**Old Mutual Investment Group won the Sustainability category at the 2016 Annual National Business Awards – the award recognises “the company that has shown a strong adherence to ESG policies”.**

## RAISING AFRICA'S LEADERS

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OUR INVESTMENT LEADERSHIP DEVELOPMENT PROGRAMME COMMENCED IN 2015 AND 20 DELEGATES GRADUATED IN ITS FIRST YEAR. **THERE ARE CURRENTLY 18 DELEGATES FOR 2017.**

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## RANKED NO. 1

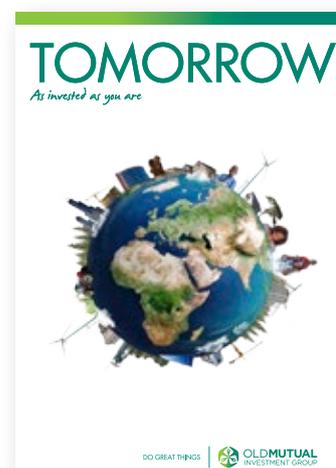
We ranked number one for implementing responsible investment practices in the 2017 Kigoda Responsible Investment Ranking. Kigoda Consulting, an independent consultancy specialising in ESG (environmental, social and governance) research and analysis, assessed 10 of the largest asset managers in South Africa. This result again demonstrates our commitment to investing responsibly.

RETAINED  
LEVEL 2  
B-BBEE  
RATING

## TOMORROW AS INVESTED AS YOU ARE

Old Mutual Investment Group's premier annual conference – Tomorrow As Invested As You Are – was hosted for the second time in September 2016. This event is a platform to promote responsible investment among our institutional clients through dialogue and presentations about the green economy. Our annual thought leadership publication, *Tomorrow*, was also released at the event.

ACCESS OUR LATEST TOMORROW PUBLICATION AT [WWW.OLDMUTUALINVEST.COM](http://WWW.OLDMUTUALINVEST.COM)





OUR COMMUNITIES MATTER. AS PART OF OUR YEAR-END FUN DAY, OUR BUSINESS COLLECTS TOYS THAT WE THEN DONATE TO A LOCAL HOSPITAL JUST IN TIME FOR THE FESTIVE PERIOD.

## AN AFRICAN FIRST

The residential development Fourleaf Estate in Port Elizabeth was awarded the first EDGE certification in Africa.

[READ THE FULL STORY ON PAGE 31](#)

## SUPPORTING OUR FUTURE LEADERS

As a business, we are passionate about fostering an educated nation. Imfundo Trust is our scholarship initiative aimed at helping deserving black students finance their tertiary education. To date, we've invested R21.5 million towards the full scholarship of selected beneficiaries.

[READ THE FULL STORY ON PAGE 15](#)

## AN ETHICAL DIRECTION

We recognise the importance of good governance and the significant role this plays in the investment ecosystem. To contribute to the development of these skills, in 2015 Old Mutual Investment Group partnered with the INSEAD Corporate Governance Initiative and the University of Stellenbosch Business School to create the African Director Programme. This programme is about developing directors as ethical and responsible leaders. 2016 had 16 programme participants from three countries, representing a range of private, public and social sector institutions.

[READ MORE ON PAGE 21](#)

POSITIVELY IMPACTED

**13 340**

PEOPLE IN 2015/16  
THROUGH OUR CSI  
PROJECT,

**GREEN HANDS**

[READ MORE ON PAGE 22](#)



# PEOPLE

## OUR IMPACT ON PEOPLE

### OUR BUSINESS



Level 2 BEE rating  
4 years in a row

**% of black employees hired:**  
2016 - 88%  
2015 - 88%  
2014 - 79%



**1 200**  
staff trained and placed through our skills development programmes

### Training and Skills Development

### Transformation

Ownership: **33%** black owned & **16%** black female

### Organisational Culture

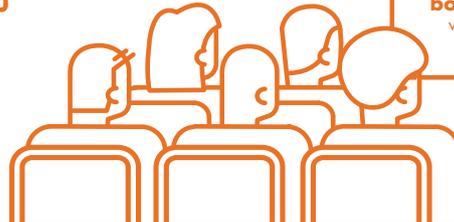
8.96%  
employee turnover for 2016



Elected **80 Diversity** committee members

Management control:  
**100% Executive Directors** are black

**50% of board members** with voting rights are black



### OUR COMMUNITY

#### Housing

**5 552**  
rental units  
**9 387**  
student beds

**7 646**  
housing units transferred

**18 000**  
loans granted

#### Education

**Adult education**  
1 987  
workers enrolled

**Imfundo Trust**  
R21.5 million invested in tertiary education for black students

**Schools Fund**  
**15 640**  
learners enrolled

#### Green Hands

Awarded **2015's Most Extraordinary Business Unit Supporting Staff Volunteerism** by the Old Mutual Foundation

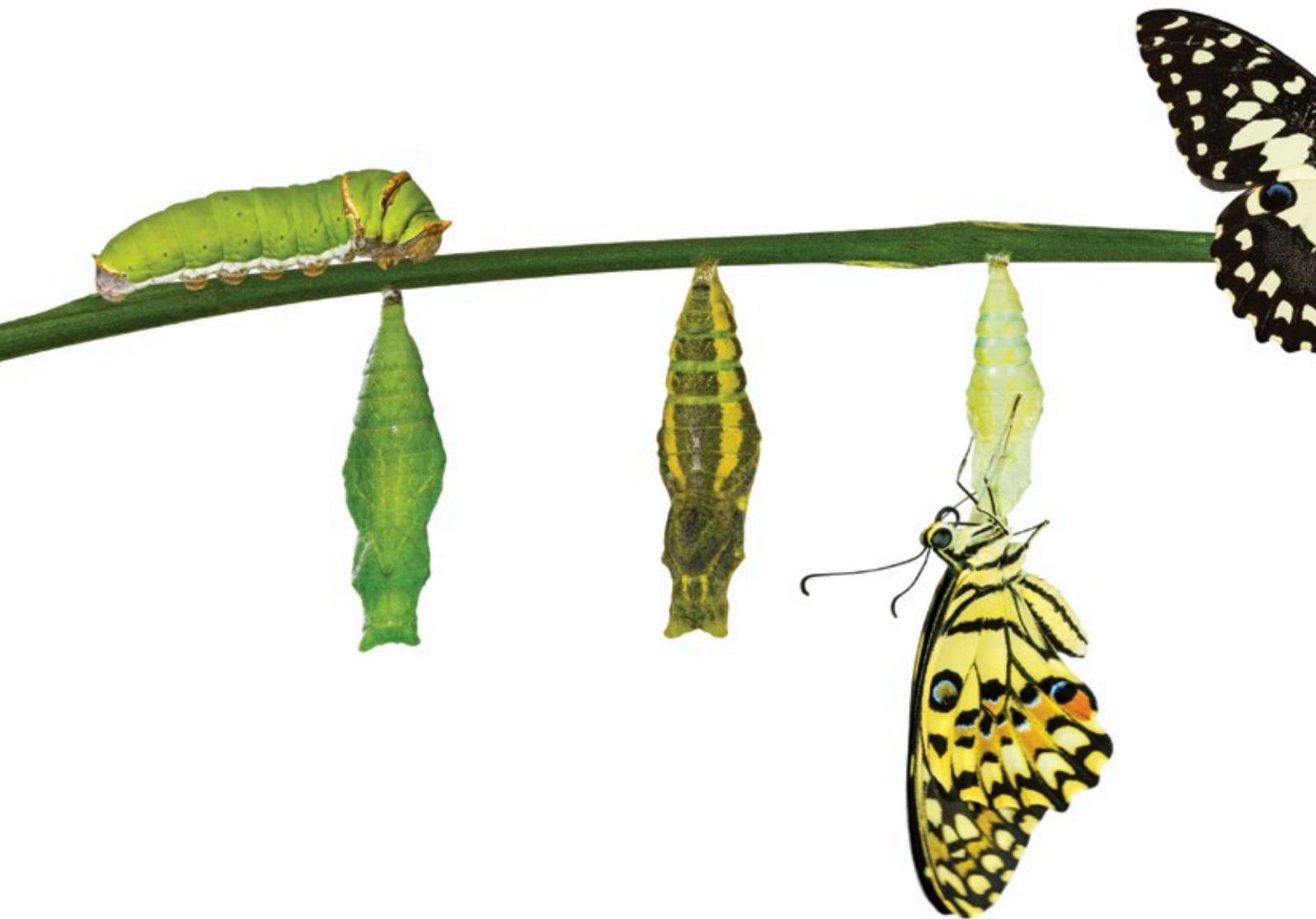
**24**  
projects completed

**13 340**  
beneficiaries

#### Agriculture

**399**  
farm workers receiving healthcare

**4 682**  
employees



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## OUR VIEW ON **TRANSFORMATION**

As an organisation, we believe in the principles of broad-based black economic empowerment (B-BBEE), the objective of inclusivity and embracing diversity.



### THE NUMBERS

OVER THE PAST FOUR YEARS, WE HAVE CONSECUTIVELY ACHIEVED A LEVEL 2 B-BBEE RATING.

THE LATEST OWNERSHIP CREDENTIALS ARE

**33%**

**BLACK OWNED**

**16%**

**BLACK WOMEN**

We have made strides in transforming our business through increased representation of black talent in our senior management and executive positions. We continue to contribute towards the development of all staff and are working at developing the communities we live in through our staff volunteerism programme. In addition, we contribute towards transforming our country through investments in infrastructure, education, affordable housing and agricultural development.

## TRANSFORMATION IN SOUTH AFRICA

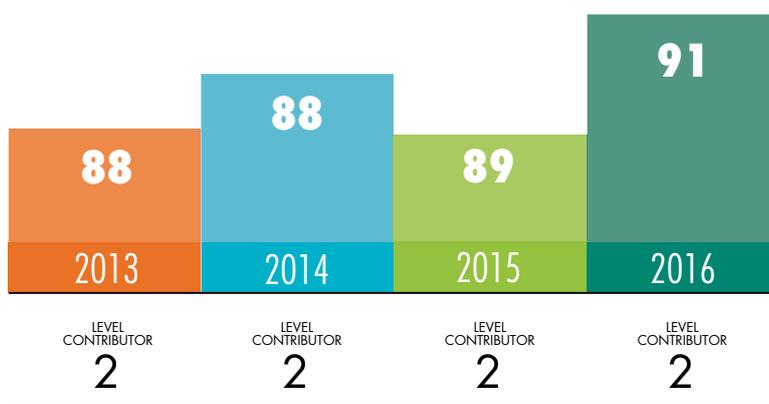
The story of transformation in South Africa is not one purely about numbers, but also about improving lives and including as many people as possible on our journey to prosperity. For us this is an agenda that is perfectly in sync with our values.

However, we do appreciate that by measuring our progress, we can better achieve our goals and help build a society that enables positive futures equitably. As such, we drive initiatives that allow us to consistently improve our B-BBEE score, enrich our company with diverse professionals and, ultimately transform the society in which we work and live.

## TRANSFORMATION OVER THE PAST THREE YEARS

We have made a concerted effort through incremental changes to bring about transformation within our business. These changes saw the establishment of our Executive Committee Transformation Subcommittee, whose sole focus is to ensure that transformation is effected throughout the business.

Furthermore, our employment equity (EE) Appointments Committee oversees and governs the appointment of all staff to ensure our EE targets are met. Various other initiatives, as outlined throughout this publication, demonstrate our commitment towards embedding transformation further into the DNA of our business.



NOTE: THE SCORE CARD HAS A TOTAL OF 100 POINTS. A SCORE OUT OF 100 DETERMINES YOUR B-BBEE LEVEL. RATING AGENCY, AQRATE CONDUCTED THE BEEE VERIFICATION.

# EMPLOYMENT EQUITY

	Black	White/Foreign national	Total	% of black employees
<b>Admin and support</b>	243	89	332	73.2
<b>Exec and senior management</b>	8	17	25	32.0
<b>Investment professionals</b>	100	84	184	54.3
<b>Traders</b>	4	2	6	66.7
<b>Grand Total</b>	<b>380</b>	<b>210</b>	<b>590</b>	<b>64.4</b>

We are committed to having a staff complement that reflects the diversity of our nation, while offering our clients the rewarding experience of our investment and professional services. We achieve this through sourcing and nurturing the best talent and skills to complement our entrepreneurial, boutique-styled work environment.

Our focus is on recruiting exceptional investment talent with a focus on black talent and advancing our current black professionals through skills development and mentorship programmes. Over the years, we have supported and enabled numerous talented black professionals to move through the ranks into middle and senior management positions, as well as increasing their ownership within their own boutiques through our Equity Ownership scheme.

While we have made great strides, we view transformation as an ongoing journey.

TRANSFORMATION IS A KEY PRIORITY FOR US AND THIS IS EVIDENCED BY THE PERCENTAGE OF BLACK EMPLOYEES WE HIRE:

**2016** = 88%  
**2015** = 88%  
**2014** = 79%

## MANAGEMENT CONTROL

WE BELIEVE DIVERSITY WITHIN OUR SENIOR MANAGEMENT ENABLES US TO SERVE OUR STAKEHOLDERS BETTER.

## 50%

BOARD MEMBERS WITH VOTING RIGHTS ARE BLACK

## 100%

EXECUTIVE DIRECTORS ARE BLACK

Figures as at 31 December 2016



## MY STORY

### SIBONISO NXUMALO

Siboniso is Joint Boutique Head of Old Mutual Global Emerging Markets (GEM) and became an Exco member in 2016. He shares his career journey:

I was born in the small town of Port Shepstone in KZN. My biggest support was my mother, who often had to work two jobs and sell insurance policies, because she believed in the power of education and wanted her children, unlike her, to have the opportunity to go to decent schools. Her sacrifices set me up to live a life she could never have dreamt of for herself. In 2001, I came to the Mother City to study at the University of Cape Town (UCT). I was determined to study there after my geography teacher told me that UCT was the best university in the country. After four years at UCT, I joined Old Mutual in 2005 on their TOPP programme (accounting articles in corporates). All I can say is my stint in internal audit convinced me that I certainly didn't have the attention span to become a professional auditor. So I decided to email anyone and everyone who would listen to me at the then Old Mutual Asset Managers and told them I had a passion for investments and that I wanted a job as an analyst. After writing some investment reports to demonstrate this "passion", I was finally given the opportunity to prove myself as an analyst. I thoroughly enjoyed my role analysing various companies and knew I had found my dream job.

I was an analyst for around five years, first analysing the construction sector then the financial services sector. I was then promoted to sector head of financials and property research. The next move was joining Feroz Basa as a joint fund manager of the Old Mutual High Yield Opportunity Fund. This was a significant step for me as I was now really responsible for managing clients' funds. From managing that fund, Feroz and I were asked to form and head up the GEM boutique and manage the Old Mutual Global Emerging Market Fund. I really enjoy the intellectual challenge of working with a great team and competing with some of the best asset managers globally in the emerging markets sector. Last year I was appointed to the Old Mutual Investment Group Exco. It's been an amazing ride so far and I can't wait for the next chapter of my career.

I THOROUGHLY ENJOYED MY ROLE ANALYSING VARIOUS COMPANIES AND HAD FOUND MY DREAM JOB.

# EDUCATION

## A KEY TO DEVELOPMENT

**South Africa faces multiple challenges with regard to education – low maths literacy, untrained teachers, lack of teaching, high dropout rates, overcrowded classrooms, inadequate infrastructure, poor leadership and management, to name but a few. This calls for a greater investment into quality education for the country.**

### CLASS IS IN SESSION

Old Mutual Alternative Investments' Development Impact Funds team invests in independent, affordable schools across the country, with an aim to improve the level of education received by our nation's future leaders. When it launched in 2012, the Schools and Education Fund Investment Impact Fund of South Africa (Schools Fund) was the first impact fund of its kind in South Africa and is a shining example of impact investing for quality education.

The Schools Fund has consistently achieved an impressive performance from the schools in which it invests. Matric results at the schools have consistently been above the national average.

### NEVER TOO OLD FOR SCHOOL

As a business, we are always looking for ways to bring about a positive impact, and as such our agriculture investment model strives to reap as many social benefits as possible – above and beyond that of contributing to Futuregrowth's continent's food security. One such significant benefit from our agriculture investments is the provision of adult training and education for the farm workers. On the farms, workers can receive adult education, management training and basic agricultural training. In 2016, there were 1 987 workers who received an education.

### 2016 RESULTS OF THE SCHOOLS IN THE SCHOOLS FUND

# 93.3%

THE 2016 AVERAGE MATRIC PASS RATE, FAR EXCEEDING THE 72.5% NATIONAL AVERAGE\*

# 44.3%

THE 2016 AVERAGE BACHELOR PASS RATE (I.E. QUALIFYING TO ATTEND UNIVERSITY), EXCEEDING THE 36.7% NATIONAL AVERAGE\*

\*SOUTH AFRICAN NATIONAL DEPARTMENT OF BASIC EDUCATION



## MY STORY LETTIE MARCUS

Lettie, a worker Futuregrowth's Agri-Funds' Piketberg farm, describes how life has changed for her since the Agri-Funds acquired the farm.



"I started working on the farm 10 years ago and I used to think I'd always be cleaning and working in the kitchen. But I was given the opportunity to develop myself and I took the opportunity to learn. In the past I had no understanding about our land, where cities were or how the climate worked. Now, after all the courses I've done, I know all these things and it makes me look at the world in a new way. Now I can help my daughter with her mathematics and geography."

Today, Lettie is a social development worker and one of four trained community healthcare workers on the farm. She is also a member of the farm's health committee, housing committee, women's forum and school board. She completed her ancillary healthcare training and is proud to be able to work with formal health services to promote healthy living within in the farming community.

Lettie has been an outstanding ambassador for the Agri-Funds' Adult Education and Training programme. In 2015, she achieved three level-four exams and is working to complete three matric subjects.

## R21.5 MILLION INVESTED TO DATE

## 100% BENEFICIARIES ARE BLACK STUDENTS

### IMFUNDO TRUST

*Imfundo* means "education" in isiZulu. As part of our commitment to Old Mutual's economic transformation strategy – with education and skills development as its critical pillars – we established the Imfundo Trust in 2011. The Trust was set up to help develop black investment professionals, with a bias towards black women and individuals from peri-urban areas. This scholarship initiative focuses on assisting deserving black students in acquiring qualifications at selected South African tertiary institutions.

Fields of study include commerce (with special emphasis on accounting and statistics), law, engineering, science and agriculture. One of the key features of the programme is that recipients are required to do community work during holidays to fulfil one of the Trust's objectives of developing investment professionals who are well informed about the socio-economic challenges of South Africa. This is a full scholarship and includes tuition, books, accommodation, meals and pocket money.

"THE FINANCIAL STRAIN OF OBTAINING A TERTIARY DEGREE IS NO LONGER THERE. I AM NOT STRESSED ABOUT FUNDS AND I CAN FOCUS SOLELY ON MY SCHOOLWORK."

**ANELISA ZWALO**

"IT HAS ACTUALLY BEEN AN AWESOME PRIVILEGE TO BE PART OF OLD MUTUAL INVESTMENT GROUP. THEY ARE VERY UNDERSTANDING AND SUPPORTIVE. I FEEL LIKE PART OF A CARING FAMILY, A FAMILY THAT'S ALWAYS THERE FOR YOU."

**SIYANDA QAYISO**

# TRAINING & SKILLS DEVELOPMENT

**To create a better South Africa where everyone has the opportunity to reach their potential, we need to give more South Africans the skills they need. We support and provide access to the required skills to ensure growth for our staff throughout their careers.**

For more than five years we've funded secondary schooling for eligible scholars through the Inhlakanipho Education and Development Trust. Seven students have already been funded by this trust, while four learners ranging between grade 8 and 12 are currently being funded.

Over the last two years, 86% of the total skills development expenditure for investment professionals has been allocated to black staff. Through our various trainee programmes, such as the Graduate Accelerated Programme (GAP) and the Investment Analyst Programme, we have trained and placed 1 200 staff members over the past three years.

The Investment Analyst Programme is an intensive development programme aimed at building investment analyst skills. We are a market leader in terms of the development that we offer to our junior analysts, which includes formal training programmes to further develop technical and interpersonal skills, as well as sponsorship of their professional studies.

Our graduate programme aims to attract, develop and retain black graduates with a 95% success rate of permanent employment after the completion of this programme.



	School learners (grade 8 to 12)	Undergraduate students in Commerce, Accounting, Maths, Science, Law, Agriculture	Graduates (bachelor degree)	Professional employees	Management
<b>LEARNER TYPE</b>	School learners (grade 8 to 12)	Undergraduate students in Commerce, Accounting, Maths, Science, Law, Agriculture	Graduates (bachelor degree)	Professional employees	Management
<b>TYPES OF PROGRAMMES OFFERED</b>	Inhlakanipho Education and Development Trust	Learnership (12-month internship) Undergraduate students	GAP students (18-month internship) Investment Analyst Programme (18-month internship)	CFA, CIMA, CIPM; Financial Markets & Instruments; Honours; Masters	Long-term leadership development programmes (LBE; MAP; etc.); Investment leadership programme
<b>FUNDING MECHANISM</b>	Green Hands	Imfundo Trust Old Mutual Investment Group	Old Mutual Investment Group	Old Mutual Investment Group	Old Mutual Investment Group
<b>LEARNING PROVIDERS</b>	Schools	Universities	Universities, Workplace learning	CFA Institute: Universities; Professional providers	External business schools and professional learning providers



INVESTMENT ANALYST PROGRAMME 2016 AWARD CEREMONY.

## KEY HIGHLIGHTS:

6 EE TRAINEE INVESTMENT ANALYSTS GRADUATED FROM OUR INVESTMENT ANALYST PROGRAMME IN 2016

6 EE TRAINEE INVESTMENT ANALYSTS COMMENCED IN Q1 2017

17 EE GRADUATES COMPLETED FORMAL LEARNERSHIPS AND WERE PERMANENTLY ABSORBED INTO THE BUSINESS (11 IN 2015 AND SIX IN 2016)

In 2015, 10 delegates completed the Financial Markets Instruments Programme. There are currently 11 delegates on the course.

The Senior Investment Professional Development Programme started in 2015 and 24 delegates have already graduated from this programme.



## MY STORY FAITH SAUNDERS

Faith is one of the graduates on the Graduate Accelerated Programme (GAP). Here is her story:

I was born and raised in the land of platinum, Mafikeng in the North West province. I graduated from UCT in 2015 with a BCom in Economics and Finance and postgraduate in Financial Analysis as well as a Portfolio Management postgraduate. I applied to join the Graduate Accelerated Programme because I knew that working at a company like Old Mutual Investment Group would give me opportunities for growth. Old Mutual has such a strong brand, working here was a must.

I've been a business analyst at Old Mutual Investment Group since February 2016 and it's been a steep, but rewarding, learning curve. I work on the Group's order management system, which provides support for traders, both within Old Mutual and in other organisations.

The coolest thing about working for Old Mutual Investment Group is that it really invests in the development of its people. We have a wide range of advanced training courses on offer and access to supportive mentors. I've passed my CFA 1 exam and wouldn't have achieved this without the continuous support from the business.

Ultimately, I want to be involved in the analysis of investment decisions. Looking into the future, I definitely see myself still working at Old Mutual. I want to be a part of this great story. I want to make a difference. My advice is to research employers thoroughly while you're still studying and get a feel for their corporate cultures. Once on board, engage with your colleagues and actively build relationships. They'll see you through good and bad times.

THE COOLEST THING ABOUT OLD MUTUAL INVESTMENT GROUP IS THAT IT INVESTS IN THE DEVELOPMENT OF ITS PEOPLE. I RECENTLY PASSED MY CFA LEVEL 1 EXAM, AND I WOULDN'T HAVE ACHIEVED THIS WITHOUT THE CONTINUOUS SUPPORT FROM THE BUSINESS.

# ORGANISATIONAL CULTURE & EMPLOYEE COMMITMENT

**We take pride in promoting an organisational culture that enables positive futures and encourages diversity and inclusivity among employees.**

In 2016, we launched the Distinctly Diverse Forum, which acts as the custodian of fairness, equality and happiness among employees. This forum motivates and encourages employees to create an organisation where everyone can feel respected and safe and have a sense of belonging. As such, the forum is focused on eliminating any barriers that hinder diversity and inclusivity. It is our mission to embrace diversity and embrace people from all backgrounds.

We remain dedicated to identifying any elements of discrimination that could erode our culture of diversity and inclusivity, which is why we drive participation among our employees – boutiques and professional partners – so that they can be proud to work for a company that does things today that will change the lives of many tomorrow.

We are equally proud of our staff recognition programme where our employees are nominated by their fellow colleagues. Nominees are recognised for going the extra mile in delivering outstanding results for our customers and shareholders, and for doing this in a way that embraces our brand values and behaviours.

Our focus is on delivering market-beating returns for our clients, being responsible stewards of the assets we manage and having a positive impact on the communities in which we invest.

**OUR INVESTMENT BOUTIQUES ARE DRIVEN BY AN ENTREPRENEURIAL SPIRIT AND A CULTURE STEEPED IN DIVERSITY OF SKILL, EXPERIENCE AND KNOWLEDGE.**





## EMPLOYEE COMMITMENT

As an asset manager, we are able to demonstrate long-term performance track records, giving our customers the peace of mind that our investment processes are tried and tested. This track record is produced by our employees. As such, we invest in our people through a number of programmes (see pages 16) to ensure growth and career progression. This valuable investment ensures commitment and passion from our teams, both the investment professionals and the professional partners in our business.

WE ARE ABLE TO DEMONSTRATE LONG-TERM TRACK RECORDS, GIVING OUR CUSTOMERS THE PEACE OF MIND THAT OUR INVESTMENT PROCESSES ARE TRIED AND TESTED.

## PERMANENT STAFF TURNOVER

	2016	2015	2014
Average Headcount	593	572	548
Exits	(41)	(40)	(51)
<b>% Turnover</b>	<b>6.9%</b>	<b>7%</b>	<b>9.3%</b>

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# HOUSING

## A NATIONAL CONCERN

**Progress in delivering affordable housing to the lower income market of our country has been a challenge, creating an ever-growing housing backlog.**

As a responsible steward of our clients' assets, Old Mutual Investment Group has invested in this developmental sector. Through various funds, we are providing access to housing for some of the more vulnerable groups in our society – such as farm workers and tertiary students, among others.

### OPEN HOUSE

As we are a responsible investor, our agriculture investments prioritise providing housing for the farm workers at all our farm investments. Our boutiques in the unlisted space have also partnered with industry players to invest in greenfield developments, inner-city rental units and student accommodation.

HOUSING IS THE CORE FOCUS OF OUR DEVELOPMENT IMPACT FUNDS' CAPABILITY, ACCOUNTING FOR 57% OF FUNDS UNDER MANAGEMENT.

Half of the Housing Impact Funds of South Africa (HIFSA)'s assets are committed to greenfield developments, which entails developing raw land through the processes of rezoning, input of bulk infrastructure, town planning and approval, and ultimately building and selling the housing units. With regard to inner-city residential rental, HIFSA has mainly invested in Johannesburg inner-city areas. The fund has acquired existing blocks of residential units – providing long-term rental accommodation close to transport nodes and employment opportunities.



# GOVERNANCE

## PRINCIPLES, POLICIES & PRACTICES

We recognise the importance of good governance and the significant role this plays in the investment ecosystem. Corporate governance is a fundamental aspect of our organisation's strategic and operational profile.

### LEGAL, RISK AND COMPLIANCE

Compliance refers to the monitoring and implementation of legislation and regulations governing fields as diverse as investment advice and human resources management. Old Mutual Investment Group's compliance function ensures that, as a business, we are committed to ensuring a culture of honesty, integrity and accountability.

We place much emphasis on compliance and transparency and have a dedicated team with varied skills and experience to ensure that we comply with the highest possible standards and safeguard the reputation of our organisation.

### DIRECTOR AND TRUSTEE TRAINING

To contribute to the development of corporate governance skills and ethical leadership, Old Mutual Investment Group collaborated with the INSEAD Corporate Governance Initiative and the University of Stellenbosch Business School to introduce the African Director Programme. This programme is about developing directors as ethical and responsible leaders. The 2016 programme had 16 participants from three countries, representing a range of private, public and social sector institutions.

Given the fiduciary role that trustees play in pension fund management and the importance of having the appropriate skills and knowledge, Futuregrowth has compiled a series of workshops on various topics including bonds, responsible investing, credit and compliance.

**"Increasingly, in a world of uncertainty and volatility, sustainability is vital.**

'As a responsible investor acting in a fiduciary capacity on behalf of our clients, we believe that sustainability must include robust governance, compliance and risk management practices. At Old Mutual Investment Group this includes skilled and well-resourced teams that operate independently, appropriate technology and relevant and repeatable processes, underpinned by a culture of compliance.

**Good governance is not a nice-to-have, it's a must-have if we want to remain relevant."**

- ZULFA ABDURAHMAN, HEAD OF GOVERNANCE



## CORPORATE SOCIAL INVESTMENT: GREEN HANDS

Through Green Hands, a registered trust and public benefit organisation, Old Mutual Investment Group and its staff donate both money and time to various outreach initiatives, over and above their individual contributions to the Old Mutual Foundation.

**A total number of 24 projects were successfully completed, to the value of R1 005 995, allowing us to reach 13 340 recipients in need.**

**In 2015, our Green Hands team won Old Mutual Foundation's "Most Extraordinary Business Unit Supporting Staff Volunteerism" award, recognising our staff's significant contributions towards community development.**

### MORE ABOUT OUR INVOLVEMENT

#### BLANKET DRIVE

In 2015/16, Old Mutual Investment Group staff opened their hearts and contributed

**R158 004**

(R201 000 in 2015) towards purchasing blankets for various orphanages, old age homes, townships relief organisations, and schools with learners from disadvantaged backgrounds. This enabled us to touch the lives of many underprivileged South African families during the cold winter month.

#### RALLY TO READ

For the past 16 years, sponsors, organisers and participants of the Rally to READ project have visited the most remote and needy schools in rural South Africa to deliver books, teaching aids, science kits, sports equipment, educational toys and other material. Green Hands has been a sponsor of, and participant in, this outstanding initiative since 1998, with a total spend of

**R106 114** in 2016

(R69 122 in 2015).

We've helped schools by providing computer servers, libraries, sports facilities, educational resources such as lap desks, educational toys and much-needed teaching aids and equipment for educators. Other annual Green Hands initiatives include the Blanket Drive and Rally to READ.

Through Green Hands, we have also created opportunities for exceptional educational development in historically disadvantaged areas through the Peter Clarke Art Centre (previously Frank Joubert Art Centre), teaching literacy and numeracy through visual art.

## PROCUREMENT, ENTERPRISE & SUPPLIER DEVELOPMENT

Through our procurement practices, we are focused on procuring goods and services from black empowered businesses. Old Mutual Group's first port of call is procurement from vendors who have been identified as "preferred vendors".

### DEVELOPING BLACK STOCKBROKERS

In 2016, Old Mutual Investment Group joined other industry players in an initiative that focuses on developing selected black stockbrokers. This initiative is spearheaded by the Association for Savings and Investment South Africa (ASISA). It aims to invest in the strategic growth and development of black stockbrokers in order to enhance industry competitiveness and create sustainable value for stockbrokers, the industry and South Africa through best practice enterprise and supplier development. A three-year commitment has been made to sponsor this initiative.

**FURTHER TO OUR INVESTMENT AND SUPPORT TO ENTERPRISE DEVELOPMENT, WE PREVIOUSLY INVESTED IN BLACK-OWNED BUSINESSES SUCH AS WIPHOLD, JAY AND JAYENDRA, AND CACHALIA CAPITAL.**

In 2016, we invested R30 million into the ASISA Enterprise and Supplier Development (ESD) Fund. This fund accelerates the development of the operational and financial capacity of B-BBEE enterprises and suppliers.



## CONSUMER EDUCATION

Consumer education is about transferring knowledge and skills to consumers, future consumers and potential consumers for individual well-being and the public good.

Our consumer education programme is called "On the Money". The programme was developed by the Old Mutual Financial Education Department established in 2007. Financial literacy and awareness is provided across market segments to promote financial inclusion and financial capability in a way that enables positive futures. To date, "On the Money" has reached 454 900 people.

In 2016, additional resources were directed towards consumer education initiatives, with a key focus on Responsible Investing reaching various stakeholders.

## FINANCIAL LITERACY AND AWARENESS TRAINING IS PROVIDED ACROSS MARKET SEGMENTS

IN ORDER TO PROMOTE FINANCIAL  
INCLUSION AND FACILITATE SOUND  
FINANCIAL DECISIONS IN A MANNER  
THAT ENABLES POSITIVE FUTURES.

In 2016, we hosted a Responsible Investment event targeted at the youth of South Africa. As part of the event, three of the biggest hip hop artists in South Africa, Kwesta, ProVerb and Emtee, performed at Wits University, while the other university campuses and Mutualpark joined in the festivities via live streaming. The artists performed their hits while also promoting our core theme of responsible investment and financial education for positive futures.



# FOOD SECURITY – AFRICA'S CHALLENGE

**Delivering food  
security is one  
of the largest  
dilemmas facing  
the modern world.**

According to the 2016 publication by the Food and Agriculture Organisation of the UN (FAO), when compared with the production levels of 2006, a 70% total increase in agricultural production is needed to feed the more than 9.7 billion people expected worldwide in 2050 – of which 25% will be in Africa.

**AFRICA'S ECONOMY, IN PARTICULAR, IS  
INHERENTLY DEPENDENT ON AGRICULTURE,  
WITH MORE THAN 32% OF THE  
CONTINENT'S GROSS DOMESTIC PRODUCT  
COMING FROM THE SECTOR.**

However, agriculture on the continent still experiences basic infrastructural problems, such as poor access to markets and financing. To reduce poverty and boost economic growth, Africa has to develop a vibrant and prosperous agricultural sector.

## FILLING THE CONTINENT'S BREAD BASKET

Raising productivity in Africa's agriculture is vital, as agricultural growth is twice as effective in reducing poverty as growth in non-agricultural sectors. For example, according to the World Bank, poverty in Ethiopia has dropped by 33% since 2000, with an agricultural gross domestic product (GDP) growth of near 10% a year being the main driver.

Africa has the arable land, water and youthful demographic profile needed to be an agricultural giant that can feed an expanding population. Old Mutual Investment Group is committed to helping realise Africa's vast potential to become the world's granary by investing in developing farmland. We have a suite of agricultural funds invested in commercial large-scale farms in Africa. These funds are managed by Futuregrowth, an investment boutique within Old Mutual Investment Group. The investments are in actual farmland and infrastructure, which are leased to approved operators to manage and develop across the entire value chain.

UFF Agri Asset Management, the adviser for these agricultural investments, has over 100 collective years of experience in African agriculture from a well-balanced team of leading experts in all agricultural disciplines, such as agronomy, agricultural analysis, environmental and social governance, sales and marketing of fresh produce.



# INFRASTRUCTURE – UPLIFTING COMMUNITIES

**Our belief is that effective infrastructure is essential for increasing the viability of Africa's economy and, ultimately, the upliftment of our communities.**

## CASE STUDY IHS HOLDING LTD

IHS is a mobile communications infrastructure company accelerating the development of Africa's fast-growing information economy. IHS has operations in Nigeria, Cameroon, Cote d'Ivoire, Rwanda and Zambia. Founded in 2001, IHS provides services across the full tower value chain – managed services, deployment and site ownership. IHS serves clients responsibly in the building and managing of effective telecommunications infrastructure by employing the best people, services and equipment. The company focuses their social investments on sustainable projects that benefit the host communities, including the creation of job opportunities as well as advancing connectivity across the continent.

Since 1997, Old Mutual Alternative Investments has been identifying investment opportunities across the infrastructure sectors, with a passion for combining a development agenda with bottom line returns.

The direct jobs created by infrastructure investments, such as the construction of transport infrastructure, are only the tip of the iceberg. Jobs are also created through the increased demand for the inputs needed for the production of these investments, e.g. the cement, asphalt, steel, rolling stock industries etc. And, finally, there are employment payoffs more directly associated with economic growth. These include the jobs created by the farmers who now have access to better roads on which to deliver their products to market industries that can deliver their product faster through better integrated transport, infrastructures and workers in the service industry improving their productivity through access to fast broadband connections.

## ROAD AND RAIL

Transport infrastructure is a significant engine of job creation and economic growth on the continent.

We were also a partner in building the strategic bridge between South Africa and Zimbabwe at Beit Bridge,

**WE HAVE ASSIGNED CAPITAL TO PROJECTS THAT HAVE FACILITATED A COLLECTIVE TOTAL OF OVER 1 300 KM OF TOLL ROAD CONSTRUCTION AND MAINTENANCE, BETTER LINKING SOUTH AFRICA TO BOTSWANA, ZIMBABWE AND MOZAMBIQUE'S MAPUTO HARBOUR.**

and are currently involved in building and operating the railway line from Bulawayo to Victoria Falls in Zimbabwe, as well as operating and maintaining the Zambian railway network. Through these projects, our investments enable efficient transportation of goods to and from the Zambian Copper Delta to the South African border and beyond.

## TELECOMMUNICATION

Connectivity in Africa has been identified as a priority to accelerate capital investments, entrepreneurial opportunities and employment. Our telecommunications investment portfolio is managed by African Infrastructure Investment Managers (AIIM), part of Old Mutual Alternative Investments. The AIIM team manages and advises on our infrastructure-related investment activities throughout sub-Saharan Africa.

# THE PLANET

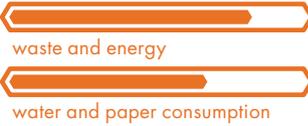


## OUR IMPACT ON THE PLANET

### OUR BUSINESS

#### Carbon Footprint

**No. 1 Mutual Place** currently under construction in Sandton. It is **designed to minimise**



#### Saving Water

Mutualpark implemented a **grey water system** in an effort to **reduce water wastage**

#### Saving energy

**1.4 MW Solar Photo Voltaic system** installed on Mutualpark roof

**Saves up to 8%** of our energy consumption equating up to **1 month's free electricity** per year

### Renewable Energy

**40 Projects**  
**16 Wind farms**

**21 Solar plants**

**1 Landfill gas**

**2 Hydro-electric plants**

### OUR COMMUNITY

#### Infrastructure

**1300 km** of road constructed

**Taxi loans**  
**74 335** granted

#### Green Housing

**1\* in Africa** to get **EDGE certificate** for HIFSA's Fourleaf Estate in Port Elizabeth \*

#### Agriculture

**11 farms**  
**12 579 ha** of land

Reducing **particulate emissions** that contribute to global warming

Reducing **pathogens and pesticides**

Reducing **soil erosion** ...

caused by water, wind or tillage

\* Figures as at 31 December 2016 | Sources: Old Mutual plc; Futuregrowth Asset Management; African Infrastructure Investment Managers (AIIM); UFF African Agri Investments ; Old Mutual Alternative Investments; Old Mutual Specialised Finance and Liability Driven Investments.

# GREEN AT WORK

**As a committed responsible business, Old Mutual has taken proactive steps to reduce its operational carbon footprint with the installation of a 1.4 MW solar photo voltaic system on the roof of its Mutualpark head office.**

This roof-top solar installation is the biggest in the country and among the top five in the world. This initial intervention produces enough electricity to save up to 8% of our energy consumption, equating to one month of free electricity a year. In December 2016, Mutualpark was also awarded its 5-star green rating by the Green Building Council of South Africa (GBCSA).

Greenbuildings are energy efficient, resource efficient and environmentally responsible. Mutualpark is the largest building to be certified at 166 000 square metres.

No. 1 Mutual Place, the new Old Mutual Emerging Markets office currently under construction in Sandton, has also been designed to minimise waste and energy, water and paper consumption and is expected to receive its 5-star grading from the GBCSA.



## OUR GREEN FACTS



TOTAL SCOPE  
1 & 2  
EMISSIONS:  
**350 133**  
**tons CO2e\***



**MUTUALPARK  
IMPLEMENTED A GREY  
WATER SYSTEM IN AN  
EFFORT TO REDUCE  
WATER WASTAGE.**

(A grey water system reuses water for various applications, such as watering gardens, flushing toilets etc. Grey water is water from basins, washing machines and dishwashers, among others)

\*Carbon dioxide equivalent is a term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO2e signifies the amount of CO2 which would have the equivalent global warming impact.

# RESPONSIBLE INVESTMENT

**Old Mutual Investment Group's commitment to responsible investment is founded on an understanding of the growing sustainability trend and its potential to impact the competitive landscape across sectors.**

## LISTED MARKETS

Consequently, we believe that incorporating the consideration of relevant material environmental, social and governance (ESG) factors into our investment and ownership decisions is aligned with the pursuit of superior long-term risk-adjusted returns for our beneficiaries, clients and society at large.

**Across Old Mutual Investment Group, we are focused on driving progress in the following two areas:**

- Embedding the appropriate mechanisms to incorporate the consideration of material ESG risks and opportunities into our investment and ownership practices across all asset classes in a manner consistent with our duties to clients. We see this as central to the delivery of our professional client service.
- Offering our clients access to a world-class suite of green economy investment capabilities. We see a growing opportunity to invest in socially inclusive, resource-efficient and low-carbon growth assets.

Our commitment to responsible investment is an important component in enabling the broader Old Mutual Responsible Business programme, which is focused on unlocking shared value opportunities across our business. This programme is central to our goal of enabling positive futures.

## RENEWABLE ENERGY

As responsible investors, a number of our investment boutiques have opted to invest in renewable energy projects, such as solar plants and wind farms. Renewable energy is far cleaner, with virtually no carbon or toxic emissions.

**WE SUPPORT AND ENCOURAGE THE DEVELOPMENT AND INTEGRATION OF RENEWABLE ENERGY PLANTS ACROSS THE COUNTRY AND HAVE INVESTED IN OVER 40 RENEWABLE ENERGY PROJECTS.**

The positive environmental and social impacts of these projects are significant – powering over 700 000 low-income homes and avoiding the additional emission of over two million tons of CO<sub>2</sub> (approximately equal to 400 000 cars being taken off the road).

It's also key for surrounding communities to share in the benefits from the renewable energy projects being taken as part of the Renewable Energy Independent Power Producer Procurement Programme – beyond just the power generation. As such, for many of these projects there are community trusts that act as vehicles through which socio-economic initiatives are rolled out to bring change to the communities.

## GREENING AFFORDABLE HOUSING

Environmental sustainability is an increasingly important criterion for investors, both locally and globally. Old Mutual Alternative Investments' Development Impact Funds (DIF) team therefore believes it is imperative to integrate green efficiencies in housing design, especially in the affordable market segment. They registered their pilot project, Fourleaf Estate, for EDGE (Excellence in Design for Greater Efficiencies) certification at the end of 2016. EDGE is simultaneously a software, and a green building certification system. The International Finance Corporation and the Green Building Council of South Africa worked together to tailor EDGE to the South African environment, and take into account South African climatic conditions, the standard of local building materials and local development costs.

## RESPONSIBLE INVESTMENT

(CONTINUED)

By obtaining EDGE certification, developers could benefit from being able to market their houses as “green homes” for either the sale or rental markets. And in an increasingly competitive market, a home with reduced utility costs could be a significant incentive for new homeowners or tenants.

The Development Impact Funds team considered the Fourleaf developer, Similan, an ideal candidate because of their innovative and attractive designs within the affordable price bracket, as well as their attention to designing cohesive communities within a housing development. Similan designed most of the green efficiencies, with 20% less energy usage and 20% less embodied energy in the building materials. Slight modifications in the design were also made to achieve 20% less water usage, with the introduction of low flow taps and shower heads. These modifications did not increase the building costs. The Port Elizabeth estate has 323 single-storey housing units with 127 units for rental and 196 for sale within a gated estate. The Housing Impact Fund South Africa’s (HIFSA) Fourleaf Estate in Port Elizabeth was EDGE certified in 2017, being the very first project to reach final certification in Africa.

## PLOUGHING BACK THROUGH AGRICULTURE

In general, the farms we invest in only make use of environmentally sustainable methods of agriculture, as agriculture’s long-term vitality and profitability go hand in hand with its ability to coexist on a sustainable basis with the natural environment. Water availability and the efficient use of this scarce resource is a primary concern when selecting farm investments. Farms are only considered if they have secure water rights and a satisfactory water supply for both current operations and planned expansion. In-depth climatic, geographic and soil analyses are done prior to investing, together with an evaluation of the optimal use of the land – both during and after the investment term. This approach is hugely advantageous when it comes to droughts.





## KEY ENVIRONMENTAL PRIORITY AREAS OF OUR FARM INVESTMENTS:

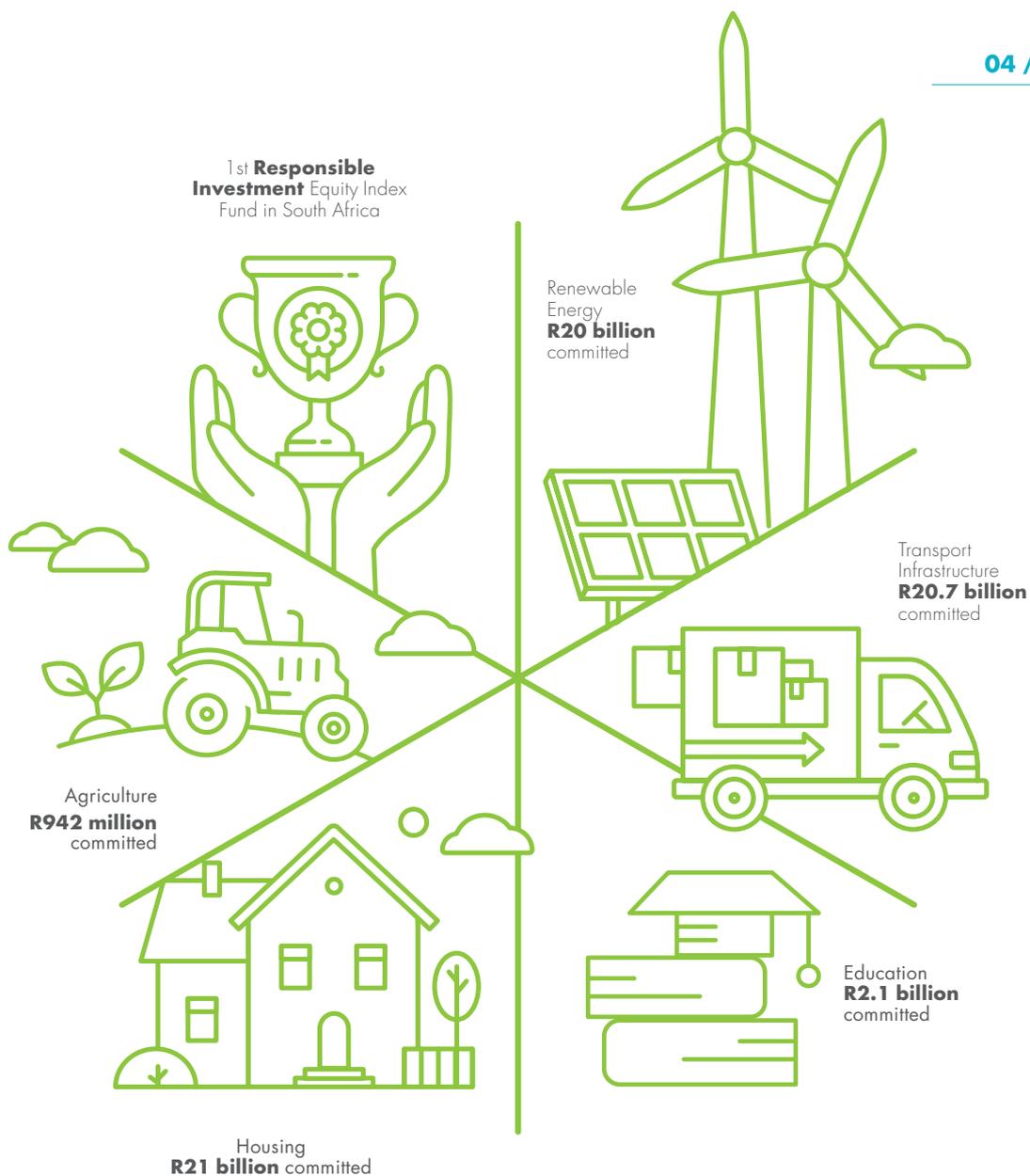
- WATER CONSERVATION
- **REDUCING PATHOGENS AND PESTICIDES**
- USE OF ORGANIC MATTER
- **REDUCING SOIL EROSION CAUSED BY WATER, WIND OR TILLAGE**
- REDUCING PARTICULATE EMISSIONS, ODOURS AND EMISSIONS OF GASES THAT CONTRIBUTE TO GLOBAL WARMING
- **ENSURING COMPATIBILITY OF AGRICULTURAL ACTIVITIES WITH BIODIVERSITY**
- NOTING HABITAT AVAILABILITY AND SPECIES AT RISK
- **REDUCING ECONOMIC DAMAGE TO AGRICULTURE FROM WILDLIFE**
- MAKING USE OF RENEWABLE NATURAL RESOURCES WHEREVER POSSIBLE



# PERFORMANCE

**Our business has a multi-boutique operating structure, which means the boutiques each have their own approach to responsible investment that is aligned with their specific investment scope and philosophy.**

This section provides insights from some of our boutiques, illustrating how we put capital to work.



## CONTRIBUTING TO THE GREEN ECONOMY

We are active in allocating capital to investment opportunities that contribute to the development of a sustainable economy.

These include investments into key themes such as low-carbon electricity, agriculture, affordable housing and quality education, to name a few. Collectively, we call this investing in the green economy – which we define as low-carbon socially inclusive and resource-efficient growth.

## AN ALTERNATIVE FUTURE?

From an investment perspective, getting exposure to green growth has required domestic investors to look to the alternative investment arena. It is in this space that Old Mutual Investment Group has made an impact. For example, we are one of the leading local investors in the Department of Energy's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), providing equity participation and debt funding to primarily wind and solar projects across the country. Our participation in this programme not only brings capital to bear in addressing an important environmental issue, but also provides an appropriate risk-adjusted return for our investors.

Beyond the alternative arena, there has traditionally been little available for domestic institutional investors looking to invest in the green economy in the listed equity space. This is where Old Mutual Investment Group has again been a pioneer, offering clients access to a range of developed, emerging and local market ESG indices that aim to deliver benchmark-linked performance.

# LISTED EQUITY

## PROXY VOTING AND ENGAGEMENT

**Responsible Ownership is one of the key pillars in the Responsible Investment stable, as part of our professional commitment to our clients.**

The importance of responsible ownership lies in the impact we can make in the market by using our role as responsible custodians of our clients' listed assets to drive positive change. Such impact is made in proxy voting at company meetings and engaging with companies on important ESG matters to achieve positive outcomes, both from a management of risk and a value creation perspective.

### PROXY VOTING

We recognise the importance of proxy voting in ensuring the protection of our clients' rights as shareholders (often in the minority). We are pleased to record that Old Mutual Investment Group voted on all of its proxy votes during 2016.

A summary of our 2016 voting record is shown in Figure 1, while Figure 2 highlights some key governance areas where we expressed our concerns as shareholders. From a governance perspective we place a large emphasis on quality boards and the link between company performance and value creation.

**FIGURE 1: PROXY VOTE RESULTS FOR 2016**

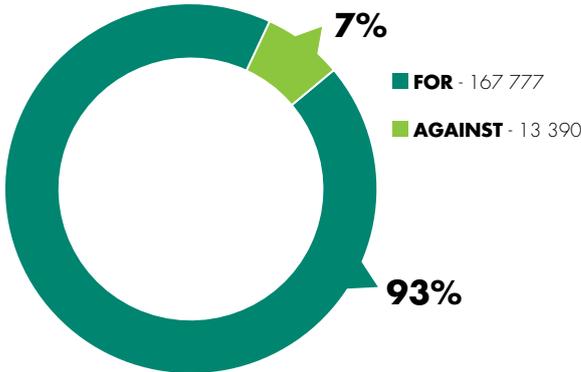


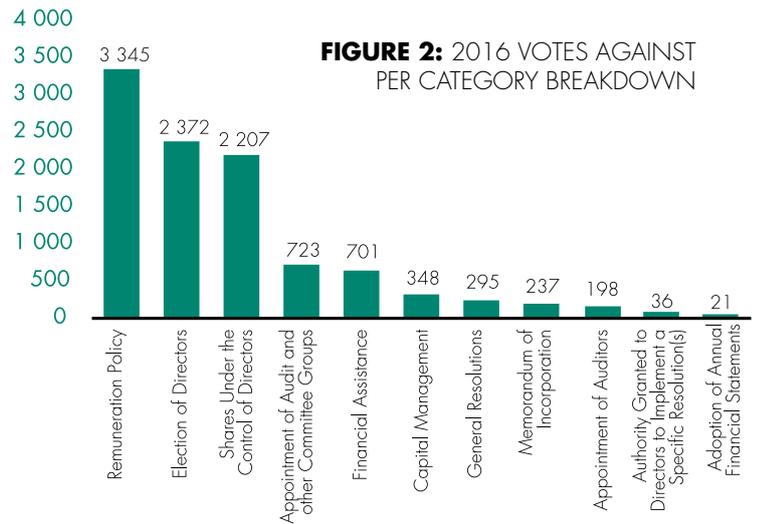
Figure 1 shows the total number of and percentage of votes for and against recorded in 2016 at 2,783 company meetings.

Source: Old Mutual Investment Group

## ENGAGEMENT

Engagements with companies on material ESG issues is our primary and, in our view, most effective way of driving change in the management of ESG risk and in finding ways to unlock value creation beyond financial performance. We undertook 42 engagements with companies and industry associations on approximately 70 unique ESG issues during 2016.

Not only do we engage companies on our own, but we also look for pro-competitive opportunities to collaborate with other large shareholders to increase the possibility of a positive, efficiency-driven outcome from the engagement. Over and above company engagements, we also engage industry bodies for independent research on material ESG issues impacting the market, such as "Say-on-Pay".





# OLD MUTUAL ALTERNATIVE INVESTMENTS

**Old Mutual Alternative Investments is committed to being a responsible steward of its clients' assets.**

The funds and investments we manage across infrastructure, development impact funds and private equity have a significant, positive impact on countries and communities while generating superior investment returns. Responsible Investment principles therefore deeply resonate with our own personal values. Responsible investing is inherent to who we are and what we do.

As one of the largest private alternative investment manager in Africa with R54.2bn in assets under management (as at 31 December 2016), our investors expect us to be a force for positive change on the continent. This is not a responsibility that we take lightly. Through our "boots on the ground" local knowledge, decades of experience and specialist partners we continue to find, develop and manage investment opportunities that are beyond the obvious across Africa.

## MINIMISING RISK

Alternative investments involve having a direct investment in an enterprise or a project, often as a majority shareholder. This means alternative asset classes do not allow for a quick exit, which makes the consideration of risks that much more vital. For us, responsible investing is not just about value creation, it is also crucial to risk



management. Responsible investment practices allow us to identify the non-financial risks at each phase of our investment process and enable us to achieve a competitive, risk-adjusted return.

## ENHANCING PROCESSES

During 2016 we reviewed our responsible investment practices and environmental and social management system (ESMS) to ensure that our practices and investment process are best practice across the various investment capabilities and asset classes, as each has its own nuances.

### The Five Stages of Old Mutual Alternative Investments' Environmental and Social Management System:

- **Investment screening** – identify the risks and opportunities and define whether there is an alignment with the investment target.
- **Due diligence** – assess all ESG factors while considering local legislation and industry guidelines.
- **Transition** – stakeholders agree on the roadmap going forward and ensure that the ESG factors are embedded in the process and the strategy for managing the asset.
- **Ongoing asset management** – during this phase we are active owners, taking seats on the boards, establishing ESG board subcommittees and engaging with management.
- **Exit** – at the realisation phase our objective is to demonstrate our ESG strategy's effectiveness within the asset and how it has reduced the company's risk and enhanced its value to acquirers.

As a business, we believe in the power of a deliberate investment approach that integrates ESG factors into our evaluation of investment opportunities to achieve the best returns for all stakeholders, from investors to clients and communities, at reduced levels of risk.

# OLD MUTUAL SPECIALISED FINANCE

**Old Mutual Specialised Finance (OMSFIN) is an established specialist fixed income investor that focuses on unlisted debt investments, including project finance transactions.**

As part of OMSFIN's initial investment due diligence process, projects must demonstrate compliance with the Equator Principles. Developed by the International Finance Corporation, a division of the World Bank, these are a set of principles that provide guidance when assessing the environmental and social risks inherent in new projects. Where shortfalls to the Principles are identified, OMSFIN works with the project's advisers to develop action plans that are documented and monitored.

## BANKING ENGAGEMENTS

OMSFIN, together with Old Mutual Investment Group's Responsible Investment team, has also been engaging with all major South African banks – most of whom have adopted the Equator Principles – to assess each bank's capabilities in detail and to stress the importance of ongoing responsible investing in the project finance sector.

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# OLD MUTUAL CUSTOMISED SOLUTIONS

**As a responsible investment manager, Old Mutual Investment Group launched the very first responsible investment equity index fund in South Africa.**

The Old Mutual Responsible Investment Equity Index Fund, managed by the largest indexation manager in South Africa in terms of assets under management – Old Mutual Customised Solutions - invests in companies that have measurably better ESG performance than their sector peers. Looking through the lens of sustainability gives better insight into the risks and opportunities a company faces. The fund does not only incorporate responsible investing in the stock selection process, but also benefits from Old Mutual's responsible investing policy on proxy voting and management engagement. This fund allows investors the opportunity to vote with their feet by rewarding companies that value ESG issues ahead of their peers without compromising broad market exposure.

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# GLOBAL EMERGING MARKETS

**Ensuring that the companies we invest in meet our minimum corporate governance requirements is a key pillar of the Global Emerging Markets boutique's investment philosophy.**

We have developed an internal proprietary framework to analyse the governance structures, policies and practices of all companies we consider investing in for our clients. Our mostly qualitative assessment is complemented by an independent and a quantitatively based assessment that was developed by our Responsible Investment (RI) team. This unbiased assessment also allows us to benchmark a company's corporate governance assessment against its regional and sector peers as well as other holdings in our fund and the Global Emerging Markets Index as a whole. We are firm believers that certain minimum governance standards need to be in place in order to protect minority shareholders (i.e. our clients) and that it is not sufficient to discount governance risks into fundamental stock valuations – where the governance tail risk of a stock is significant we would rather avoid it completely.





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## MACRO SOLUTIONS

**As a long-term investor,  
we are cognisant of the  
fact that sustainable  
practices are changing the  
competitive landscape of  
every industry.**

We regard RI as a cross-cutting issue that impacts multiple aspects of our business. As such, when analysing a company and/or selecting a specific manager we integrate the consideration of material ESG risks and opportunities into our decision-making processes.

Our investment philosophy evaluates buy-and-sell decisions in terms of two high-level factors: theme and price. Under “theme”, we consider the top-down macroeconomic environment that drives the performance of each investment. Under “price” we determine the fundamental value of an investment to assess whether it is trading at an attractive price. Using this two-dimensional approach, we aim to invest in opportunities that are attractively priced while enjoying tailwinds from the macroeconomic environment in which they operate (theme). Within both the “theme” and “price” dimensions, ESG considerations play a crucial role. Our top-down process will consider prevailing ESG factors as part of the broader operating environment - for instance, the impact of new legislation affecting future profits within an industry (like mining rehabilitation requirements, minimum wages or BEE deals).

# OLD MUTUAL EQUITIES

**ESG INTEGRATION TO  
GAIN IMPROVED  
RISK-ADJUSTED RETURNS**

**We are active equity investors with a fundamental, valuation-based investment approach that is enhanced by other select themes. As such, we have long been interested in better understanding the various factors driving stock market returns.**

As a long-term investor, we believe that incorporating ESG factors into our investment and ownership decisions ultimately leads to improved risk-adjusted returns for our clients.

Our fundamental equity analysis process allows for the consideration of ESG issues in a variety of ways: this could include the integration of specific ESG issues into a discounted cash flow forecast and/or the use of ESG scenarios to support bull and bear case assessments of a company. In this regard, our teams have access to proprietary ESG company tear sheets that are prepared by our dedicated Responsible Investment (RI) team. Additionally, we have built the MSCI Intangible Value Assessment (IVA) scores, rating environmental and social risk factors, into our share screening tool along with ESG controversy scores. Lastly, our RI team has developed a customised governance scoring tool that is based on quantitative inputs, which allows our team to have a cross-cutting view of governance practices for the FTSE/JSE Shareholder Weighted Index (SWIX) constituents.

Governance and an assessment of management's stewardship of shareholder capital play a prominent role in both our investment selection process and ongoing engagements with company management. All of this information supports the robustness and quality of debate that is central to our fundamental valuation process.



# MARRIOTT INCOME SPECIALISTS

**It is undeniable that questionable ESG practices could pose a significant risk to company dividends in the future. Consequently, the evaluation of these issues is built into Marriott's investment processes.**

A key discipline of Marriott's income-focused investment philosophy is to only invest in companies that produce reliable and consistent income streams, ideally growing over time.

**To ensure reliable income growth in the future from investments made today, a number of questions need to be answered. Some of these questions include:**

- What are the company's income growth drivers?
- Are these drivers under threat by current economic conditions, low barriers to entry or changes to regulation?
- Does the company have a solid balance sheet?
- What is the company's dividend policy?

And the analysis process does not stop here. In the wake of the global financial crisis and numerous "big business" scandals, corporate behaviour which is unethical, irresponsible, harmful to the environment or exploitative in nature is no longer tolerated by regulators and consumers alike. And so, these issues must be evaluated when trying to identify reliable and consistent income streams. This is why the pursuit of reliable dividends aligns with ESG sustainability. Successfully identifying risks to dividends is critical for Marriott, as this ensures we are able to produce a reliable income and predictable investment outcomes for our investors.



## CONTACT OUR INSTITUTIONAL SALES TEAM

### REAGON GRAIG

rgraig@oldmutualinvest.com  
Tel: +27 (0)21 509 7010

### NALENI GOVENDER

ngovender@oldmutualinvest.com  
Tel: +27 (0)11 217 1064

### KHATHU RASHAKA

krashaka@oldmutualinvest.com  
Tel: +27 (0)11 217 1065

### ARTHI RABIKRISSON

arabikrisson@oldmutualinvest.com  
Tel: +27 (0)11 217 1869

### NIRDEV DESAI

ndesai@oldmutualinvest.com  
Tel: +27 (0)21 504 6305

### OLD MUTUAL INVESTMENT GROUP (PTY) LTD

Mutualpark, Jan Smuts Drive, Pinelands 7405  
+27 21 509 5022

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- African Infrastructure Investment Managers (Pty) Ltd (Reg No 2005/028675/07), FSP No: 4307.
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- Marriott Asset Management (Pty) Ltd (Reg No 1987/03316/07), FSP No 592.

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