



OUR IMPACT

INVESTING FOR A
FUTURE THAT MATTERS



OLDMUTUAL
INVESTMENT GROUP

WHAT'S INSIDE

OUR IMPACT

01 WHO WE ARE

- 02 A Message from Khaya
- 03 About us
- 04 Our Multi-Boutique Business Structure

02 RESPONSIBLE INVESTMENT

- 06 A Message from Tebogo
- 07 Our Responsible Investment Policies & Processes
- 08 Our Responsible Investment Dictionary
- 09 A Snapshot of Our Responsible Ownership In 2017
- 12 The Future Matters: An Infographic
- 14 Governance Principles, Policies & Practices

03 OUR BOUTIQUE APPROACHES TO RESPONSIBLE INVESTING

- 16 Futuregrowth Asset Management
- 17 UFF African Agri Investments
- 18 MacroSolutions
- 18 Marriott Income Specialists
- 19 Old Mutual Customised Solutions
- 20 Old Mutual Alternative Investments
- 23 Old Mutual Equities
- 23 Old Mutual Titan
- 24 Global Emerging Markets
- 25 Liability Driven Investments



01

WHO WE ARE

Our vision is to generate sustainable long-term returns for our clients that make a difference in their lives.

A MESSAGE FROM KHAYA



“WE ARE PASSIONATE ABOUT
DELIVERING MARKET-BEATING
RETURNS AND INVESTING FOR A
FUTURE THAT MATTERS.”

Democratic South Africa is facing a new dawn. After years of lacklustre growth and policy uncertainty, we’re seeing a renewed commitment to reviving the economy. The national agenda is now rightly focused on attracting new investments to address our current low-growth economic environment. Old Mutual Investment Group, as a responsible custodian of South Africa’s savings, has an important role to play. That is why we are committed to investing in ventures that support socially inclusive, low-carbon and resource-efficient outcomes. We believe that a national growth path that combines these elements with ethical leadership is central to putting the growth pains of the recent past behind us.

DOING GOOD AND DOING WELL

Old Mutual Investment Group offers clients access to unique investment capabilities that address key global issues, such as energy scarcity, agriculture, infrastructure and education, while also delivering sustainable risk-adjusted returns.

As of 31 December 2017, we had committed R116 billion to creating an inclusive economy, while also generating wealth for our investors. However, the impact of this commitment cannot just be measured in rands and cents. It is evidenced in the improved lives of South Africans in the 16 500 children gaining quality education, the 16 529 families with affordable housing, and the close to 800 000 homes powered with clean energy. I urge you to read some of these stories on **page 21** and **22**.

Environmental, social and governance (ESG) factors are embedded in all our processes and our investment boutiques

consistently engage with underlying investee companies to drive favourable investment outcomes for our stakeholders. Read about our ESG engagements and proxy voting record on **page 9** and find out how each of our investment boutiques integrates ESG considerations into their investment decisions on **page 16 to 25**.

We are passionate about delivering market-beating returns AND investing for a future that matters. I look forward to partnering with you on our journey towards becoming a sustainable, world-class asset manager.

Regards

KHAYA GOBODO
Managing Director
Old Mutual Investment Group

ABOUT US

We aim to relentlessly pursue investment excellence, within and across our boutiques, to grow our clients' wealth over long periods of time.

We invest our own money in the same funds we manage on behalf of our clients, which is why we are committed to building a partnership with our clients that grows and deepens over time.

We are Old Mutual Investment Group. We are as invested as you are.



OUR PRINCIPLES

We believe in the pursuit of investment excellence across our capabilities. **That way, we can deliver consistently to our clients.**

We operate as independent boutiques, with specific skills to deliver on our clients' investment needs. **That way, we remain nimble and focussed.**

We invest for a future that matters. **We want our clients' wealth to grow in a sustainable way by building a better future for all.**

We invest our own money alongside our clients. **That way, our interests are entirely aligned.**

THE NUMBERS

ASSETS UNDER MANAGEMENT

R659bn

Figure as at 31 December 2017
Source: Old Mutual Investment Group

OUR MULTI-BOUTIQUE BUSINESS STRUCTURE

We operate through a boutique structure that enables our investment teams to operate autonomously in their specialised areas of expertise.

LISTED

ACTIVE EQUITIES

Old Mutual Equities manages SA's longest running unit trust and invests in SA shares that satisfy its valuation, quality, growth and sentiment requirements.

Old Mutual Titan is a global equity investment boutique that builds valuation-based, active, fundamental global equity portfolios.

Old Mutual Global Emerging Markets invests in quality listed companies across a diverse range of global emerging markets, including South Africa.

MULTI-ASSET CLASS FUNDS

MacroSolutions, an award-winning asset allocator, builds local and global multi-asset class portfolios, using active asset allocation that offers optimal portfolio solutions.

FIXED INTEREST, SPECIALIST CREDIT AND DEVELOPMENT FUNDS

Futuregrowth Asset Management is a fixed interest investment company that offers a full array of interest-bearing products and a range of development funds.

BESPOKE INVESTMENT SOLUTIONS

Old Mutual Customised Solutions are pioneers in passive investments and artificial intelligence. They also offer index tracking, quantitative, smart beta and Shari'ah investments, as well as bespoke solutions that meet clients' specific needs.

LIABILITY-DRIVEN INVESTMENTS

Old Mutual Liability Driven Investments focuses on investors' liabilities and manages assets relative to their liabilities to ensure a stable, consistent surplus over time.

INCOME-PRODUCING INVESTMENTS

Marriott Income Specialists, established in 1862, offers income-focused investments that produce a reliable monthly income.

UNLISTED

ALTERNATIVE INVESTMENTS

Old Mutual Alternative Investments is one of the largest alternative investment managers in Africa, managing investments in private equity, infrastructure and a range of impact funds.

AGRICULTURAL INVESTMENTS

UFF African Agri Investments is a leading specialist in agriculture investments in Africa and provides expertise in both agricultural production and investments.

PROFESSIONAL PARTNERS

Our boutiques are supported by a world-class operating platform that takes care of trading, marketing, IT, human resources, compliance and distribution. This enables them to be nimble and solely focused on achieving investment excellence consistently for our clients.



02

OUR RESPONSIBLE INVESTMENT COMMITMENT

“As a leading African asset manager, we believe in empowering individuals, businesses and entire communities. We do this by identifying and investing in the green economy on behalf of our clients; using our influence to champion for a principled, sustainable investment approach; and overall being a responsible steward of the assets we manage.”

Dave Macready, Managing Director:
Old Mutual Wealth and Investments

A MESSAGE FROM TEBOGO



“We do not inherit the earth from our ancestors, we borrow it from our children.” – American writer and poet, Wendell Berry

This quote, a profound piece of wisdom about generational stewardship, beautifully encapsulates the longer-term importance of investing responsibly. The ultimate aim is to deliver lasting wealth – in all its forms – to our clients and their communities.

As a proudly African asset manager, our context presents us with a unique set of environmental, social and governance (ESG) issues – ranging from youth unemployment and infrastructure deficits through to governance challenges – all of which present both risk and opportunity. To address this, 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.

By collectively driving capital on behalf of our clients into a more inclusive economy – in areas such as renewable energy, roads, affordable housing, schools and agriculture – we deliver market-beating risk-adjusted investment returns and also directly contribute to building a green, productive economy. We do this because, from an investment perspective, we understand that

“THE ULTIMATE AIM IS TO
DELIVER LASTING WEALTH
– IN ALL ITS FORMS – TO
OUR CLIENTS AND THEIR
COMMUNITIES.”

externalities matter and they have implications for the long-term resilience of the market as well as the socio-political and biophysical systems we live and operate in. Not only does this approach make sound business sense, it is the right thing to do.

Sustainability and Responsible Investment are macro thematic trends that are fundamentally reshaping competitiveness across all industries – and companies that respond to this trend early show both market and accounting-based outperformance. We have leveraged this insight across our investment capabilities as a basis for delivering long-term sustainable returns to you, our clients.

Regards

TEBOGO NALEDI
Director of Institutional Business
Old Mutual Investment Group

OUR RESPONSIBLE INVESTMENT POLICIES & PROCESSES

JON DUNCAN
Head of Responsible Investment
Old Mutual Investment Group

WHY INVEST RESPONSIBLY?

The global momentum around responsible investment is driven by:

- recognition that ESG factors play a material role in determining risk and return
- understanding that incorporating ESG factors is part of investors' fiduciary duty to their clients and beneficiaries
- concern about the impact of short-termism on company performance, returns and market behaviour
- legal requirements protecting the long-term interests of beneficiaries
- pressure from competitors seeking to differentiate themselves
- beneficiaries demanding transparency about where and how their money is invested
- value-destroying reputational risk from issues such as climate change, pollution, working conditions, employee diversity, corruption and aggressive tax strategies.

Source: www.unpri.org/pri/what-is-responsible-investment

Old Mutual Investment Group's Responsible Investment (RI) programme is one of two key focus areas in the broader Old Mutual's Responsible Business strategy.

As an asset manager, we are focused on ensuring the integration of ESG factors into our investment and ownership activities, as well as playing an active role in driving long-term inclusive economic growth outcomes. We have embedded responsible investment into the core business strategy and operating functions across the business and see it as an important contributor to success.

Our approach is informed by our commitment to the United Nations-backed Principles of Responsible Investment (PRI) and Code for Responsible Investment in South Africa (CRISA). We implement practices across all of our boutiques in a manner that recognises:

- the responsibility of boutiques to adhere to their client mandates; and
- that each boutique has its own independent investment philosophy, style and asset class speciality, and hence the approach to their RI commitment will vary from boutique to boutique.

Because accessibility and transparency are key values in our RI programme, we maintain a copy of RI guidelines on our website for the public to access and we review and update these on an annual basis as necessary. Visit us at www.oldmutualinvest.com and search for "Responsible Investment Resources".

In respect of our listed equity ownership practices, we are guided by our publicly available proxy voting guidelines, which are assessed annually. We also produce an annual Responsible Ownership Report that details our proxy voting and ESG engagements with investee companies. These can all be found online.

On a day-to-day basis, Old Mutual Investment Group gives effect to its RI commitments through its dedicated RI business unit. This five-member team comprises: the Head of Responsible Investment, an ESG engagements manager, two ESG analysts and one ESG research assistant. The team is responsible for delivering the RI Programme across Old Mutual South Africa and the broader African operations.

OUR RESPONSIBLE INVESTMENT DICTIONARY



CODE FOR RESPONSIBLE INVESTING IN SOUTH AFRICA (CRISA) – gives guidance on how the institutional investor should execute investment analysis and investment activities and exercise rights so as to promote sound governance.

ESG – stands for Environmental, Social and Governance and is used to describe the collective set of issues that sit at the heart of the sustainability challenge. These are the three main factors investors consider with regard to a company or investment’s ethical impact and sustainable practices.

INCLUSIVE ECONOMY – an economy that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. It can be seen as a means to achieve a resilient economy focused on socially inclusive, low-carbon and resource-efficient outcomes.

PRINCIPLES OF RESPONSIBLE INVESTMENT (PRI) – the world’s leading independent proponent of responsible investment. The PRI works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. Old Mutual has been a signatory to the PRI since June 2012 and reports annually on its progress in implementing these principles.

RESPONSIBLE BUSINESS – the collective term Old Mutual uses to describe the broad set of management processes and activities that we undertake in response to the material ESG issues facing our business and our world.

RESPONSIBLE INVESTMENT (RI) – an approach to investing that aims to incorporate ESG factors into investment decisions to better manage risk and generate sustainable, long-term returns.

RESPONSIBLE OWNERSHIP – as part of best practice, responsible ownership speaks to how ownership of shares brings with it important responsibilities, particularly the right to engage and vote on matters that can influence the way in which a business invested in operates. We conduct our stewardship activities both in terms of proxy voting and engagement with listed investee companies, locally and internationally, as well as with investee companies in unlisted markets.

SUSTAINABILITY – focuses on meeting the needs of the present without compromising the ability of future generations to meet their needs. Sustainable investing considers ESG factors to generate long-term competitive financial returns and positive societal impact.

A SNAPSHOT OF OUR **RESPONSIBLE** OWNERSHIP IN 2017



“THE NOTIONS OF RESPONSIBLE OWNERSHIP AND STEWARDSHIP HAVE NEVER BEEN MORE RELEVANT TO INVESTMENTS THAN THEY ARE TODAY AS ASSET MANAGERS STRUGGLE TO BALANCE THE PRESENT AND FUTURE INTERESTS OF OUR CLIENTS. EFFECTIVE STEWARDSHIP IS A BIG ASPECT OF INVESTMENT PERFORMANCE – HAVING INFLUENCE OVER WHAT COMPANIES CAN DO TO ADD REAL VALUE FOR OUR CLIENTS.”

ROBERT LEWENSON
Head of ESG Engagements
Old Mutual Investment Group

Old Mutual Investment Group sees Responsible Ownership as:

1. Additive to our pursuit of superior risk-adjusted returns
2. Central to our professional and fiduciary commitment to our clients
3. Part of our commitment to being a responsible investor

Below are our Responsible Ownership activities in the listed equity environment for 2017. For our full Responsible Ownership Report, go to the Responsible Investment section in the About Us section of our website: www.oldmutualinvest.com.

PROXY VOTING

During 2017, we voted 100% of our listed equity holdings globally, either directly via our Responsible Investment team or via our investment management agreement with Russell Investments, who manages some of our offshore listed investments. In the case of the latter, we've ensured alignment of our proxy voting policies, which can be found in the Responsible Investment section in the About Us section of our website: www.oldmutualinvest.com.

FIGURE 1: PROXY VOTE RESULTS FOR 2017

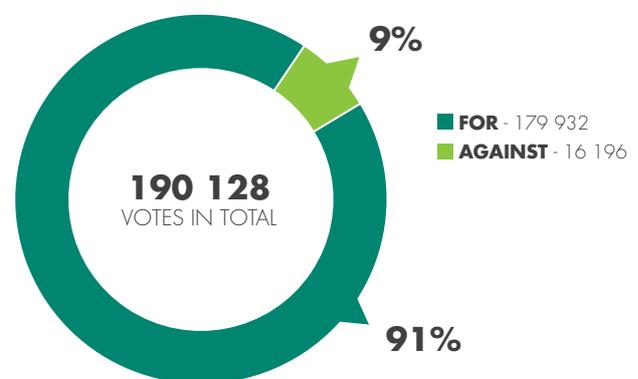


Figure 1 shows the total number of and percentage of votes for and against recorded in 2017 at 2,783 company meetings.

Source: Old Mutual Investment Group

A SNAPSHOT OF OUR RESPONSIBLE OWNERSHIP IN 2017 CONTINUED...

ESG ENGAGEMENTS

There are many ways in which we engage with our investee companies – including through management meetings and general discussions, via teleconferences or face-to-face meetings. In Figures 3 and 4 we show the key ESG engagements with the boards of our investee companies by sector and by ESG theme. It must be noted that these engagements may have resulted in further correspondence or meetings, as our approach is to have ongoing engagements until the issue is successfully concluded.

FIGURE 2: TOTAL VOTES CAST AGAINST MANAGEMENT PER ISSUE

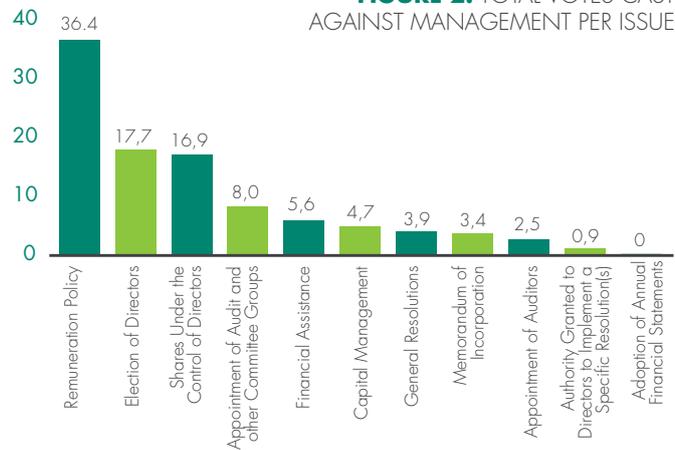


FIGURE 3: ENGAGEMENT PER SECTOR IN 2017

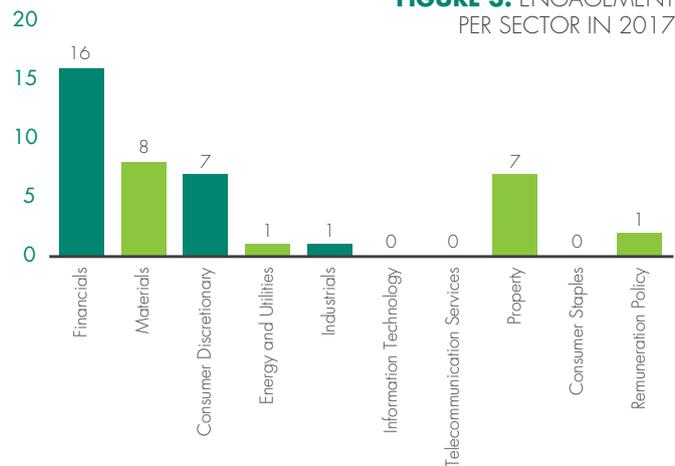
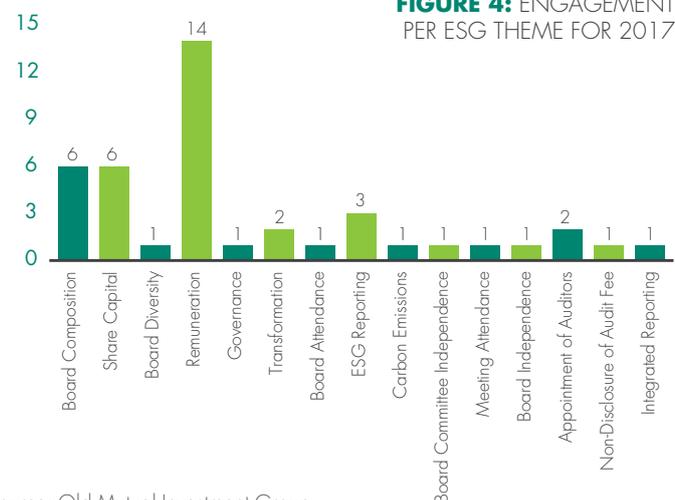


FIGURE 4: ENGAGEMENT PER ESG THEME FOR 2017



Source: Old Mutual Investment Group



CASE STUDY: **EXXARO RESOURCES LIMITED**

OUR ESG OBJECTIVE

We wanted to be sure that the company's proposed broad-based black economic empowerment (B-BBEE) transaction did not undermine Exxaro's investment case and was sufficiently broad-based to empower surrounding communities too.

ESG THEME ENGAGED ON

Transformation – We reviewed and engaged with the company on the proposed B-BBEE transaction, especially the broad-based component of the transaction, before committing our support to it.

OUTCOME OF THE ENGAGEMENT

During our engagement, the company acknowledged that other shareholders have raised similar concerns and they valued our constructive engagement. Given the strategic importance of the proposed transaction, the company agreed to implement the following changes to the B-BBEE structure to appease our concerns:

- Collapsed BEE shareholding structure: The reinvestment by BEE shareholders will be altered to ensure that no single shareholder controls the voting or economics of BEE SPV.
- Community/employee empowerment: The company will establish appropriate broad-based empowerment trusts for the empowerment of relevant communities surrounding applicable operations and historically disadvantaged South African employees within three months after implementation of the proposed transaction, resulting in significantly greater broad-based empowerment.

These outcomes addressed our concerns about both the investment case and B-BBEE credentials of the company. While some reservations about the transaction remain, our view was that a vote in favour of the deal was warranted.

AGRICULTURE

THE FUTURE

R1 BILLION

committed on behalf of clients to agriculture

WE BELIEVE THAT BY INVESTING RESPONSIBLY, WE CAN POSITIVELY IMPACT OUR COMMUNITIES TODAY AND BUILD A BETTER TOMORROW.

2 602

workers provided with housing

97

workers receiving adult education

1 236

workers receiving basic agricultural training

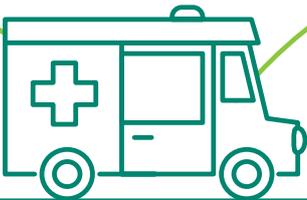


22 541 hectares of farm land

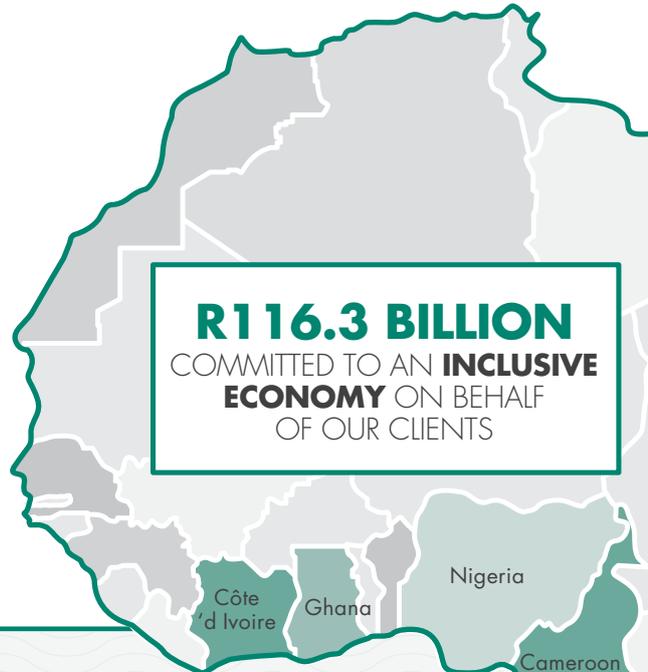
593 workers with access to pre-paid primary healthcare



4 523 permanent and seasonal farm workers



R116.3 BILLION COMMITTED TO AN **INCLUSIVE ECONOMY** ON BEHALF OF OUR CLIENTS



EDUCATION

R1.5 BILLION

invested in providing access to quality education

92% MATRIC PASS RATE



42.8% BACHELOR'S PASS RATE



NO CHILD LEFT BEHIND

Enrolled **16 500** children in **25** schools in **7** provinces



1 074 staff members

Figures as at 31 December 2017 unless otherwise stated.
Sources: Old Mutual Alternative Investments; African Infrastructure Investment Managers (AIIM); Old Mutual Specialised Finance; Futuregrowth Asset Management; UFF African Agri Investments; Old Mutual Investment Group.



RENEWABLE ENERGY

MATTERS



R32.7 BILLION

in clean energy projects across Africa



HYDRO



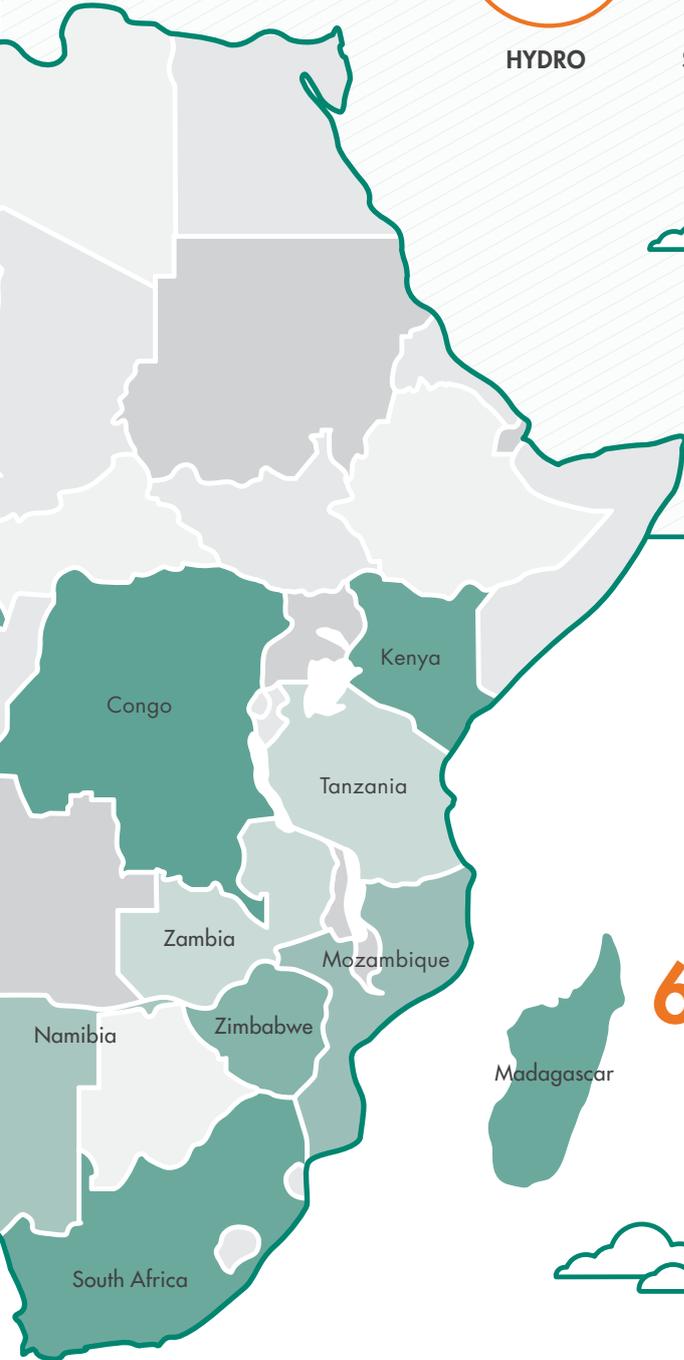
SOLAR PLANTS



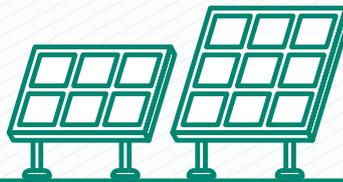
WIND FARMS



GAS



Powering
800 000 homes



AFFORDABLE HOUSING

R19.3 BILLION

committed to affordable housing

6 169

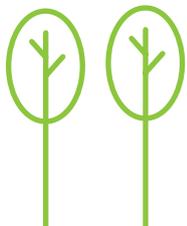
Rental units

9 930

Student accommodation

10 360

Greenfield housing units





GOVERNANCE PRINCIPLES, POLICIES & PRACTICES

“GOOD CORPORATE GOVERNANCE HAS A SIGNIFICANT ROLE IN THE INVESTMENT ECOSYSTEM AND IT IS A FUNDAMENTAL ASPECT OF OUR ORGANISATION’S STRATEGIC AND OPERATIONAL PROFILE.”

ZULFA ABDURAHMAN
Chief Risk Officer
Old Mutual Wealth and Investments

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. Our compliance function ensures that, as a business, we are committed to ensuring a culture of honesty, integrity and accountability.

TRUSTEE TRAINING

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

ETHICAL LEADERSHIP FOR AFRICA

To contribute to the development of governance skills at a leadership level, in 2015 Old Mutual Investment Group partnered with the INSEAD Corporate Governance Centre and the University of Stellenbosch Business School (USB) to create the Africa Directors Programme (ADP). The INSEAD Corporate Governance Centre shared their expertise and learning, the USB Centre for Corporate Governance was responsible for the quality of material to be provided, and Old Mutual Investment Group added corporate insight, credibility and financial support to the programme. Adding credibility to the initiative, the Institute of Directors in Southern Africa (IoDSA) endorsed the programme.

PROGRAMME OUTCOMES:

- Exercise the duties of a director with self-awareness, professionalism and sound judgement.
- Contribute to a board culture characterised by effective collaboration, integrity and sound decision-making.
- Exercise effective board leadership in matters of corporate conformance, performance, strategy and risk management.
- Oversee public accountability for sustainable and responsible business development.

For more information about the ADP, including course details and how to enrol, visit the Courses section of the USB website: www.usb-ed.com

03

OUR BOUTIQUE APPROACHES TO RESPONSIBLE INVESTING

“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, with appropriate technology and relevant and repeatable processes, underpinned by a culture of compliance. Good governance is not a nice-to-have but rather a must-have if we want to remain relevant.”

Zulfa Abdurahman, Chief Risk Officer:
Old Mutual Wealth and Investments



Integrating non-financial considerations makes for better investment decisions

“INVEST PROFITABLY AND RESPONSIBLY. ALIGN YOUR INVESTMENTS WITH YOUR HUMANITY.”

FUTUREGROWTH ASSET MANAGEMENT

Fixed interest, specialist credit and development funds

Futuregrowth manages approximately R170 billion of assets in fixed income and development funds across a range of asset classes.

We believe that integrating non-financial analysis in our deal selection makes for better investment decisions and sustainable returns. We recognise that with great **capital comes great responsibility**. As fiduciaries representing investors' interests, we take our role of responsible investor very seriously and consider ESG factors in our analysis process.

OUR PHILOSOPHY

Futuregrowth is dedicated to the development and empowerment of South Africa, with many of our products geared towards supporting positive change. We are passionate about improving the lives of all South Africans and continually strive to identify opportunities that will yield optimal financial returns for investors and make a contribution to society.

OUR APPROACH

Throughout the investment process, we seek to identify non-financial risks (ESG, management, operational, etc.) that could impair the quality and sustainability of our investments. The purpose of integrating these factors is to improve the analysis of our investments, promote better standards of practice, and to assist in assessing the risks.

DEVELOPMENT INVESTMENTS THAT SERVE THE NATION

While we invest in a range of asset classes, fixed income makes up the largest part of our investment capability. In addition, we manage several developmental funds. These developmental funds form a subset of our responsible investment strategy and reflect the intentions of our clients to do good by consciously investing to make a positive impact on the environment and broader society. The over-arching aim of these funds is to provide investors with both commercial returns and tangible social and developmental impacts – as well as the preservation of value for current and future stakeholders.

FUTUREGROWTH AT A GLANCE

R45BN INVESTED IN INFRASTRUCTURE & DEVELOPMENTAL INVESTMENTS

RENEWABLE ENERGY EXPOSURE OF **R9.20BN** IN COMMITTED & PIPELINE DEALS

ACTIVE IN ALL **9 PROVINCES**

TANGIBLE **SOCIAL IMPACT**

20 YEARS OF CONSISTENT LONG-TERM PERFORMANCE

SUPPORTING **INVESTMENTS** INTO INFRASTRUCTURE DEVELOPMENT

Incorporating best practice ESG standards for farming

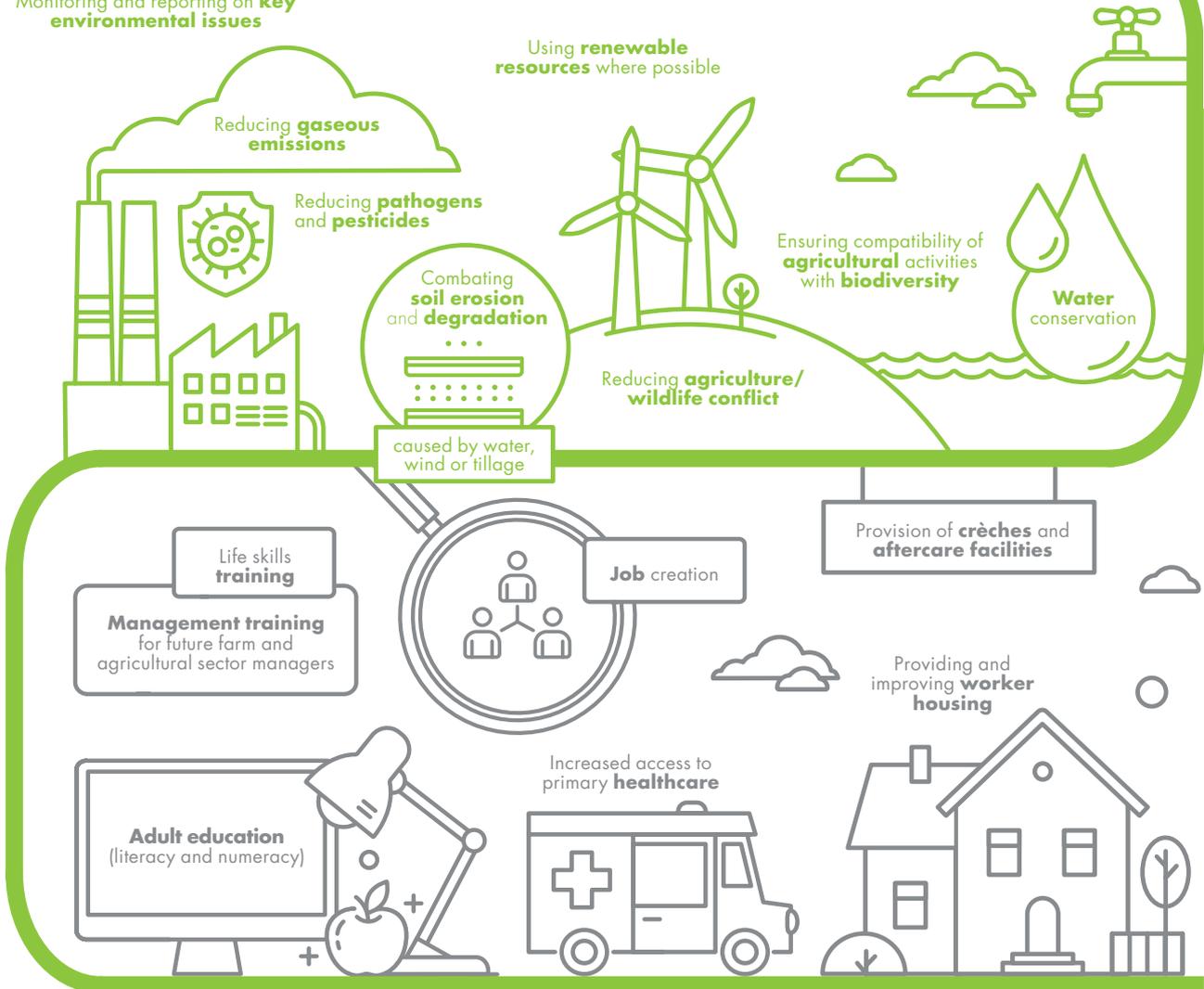
UFF AFRICAN AGRI INVESTMENTS

Specialist advisor in agricultural investments

Environmental and Social Responsibility is a key component throughout UFF's investment process. We implement, support and monitor various best practice ESG standards and guidelines for farming. This involves promoting environmental sustainability, respecting labour and human rights, respecting land and resource rights as well as having high ethical standards. We have a particularly strong social focus which aims to reduce poverty through worker and community development, rural development and economic empowerment.

Key Environmental and Social Priorities

Monitoring and reporting on **key environmental issues**



ESG considerations cut across our business

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

MACROSOLUTIONS

Local and global active multi-asset class funds

We regard responsible investment 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).

Investing for reliable and consistent income streams

MARRIOTT INCOME SPECIALISTS

Income-producing investments

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 that 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.

Manager of first ESG index fund

OLD MUTUAL CUSTOMISED SOLUTIONS

Bespoke investment solutions

As a boutique, our commitment to RI involves examining appropriate mechanisms to integrate relevant and material ESG factors into our investment decision-making processes.

As a responsible investment manager, Old Mutual Customised Solutions manages the very first responsible investment equity index fund in South Africa. The Old Mutual Responsible Investment Equity Index Fund invests in companies that have measurably better ESG performance than their sector peers. This is particularly attractive to long-term investors that value sustainable economic themes, given their extended investment time horizon. Looking through the lens of sustainability gives better insight into the risks and opportunities a company faces. The fund does not only incorporate responsible investing in the stock selection process, but also benefits from Old Mutual's RI 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.

OUTPERFORMANCE WITH ESG INDICES

ESG-led index-tracking products can offer investors the opportunity to send signals to capital markets that sustainability considerations are of prime importance, without adversely affecting the risk-return characteristics of an investor's financial returns while also benefiting from substantially lower fees. In essence, ESG indices empower investors to vote with their feet by investing only in companies with high sustainability profiles, without compromising on investment returns.

For more information about index investing, please visit www.oldmutualinvest.com and search for 'Indexation'.





Committed to being a responsible steward

OLD MUTUAL ALTERNATIVE INVESTMENTS

Unlisted, alternative investments

**We are committed to being
a responsible steward of
our clients' assets.**

The funds and investments we manage across infrastructure and 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.

As one of the largest private alternative investment managers in Africa, 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, we 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.



“RESPONSIBLE
INVESTING IS
INHERENT IN WHO
WE ARE AND WHAT
WE DO.”

ENHANCING PROCESSES

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

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.

CASE STUDY: REISA

Renewable Energy Investment South Africa (REISA) is the largest solar photovoltaic (PV) project awarded in Round 1 of the Department of Energy’s Renewable Energy Independent Power Producer Procurement Programme. Beyond its contribution to sustainable and environmentally friendly electricity generation, REISA continues to deliver, on job creation and socio-economic development (SED) to the communities within which it operates. Communities targeted by REISA’s SED programmes are within the Gamagara Local Municipality, Northern Cape. These towns are: Kathu, Deben, Olifantshoek, Siyathemba and Mapoteng. REISA’s vision, through its SED involvement, is to ensure that in the 20 years of the facility’s operations:

- The targeted communities have a thriving local economy and improved standards of living and work;
- Education, skills development, job creation, entrepreneurship and leadership have created opportunities for participation in the local, provincial and national economy;
- The targeted communities are empowered to take greater control of their circumstances and collective responsibility for themselves.

SOCIO-ECONOMIC DEVELOPMENT PROGRAMMES INCLUDE:

Simba Kleuterliefies – an early childhood development centre (ECD) located in Olifantshoek. The school accommodates 165 children between three and six years old, with seven staff members (four ECD practitioners and three support staff members). REISA has granted capital to expand the centre’s kitchen facilities, purchased educational equipment and funded monthly stipends for staff.

Debeng Solar Street Light Project – it was founded in 2014 by the owners of the local business, Gamagara Cape Solar. In 2015, Cape Solar partnered with REISA and installed solar-powered street lights along a 2km stretch of previously unlit road in the Debeng community. The project was successfully completed and handed over to the local municipality.

My Ideas Garden Service – a garden and landscaping business based in Kathu. REISA has supported the business by purchasing landscaping equipment and assisting with training and development, subsidising/funding staff salaries and providing office space. The business currently employs 57 employees from the local community.

CASE STUDY: REFILWE'S STORY

Refilwe Mekwa's story is just one example of the profound impact our investments, in this case through the Schools and Education Investment Impact Fund South Africa (Schools Fund), can have on a single person's life – and, in turn, the lives of their families and communities.

The Schools Fund is managed by Old Mutual Alternative Investments' Impact Fund's team and the aim is to improve the level of education in South Africa by creating access to affordable independent schools, like Royal Schools, for those who would otherwise not afford it. The Schools Fund is funded by Old Mutual Life Assurance Company of South Africa (OMLACSA) and the Government Employees Pension Fund (managed by the Public Investment Corporation).

Refilwe is a vibrant and an extremely committed young lady. The last born in a family of three girls, she was raised in a small village in Limpopo by her single mother, a teacher at a government school. The Schools Fund gave Refilwe the opportunity to enrol at Royal Schools' Princess Park College in Pretoria for grade 8. In her first year at the school she says her greatest challenge was communicating in English: preferring to speak in her mother tongue, Sepedi. However, this language barrier did not stand in Refilwe's way.

Refilwe scooped six distinctions when she matriculated and was the school's top performing student in that academic year. She went on to enrol at the University of Witwatersrand for a Bachelor of Accounting Sciences, which she completed in record time. She is currently studying towards her Certificate of Theory in Accounting (CTA).

Being a parent who wanted the best for her child, Refilwe's mother was confident a low-fee private school was the best option for Refilwe and is happy about the opportunities it has opened up for her. "Princess Park College gave Refilwe a firm foundation to be where she is today," she says.



ESG leads to better risk-adjusted returns

OLD MUTUAL EQUITIES

Local active equity

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.

Solid corporate governance translates into outperformance

OLD MUTUAL TITAN

Global active equity

At Old Mutual Titan, our job is to earn the best risk-adjusted returns for our clients.

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 research summaries for the main holdings within our funds that are prepared by our dedicated Responsible Investment team. These reports incorporate MSCI ESG and controversy scores; an accounting and a governance rating; Old Mutual Investment Group's proprietary governance score; as well as a history of proxy voting and company engagements. This 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 share selection process.

Over time companies with solid corporate governance track records have tended to outperform those with poorer corporate governance track records. Correctly assessing corporate governance, along with a company's environmental impact and social impact, is thus one of the pillars within our risk assessment framework.

We do not exclude companies based on ESG concerns. Nor do we exclude companies on the basis of their industry. We do, however, require a higher hurdle rate to invest in companies that exhibit ESG concerns, and certain sectors will be monitored closely in terms of overall portfolio exposure.

We follow a qualitative approach in assessing ESG risks associated with a company, which is based on our detailed analysis of the company, as well as input from Old Mutual Investment Group's Responsible Investment team.



Corporate governance a key pillar

GLOBAL EMERGING MARKETS

Emerging markets active equity

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 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.

ESG impacts on long-term cash flow forecasts

LIABILITY DRIVEN INVESTMENTS

Matching assets to their liabilities over time

In a Liability Driven Investment (LDI) framework, it is imperative to take non-financial factors into account when investing for the long term.

There is growing evidence that suggests that ESG factors, when integrated into investment analysis and portfolio construction, can offer investors potential long-term performance advantages, as these factors could have an impact on long-term cash flow forecasts. Non-financial considerations can be key indicators of other factors that could impact the quality of the investment over the long term and include, among others, the following:

- The impact the company is having on the environment, for example whether the company pollutes or emits hazardous emissions.
- How well the company looks after its staff in terms of labour and working conditions, health and safety and its staff turnover.

Generally, investments will not be selected or rejected solely on the basis of non-financial factors, but rather these will be taken into account as part of the overall investment thesis. It is therefore critical to have a framework that assesses – for every investment – the ESG factors impacting, or likely to impact, that investment. And having a team of experts, with the necessary experience and depth of resources, to assess the ESG framework is a must.

REGULATORY INFORMATION

The following entities are licensed Financial Services Providers (FSPs) within Old Mutual Investment Group Holdings (Pty) Ltd approved by the Financial Sector Conduct Authority (www.fsca.co.za) to provide advisory and/or intermediary services in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. These entities are wholly owned subsidiaries of Old Mutual Investment Group Holdings (Pty) Ltd and are members of the Old Mutual Investment Group.

- Old Mutual Investment Group (Pty) Ltd (Reg No 1993/003023/07), FSP No: 604.
- Old Mutual Customised Solutions (Pty) Ltd (Reg No 2000/028675/07), FSP No: 721.
- Old Mutual Alternative Investments (Pty) Ltd (Reg No 2013/113833/07), FSP No: 45255.
- African Infrastructure Investment Managers (Pty) Ltd (Reg No 2005/028675/07), FSP No: 4307.
- Futuregrowth Asset Management (Pty) Ltd (Futuregrowth) (Reg No 1996/18222/07), FSP No: 520.
- Marriott Asset Management (Pty) Ltd (Reg No 1987/03316/07), FSP No: 592.

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by Old Mutual Life Assurance Company (South Africa) Ltd, who may elect to exercise any votes on these underlying assets independently of Old Mutual Investment Group. In respect of these products, no fees or charges will be deducted if the policy is terminated within the first 30 days. Returns on these products depend on the performance of the underlying assets.

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