

OLDMUTUAL

LISTED EQUITY STEWARDSHIP GUIDELINES

January 2020



INVESTMENT GROUP

TABLE OF CONTENTS

1. APPLICATION OF GUIDELINES	3
2. OLD MUTUAL INVESTMENT GROUP'S APPROACH TO LISTED EQUITY STEWARDSHIP	4
2.1 Introduction	4
2.2 Proxy voting procedures	4
2.3 Company engagement and investor collaboration procedures	5
2.4 Market engagement to promote and protect shareholder rights	5
2.5 Scrip lending practices	5
2.6 Conflicts of interest	6
2.7 Disclosure and transparency	6
3. PROXY VOTING GUIDELINES	7
3.1 Governance issues	7
3.2 Board of directors	7
3.3 Remuneration of directors	13
3.4 Financial reporting	16
3.5 Audit Committee	16
3.6 Unissued shares under the control of directors	17
3.7 Shareholder matters relating to capital management	18
3.8 Share repurchases	19
3.9 Changes to memorandum of incorporation	19
3.10 Political donations	20
3.11 Social issues	20
3.12 Environmental issues	23

1. APPLICATION OF GUIDELINES

This document sets out Old Mutual Investment Group's guidelines for listed equity stewardship as they pertain to the following listed equity investment boutiques within Old Mutual Investment Group: Old Mutual Equities, MacroSolutions and Old Mutual Customised Solutions (collectively defined herein as "Old Mutual Investment Group"). We acknowledge that other investment boutiques within Old Mutual Investment Group, i.e. Old Mutual Alternative Investments, Old Mutual Specialised Finance, Futuregrowth and Marriott, may have their own proxy voting guidelines or specific client mandates containing stewardship guidance. These guidelines should be read within the broader context of the Old Mutual Limited Responsible Investment Policy.

Old Mutual Investment Group understands that clients may have their own proxy voting policies and may therefore wish to opt out of Old Mutual Investment Group's policy. Where this occurs, Old Mutual Investment Group will put in place mechanisms to ensure adherence to the client's proxy voting policy and where separate client proxy voting instructions are provided, Old Mutual Investment Group will abide by client instructions. However, Old Mutual Investment Group is not in a position to implement broad policy principles proposed by its clients, as there is a risk to the client that Old Mutual Investment Group may misinterpret these.

Failing direct instruction from a client, Old Mutual Investment Group will vote using the proxy voting guidelines that are detailed in this document.

“ THESE GUIDELINES SHOULD BE READ WITHIN THE BROADER CONTEXT OF THE OLD MUTUAL LIMITED RESPONSIBLE INVESTMENT POLICY. ”



2. OLD MUTUAL INVESTMENT GROUP'S APPROACH TO LISTED EQUITY STEWARDSHIP

2.1 INTRODUCTION

Old Mutual Investment Group defines listed equity stewardship as the active and responsible management of its clients' listed equity assets to ensure environmental, social and governance (ESG) risks are reduced and opportunities are captured. We do to this through proxy voting at company meetings, engaging with companies on ESG risks and opportunities, and by being active market participants who drive change with regulators and industry bodies.

As a responsible investment manager, Old Mutual Investment Group's primary aim is to ensure the achievement of superior risk-adjusted returns in line with its clients' mandates. Aligned with this objective, our proxy voting and engagement activities are an integral part of Old Mutual Investment Group's investment strategy, which is aimed at enhancing sustainable long-term value for our investee companies, clients and broader stakeholders. Old Mutual Investment Group will also keep its own governance practices under review to ensure consistency with the objectives of local and international best practice mentioned below and our ability to serve as fiduciary agents for our clients.

We recognise that confidence in the integrity and quality of management is essential to long-term value creation and investor confidence. Old Mutual Investment Group therefore aims to contribute to investment performance by supporting the application of the highest standards of corporate governance in the companies in which it invests on behalf of its clients.

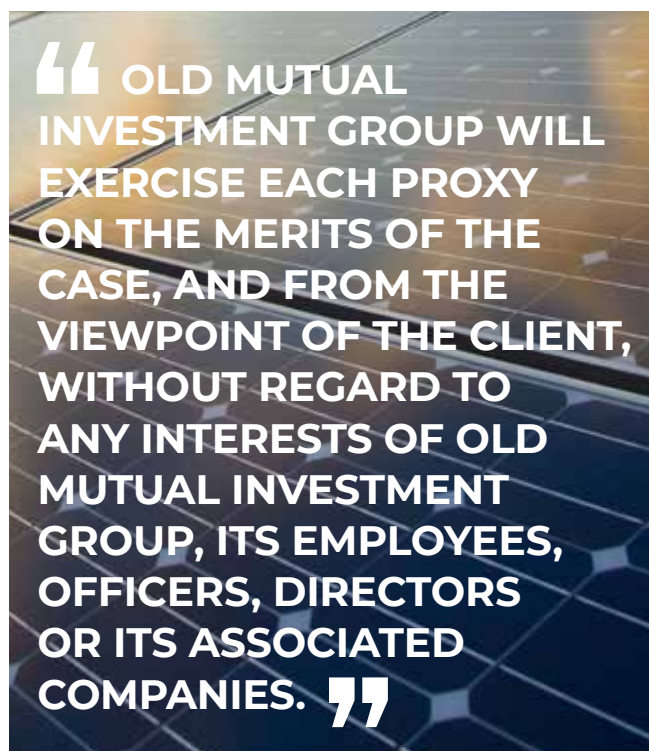
Our approach to stewardship draws from the King IV Code on Corporate Governance (King IV), the governance provisions in the South African Companies Act 71 of 2008, the listing requirements of the Johannesburg Stock Exchange (JSE) and the Code for Responsible Investing in Southern Africa (CRISA), and incorporates the definition of "active ownership" in the Guidance Notice 1 of 2019 (PFA) issued by the Financial Sector Conduct Authority, as well as international guidelines such as the United Nations Principles of Responsible Investment, and the International Corporate Governance Network (ICGN) Global Governance Principles (2017) and Global Stewardship Principles (2020).

The proxy voting guidelines section below provides an overview of the general principles and guidelines on ESG issues that Old Mutual Investment Group will apply when voting listed equity proxies. These principles and guidelines are informed by the legislation, regulation and guidelines detailed in this section and set out our expectations of companies as well as our proxy voting position.

2.2 PROXY VOTING PROCEDURES

The recommendation regarding each proxy is determined by the Head of ESG Engagement, who sits within the Responsible Investment team at Old Mutual Investment Group, in conjunction with the relevant portfolio manager/analyst. Where required, the Head of ESG Engagement will call on the support of an ESG analyst for company and sector expertise.

Old Mutual Investment Group will exercise each proxy on the merits of the case, and from the viewpoint of the client, without regard to any interests of Old Mutual Investment Group, its employees, officers, directors or its associated companies. Any deviations from these proxy voting guidelines will be clearly recorded and explained.



2.3 COMPANY ENGAGEMENT AND INVESTOR COLLABORATION PROCEDURES

As a leading African asset manager, Old Mutual Investment Group takes its role as custodian of clients' wealth for the long term very seriously. This is why we have prioritised the ways in which we engage with the companies in which we invest. Our role cannot be to simply rubber-stamp the decisions the companies' boards make. We owe our clients far more than that. And our clients must rightly demand more from us.

Effective stewardship is a big aspect of investment performance – having influence over what companies do can add real value for our clients. On occasion this may even require joint or collaborative engagements with other investment managers or governing bodies to ensure the best outcomes are achieved.

Old Mutual Investment Group sees Listed Equity Stewardship 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.

We aim to ensure that the management teams of investee companies are accountable for company performance and conduct in the long term. Additionally, we extended our stewardship activities to issues that impact market conduct and stability.

Old Mutual Investment Group's approach to engagement and collaboration is overseen by the Head of ESG Engagement to ensure a consistent approach.

Old Mutual Investment Group's research analysts meet regularly with investee company management on operational and company specific issues, as well as on issues related to ESG factors.

Old Mutual Investment Group will also generally engage timeously with investee companies to ensure that they have a clear understanding of the reasons for us voting against resolutions prior to the annual general meeting (AGM) of the company.

Old Mutual Investment Group prefers to work constructively with boards and management behind the scenes to achieve positive change. Where we believe it will be in the best interests of our clients, or where we have exhausted our behind-the-scenes engagement with management, we may seek out opportunities to collaborate with other co-investors on material ESG issues to add value and drive change. Where such collaborative efforts are undertaken we will ensure that regulatory risks are appropriately addressed.

However, where no progress is made over an extended time period, Old Mutual Investment Group may, as a last resort, work to publicly drive change. Our approach may include the filing or co-filing of a shareholder resolution, if necessary, taking into account all relevant regulatory notice periods and legal requirements for the filing of such a resolution. We will normally notify a company in advance when taking this approach or briefing the media.

2.4 MARKET ENGAGEMENT TO PROMOTE AND PROTECT SHAREHOLDER RIGHTS

Old Mutual Investment Group will seek out opportunities to promote and protect shareholder rights through the participation and development of policy, regulation and standards governing the listed equity and other asset class markets. These opportunities include representation by Old Mutual Investment Group on key industry bodies – for example, the CRISA Committee and the Shareholder Responsibilities Committee of the ICGN.

2.5 SCRIP LENDING PRACTICES

Old Mutual Investment Group understands that scrip (securities/shares) lending is an important feature of the market and that it has the potential to improve market liquidity, reduce trading risks, and provide an additional return to

its clients. We also note that Scrip lending can increase share price volatility, and that speculation can distort the outcome of shareholder votes. As a result, Old Mutual Investment Group works towards the application of the ICGN Guidance on Securities Lending (2016). The key elements of the Guidance include:

- ensuring that scrip that is lent is voted in a manner that is aligned with Old Mutual Limited's Responsible Investment Policy
- providing clear guidance as to when shares can be lent, when they can be recalled, or when they should be withheld from lending
- ensuring transparency in Scrip lending practices and providing disclosure to clients on request
- defining the scope of Scrip lending practices clearly in client mandates.

2.6 CONFLICTS OF INTEREST

Old Mutual Investment Group is mindful that conflicts of interest may occur in the course of our work. We define a conflict of interest as follows:

"A conflict of interest arises when an actual or a potential interest may influence you not to act fairly, independently and objectively towards your customer."

Old Mutual Investment Group has implemented a Conflict of Interest Management Policy, which is publicly available on the Old Mutual Investment Group website and is applicable to all Old Mutual Investment Group employees. The purpose of the Policy is to set out the parameters for managing any conflicts of interest that may arise in the rendering of financial services to clients. The Policy has been approved by Old Mutual Investment Group's board of Directors (and any major amendments will require board approval) and is also compliant with the requirements of the Financial Advisory and Intermediary Services Act (FAIS). The Policy, which forms part of Old Mutual Investment Group's Code of Conduct, is contained in all employment contracts and is re-accepted annually by all employees. It is reviewed annually or as dictated by changes to legislation.

We have identified key conflicts within our business, which we proactively manage through:

- A Personal Account Trading Policy that monitors and mitigates any trading conflicts.
- A Giving and Receiving Gifts and Benefits Policy to govern the giving and receipt of gifts, along with a gift register.
- A Conflict of Interest Disclosure requirement in a number of our committees and processes as well as a Conflict of Interest register.

2.7 DISCLOSURE AND TRANSPARENCY

Old Mutual Investment Group maintains a copy of our Responsible Stewardship Guidelines and proxy voting records on our [website](#). We review and, if need be, update these Guidelines annually.

Old Mutual Investment Group also tracks, monitors and prioritises company engagements, including recording the method of engagement, who was engaged at the company, where the engagement is in process and whether the engagement has been concluded or not.

3. PROXY VOTING GUIDELINES

3.1 GOVERNANCE ISSUES

3.2 BOARD OF DIRECTORS

3.2.1 GENERAL PRINCIPLES

■ Company internal controls and risk management

■ PROCESSES

The board of a company should maintain a sound system of internal controls to safeguard shareholders' investments and the company's assets, and address the concerns of key stakeholders. Line management must be responsible for designing, implementing and monitoring the process of risk management on a daily basis. The internal audit function assesses the adequacy and effectiveness of line management's process and must report accordingly, which includes suggestions for corrective action where necessary.

■ REVIEW AND EVALUATION

The board should, at least annually, conduct a review of the effectiveness of the company's system of internal controls and should report to shareholders that they have done so. The review should cover all material controls, including financial, operational and compliance controls and risk management systems.

■ BOARD STATEMENT

The board should present their internal control process to shareholders and furnish a statement regarding the results of their review of the company's system of internal controls.

■ Relationship with shareholders

■ COMMUNICATION AND DISCLOSURE

- It is a company's board that is responsible for reporting on significant and relevant matters in a balanced and an understandable manner.
- Directors' reports should reflect accountability, and be objective and transparent.
- Directors' reports should contain a balance between positive and negative reporting of results to ensure a full, fair and honest account of a company's performance.
- More specifically, directors' reports should contain the following:
 - ▲ a statement declaring the directors' responsibility to report fairly;
 - ▲ an auditor's report on the financial statements of a company;
 - ▲ a statement that adequate accounting records are kept, that there is an appropriate internal control procedure and that a risk management strategy is in place and operational;
 - ▲ a statement that consistent and appropriate accounting policies are in place and that prudent judgments have been applied;
 - ▲ a statement that accounting standards were followed and, where applicable, departures from these standards must be quantified and explained;
 - ▲ a statement that there is no reason to believe that a company will not be a going concern in the year ahead;
 - ▲ a statement that a code of corporate governance and conduct is followed; and
 - ▲ a statement regarding the manner in which the key material non-financial risks and opportunities have been assessed and integrated into the business strategy and performance management.

- The company must ensure that there is a fair publication of information from the company to keep instances of uneven disclosures of material information to a minimum.

■ Consistent treatment within classes

The principles of communication and disclosure must apply equally to shareholders within the same class of shareholding.

■ Institutional shareholders

● DIALOGUE

- ▲ The board of a company has the responsibility to ensure that a satisfactory dialogue with shareholders takes place, based on the mutual understanding of objectives. While recognising that most shareholder contact is with the chief executive officer (CEO) and financial director (FD), the chairperson (and the senior independent director and other directors as appropriate) should maintain sufficient contact with major shareholders to understand their issues and concerns.
- ▲ The CEO or FD should ensure that the views of shareholders are communicated to the board.
- ▲ The chairperson should be willing to discuss governance and strategy with shareholders.
- ▲ Non-executive directors should be offered the opportunity to attend meetings with major shareholders and should be expected to attend them if requested by major shareholders.
- ▲ The senior independent director should attend sufficient meetings with a range of major shareholders to listen to their views, in order to help develop a balanced understanding of the issues and concerns of major shareholders.
- ▲ The board should state in the annual report the steps they have taken to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the views of major shareholders about their company – for example, through direct face-to-face contact, analysts' or brokers' briefings and surveys of shareholder opinion.
- ▲ The board should use the annual general meeting (AGM) to communicate with investors and to encourage their participation.
- ▲ The company should count all proxy votes and should indicate the level of proxies lodged on each resolution, the balance for and against the resolution, and the number of abstentions, after it has been dealt with by means of a poll. The company should ensure that votes cast are properly received and recorded. Old Mutual Investment Group should request voting by poll where it is of the opinion that to do so would be in its clients' best interests.
- ▲ The company should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the report and accounts.
- ▲ The chairperson should arrange for the chairpersons of the Audit, Remuneration, Social and Ethics, and Nomination Committees to be available to answer questions at the AGM and for all directors to attend.
- ▲ The company should arrange for the Notice of the AGM and related papers to be sent to shareholders at least 21 days before the meeting.

● EVALUATION OF GOVERNANCE DISCLOSURES

- ▲ When evaluating companies' governance arrangements, particularly those relating to board structure and composition, Old Mutual Investment Group gives due weight to all relevant factors drawn to its attention.
- ▲ Old Mutual Investment Group will carefully consider explanations given for departure from a company's code of corporate governance and make reasoned judgments in each case.

“ OLD MUTUAL INVESTMENT GROUP SUPPORTS THE GUIDELINES IN KING IV WITH REGARD TO BOARD COMPOSITION, FUNCTION AND RESPONSIBILITIES. ”

- ▲ Old Mutual Investment Group will give an explanation to the company, in writing where appropriate, and be prepared to enter into a dialogue if they do not agree with the company's position.
 - ▲ Old Mutual Investment Group will avoid a “box-ticking” approach to assessing a company's corporate governance and will consider the substance and application of corporate governance practices.
 - ▲ Old Mutual Investment Group takes into account the size and complexity of the company and the nature of the risks and challenges it faces.
- **STAKEHOLDER OBLIGATIONS**
- ▲ Reporting to stakeholders requires an integrated approach whereby issues are categorised at various reporting levels, namely, matters that arise from a company's reporting to stakeholders, the implementation of practices and the steps taken to implement changes, and a demonstration of the benefits of changes made.
 - ▲ A company's board should guide and approve the necessary stakeholder policy, strategy and structure, including the establishment of adequate and effective systems of internal controls.
 - ▲ The company secretary should provide company's directors with guidance as to its obligations to stakeholders.
 - ▲ Non-financial information should be represented as reliable, relevant, clear and unambiguous, verifiable and comparable over time. Guidelines for materiality should be developed to ensure consistent reporting. Old Mutual Investment Group supports the application of the Global Reporting Initiative (GRI) framework for non-financial disclosure.
- Old Mutual Investment Group assesses each proposal on board composition and responsibilities on a case-by-case basis, taking into account the circumstances of the company, its track record and its overall governance framework.
- Old Mutual Investment Group supports the guidelines in King IV with regard to board composition, function and responsibilities, specifically that:
- It is accountable for the performance and affairs of the company.
 - It should delegate to management and board committees, but it retains liability.
 - The unitary board, with a mix of executive and non-executive/independent directors, is appropriate to South Africa.
 - The responsibilities of the board include: providing strategic direction; retaining full and effective control; complying with laws and regulations; defining levels of materiality; identifying and monitoring key risks and key performance areas; and having a written board charter and/or terms of reference for its various board committees.
- Old Mutual Investment Group supports board structures where all the directors are able to act only in the best interests of the company, its shareholders and other stakeholders in an inclusive manner, and where they may exercise independent judgment and decision-making. A fundamental aspect of a well-balanced and well-

governed board is one where the majority of directors are independent non-executives. The chairperson of the board should be independent (in accordance with the assessment criteria below). However, if the sole concern in assessing independence is that the chairperson has a substantial shareholding in the company, we will evaluate his/her position in the context of the best interests of the company. Notwithstanding, we expect a company to appoint a lead independent director and the lead independent director (we follow King IV's definition of the lead independent director as an independent non-executive board member) to fulfil duties described in King IV, manage any potential conflicts of interest, assess the independence of all board members on a regular basis, and disclose to shareholders how related-party risk is managed, including but not limited to disclosing publicly the composition and terms of reference of any sub-committee of the board which deals with related-party risks. We expect a related-party sub-committee to be comprised solely of independent directors, to have a publicly available terms of reference on the management of conflicts of interest and report publicly on how conflicts of interest have been managed.

- For the purposes of evaluating whether directors are independent, the following considerations, among others, will apply on a substance-over-form basis:

The director:

- does not represent and was not nominated by a major shareholder;
 - has not been the designated external auditor or part of the key audit team performing statutory auditing services to the company for the preceding three financial years;
 - has not been employed by the company or the group in any executive capacity for the preceding three financial years;
 - is not an immediate family member of an individual employed by the company or the group in an executive capacity in the preceding three financial years;
 - is not a professional adviser to the company or the group other than in the capacity as a director;
 - is not a significant or material supplier or customer of the company or the group and is not materially associated with such a supplier or customer;
 - has no significant or material contractual relationship with the company or the group (other than as a director);
 - is free from any business or other relationship which could be seen to materially interfere with his/her ability to act independently;
 - is not a substantial shareholder of the company;
 - does not represent any shareholder who has the ability to control or materially influence management and/or the board;
 - is not otherwise associated directly or indirectly with a substantial shareholder of the company; and
 - meets any other criteria in terms of applicable legislation.
- Old Mutual Investment Group will consider supporting the election of a director where the term of service is beyond nine years if:
 - ▲ an independent assessment by the board concludes that there are no relationships or circumstances likely to affect, or appearing to affect, the director's judgment; and
 - ▲ every year the independent directors undergo an evaluation of their independence by the chairperson and the board.

3.2.2 ROLES OF CEO AND CHAIRPERSON

- Recognising the importance of a board structure where power and authority are not vested in one person, Old Mutual Investment Group will, subject to the second bullet point below, vote against proposals where the roles of CEO and chairperson are combined, based on the fact that listed companies are expected to comply with rule 3.80 of the JSE Listing Requirements: Continuing Obligations, which requires a separation of roles.
- In exceptional circumstances, Old Mutual Investment Group may vote for a combined role in listed companies after taking the following into consideration:
 - the overall governance structures of the board;
 - a majority of independent board members with clearly delineated and comprehensive responsibilities; and
 - establishing that the members of the key board committees are all independent.
- Old Mutual Investment Group will generally vote against a proposal that the CEO move into the position of chairperson following his/her retirement unless three full years have passed after the end of the CEO tenure.

3.2.3 BOARD COMPOSITION

- Old Mutual Investment Group supports the recommended practices in terms of Principle 8 of King IV as to how they apply to the various board committees, and will generally vote in favour of resolutions which give effect to these practices.
- Old Mutual Investment Group will generally vote in favour of boards that are comprised of a majority of non-executive directors, most of whom are independent (the principles of independence outlined above are applicable here).
- Old Mutual Investment Group will generally vote against board structures and director nominations that will permit a concentration of power to vest in the hands of a small quorum of directors.
- Old Mutual Investment Group will generally vote for a majority of independent directors on board committees and those that reflect a level of diversity in terms of knowledge and skills, and represent the social transformation agenda of the country.

3.2.4 ELECTION OF DIRECTORS

- Old Mutual Investment Group is of the view that individual directors must commit an appropriate amount of time to board-related matters and, where appointed, to relevant board committees. Old Mutual Investment Group, will decide on the appropriate limit to the number of board positions held by a particular director, given his/her specific circumstances, to ensure that the individual is able to satisfactorily fulfil his/her duties to each particular company. In particular, we will consider the ability of the chairperson to hold multiple board positions given his/her crucial role in ensuring board cohesion and functioning.
- Old Mutual Investment Group will not support a full-time executive director of a JSE-listed company holding more than one non-executive directorship (excluding directorships of subsidiary companies).
- Votes on director nominees are made on a case-by-case basis after examining:
 - the composition of the board and key board committees;
 - qualifications and experience of the directors;
 - suitability for participation in board committees;
 - attendance and participation at meetings, in the case of re-elections;
 - the corporate governance framework of the board;
 - the overall composition of the board; and
 - any other relevant factor pertaining to the nominee.

- Old Mutual Investment Group will vote against nominations where:
 - a director has attended less than 75% of board and committee meetings, unless there are good reasons for this;
 - nominees have implemented or renewed any “poison pill” provisions; and
 - non-independent directors are nominated to the audit committee or where such nominations would lead to a minority of independent directors on the remuneration and nomination committees.
- Old Mutual Investment Group will vote against nominations which will cause the board to have only a minority of independent non-executive directors.
- Old Mutual Investment Group will not support directors and boards who have:
 - enacted or sanctioned poor corporate governance practices or policies; and/or
 - failed to replace management where appropriate, including poorly performing managers.
- Old Mutual Investment Group will vote against proposals that provide that only continuing directors may nominate replacements to fill board positions. Shareholders must elect replacements for vacant board positions.
- Old Mutual Investment Group will vote against proposals for the nomination of directors where there is insufficient information to enable shareholders to make an informed decision. Proposals for nominations of directors should include information concerning:
 - experience;
 - qualifications;
 - other fiduciary commitments (such as other directorships, trusteeships or curatorships);
 - proposed role on the board;
 - possible conflicts of interest; and
 - fulfilment of specific industry compliance requirements.
- Old Mutual Investment Group will vote against resolutions where directors seeking election or re-election are proposed in a single or collective resolution. An individual resolution must exist for each director seeking election or re-election.
- Old Mutual Investment Group will vote against the re-election of any director who has previously failed to comply with the disclosure requirements in respect of JSE listing requirements on share dealings, unless adequately explained.
- Old Mutual Investment Group will vote against the re-election of any director who has dealt in the company securities during a closed period.
- Shareholders are ultimately responsible for electing or removing board members, and it is in their interest that the board is properly constituted. Old Mutual Investment Group will thus support changes to Memorandums of Incorporation which ensure that both executive and non-executive directors retire by periodic, staggered rotation.

3.2.5 BOARD SIZE

Old Mutual Investment Group will vote for proposals that fix the board at an appropriate size for the size and complexity of the company.

3.2.6 BOARD RESPONSIBILITIES, FUNCTION AND PERFORMANCE

- Old Mutual Investment Group supports companies where the boards have a formalised and systematic process of assessing and evaluating the performance of the board and its committees, and of individual directors. Consequently, Old Mutual Investment Group will vote in favour of proposals to structure board committees with specific terms of reference and identified responsibilities.

- The responsibilities and levels of performance by board members must be disclosed to shareholders ahead of annual general meetings. In the absence of such disclosure, Old Mutual Investment Group will vote against director elections where such disclosures do not occur, or where the assessment framework is considered inadequate.

3.2.7 DIRECTOR AND OFFICER INDEMNIFICATION AND LIABILITY PROTECTION

- Old Mutual Investment Group will vote against proposals to entirely eliminate the liability for damages for directors and officers who violate a duty of care.
- Old Mutual Investment Group will generally vote against proposals that extend indemnification for directors for acts such as gross negligence, fraud and breaches of fiduciary duties.

3.3 REMUNERATION OF DIRECTORS

3.3.1 GENERAL PRINCIPLES

- Old Mutual Investment Group expects the board to maintain a remuneration committee that is responsible for the direction and oversight of the company's executive remuneration programme and for regularly evaluating the performance of senior management. To be effective and avoid conflicts of interest, this Committee must be made up of a majority of independent directors, with company executives attending by invitation as required. Directors who are CEOs of other companies should not sit on the committee. Members of this committee should not be nominated or selected by management.
- Remuneration of executives and senior management should be guided by a remuneration policy and an implementation report, each of which should be tabled for a non-binding shareholder vote on an annual basis at the AGM.
- Remuneration paid to each executive director and non-executive director must be fully disclosed. Such disclosure should include details of base pay, bonuses, share-based payments, granting of options or rights, restraint payments and all other benefits on a total reward basis. Disclosure of the maximum and expected potential dilution that may result from incentive awards granted in the current year is also required. In addition, this information must also be disclosed for the three highest-paid employees who are not directors in the company.

3.3.2 REMUNERATION POLICY

- Director remuneration should be appropriate to incentivise and retain excellence on the boards of companies Old Mutual Investment Group invests in. Remuneration should be structured to ensure the creation of value for the company and shareholders over the long term. While it is difficult to define set remuneration parameters, Old Mutual Investment Group will make use of comparative peer analysis to gauge the appropriateness of remuneration packages.
- Executive remuneration must enjoy independent and objective oversight. Consequently, all members of the remuneration committee must be non-executive directors and the majority of the members as well as the chairperson must be independent directors. Executives may attend on invitation, but must excuse themselves when their remuneration is under consideration. Contrary proposals from issuers will not be supported.
- Where a company releases an executive director to serve as a non-executive director in another company, the remuneration report (or such other disclosure to shareholders where a report is not produced) must state whether the director is permitted to retain any remuneration, including share options.

3.3.3 BASE PAY AND BONUSES

3.3.3.1 Executive remuneration

- The majority of executive remuneration should be "at risk" and be linked to both business targets as a whole, and the performance targets of the executive concerned.

- The personal performance targets for executives must include a combination of financial and non-financial targets.
- Business performance objectives may be benchmarked against industry and appropriate competitor performance, as well as fixed or absolute targets; the reasons for setting such targets should be disclosed to shareholders.
- Old Mutual Investment Group will not consider supporting a short-term incentive scheme where the maximum incentive is uncapped, unless a clear motivation and full disclosure on the performance requirement is presented in the remuneration report. Upper limits of such schemes should be capped as a percentage of basic remuneration.
- Old Mutual Investment Group considers a long-term incentive plan to incentivise long-term executive performance if awards under the plan have minimum vesting time periods of five to seven years or longer.

3.3.3.2 Non-executive remuneration

- Non-executive remuneration should be merit based, determined by the issuer according to performance standards, and each director should therefore receive an appropriate rate that may be different from other non-executive directors. Remuneration should be directly linked to the time, commitment and expertise of the non-executive director. Old Mutual Investment Group will not typically enquire into the reasonability of the performance standards or the reasons for the differentials, but will require confirmation regarding measurements that are defined and objectively based.
- Fees for non-executive directors should be proposed to shareholders for their approval on an annual basis. Explanations for the resolutions provided in the notice of the meeting should clearly indicate the quantum of fees proposed for the chairperson, the deputy chairperson, lead independent director, the chairpersons of the board committees, members of the committees, and directors.
- Old Mutual Investment Group will support non-executive directors being paid an attendance fee and will support individual directors' fees reflecting attendance levels, as well as participation on board committees.
- Share options for non-executives will not be supported, as Old Mutual Investment Group is of the view that it compromises their independence. Old Mutual Investment Group will, however, support a proposal where a portion of director fees is paid in shares, subject to vesting conditions.
- In exceptional circumstances, and only once alternate strategies have been explored and rejected, Old Mutual Investment Group will consider a one-off share option grant to non-executive directors as a specific empowerment strategy and for justifiable commercial reasons, subject to the following:
 - full disclosure of quantum, strike price, time of issue and assumptions on valuation;
 - the grant should be linked to business and personal performance targets;
 - the grant should have a vesting period of at least three years;
 - the grant should be made at market or mid-market price with no discounting;
 - The scheme rules should require the non-executive director to retain the options for one year after termination of the director's contract; and
 - The board should be sufficiently independent (by number of people) after issuing the shares to non-executive BEE candidates.

3.3.4 EMPLOYMENT CONTRACTS, SEVERANCE AND RETIREMENT BENEFITS

- Exit provisions must be monitored to ensure the absence of provisions such as "poison pills" or inappropriately generous "golden parachutes". Specifically, there should be no waiver of financial performance targets should there be a change in control of the company, or where subsisting options and awards are "rolled over" in the event of a capital restructuring and/or early termination of a participant's employment – short-term and long-term incentives may, however, be paid on a pro rata basis.

- Pension entitlements often represent a significant and costly item of director remuneration. A company should make informative disclosures identifying incremental value accruing to pension scheme participation, or from any other superannuation arrangements, relating to service during the year in question. This should include the cost to the company, the extent to which liabilities are funded, and aggregate outstanding unfunded liabilities.

3.3.5 SHARE-BASED AND OTHER LONG-TERM INCENTIVES

- Old Mutual Investment Group will generally not support repricing or “surrender and re-grant” of underwater share options.
- Old Mutual Investment Group will not support share option schemes where the vesting periods are less than three years and the directors have unrestricted discretion with regard to the shortening of vesting periods. Vesting periods may only be shortened in respect of retirement, retrenchment, death or change in control of the company. In the event that the share scheme rules do not provide for a limit on the director’s discretion, this must be confirmed in writing by the issuing company.
- Old Mutual Investment Group will not support options and grants issued at a discount to the market price – pricing should be set at the market price.
- Old Mutual Investment Group will generally not support share grants priced at a discount to net asset value per share.
- Old Mutual Investment Group will only support proposals where the quantum, strike price, time of issue and assumptions regarding valuation of options and grants have been disclosed.
- The potential dilution of shareholder funds or equity should be limited and the maximum possible dilution (i.e. face value) should be disclosed.
- The aggregated dilution from a new issue of shares should be limited to 10% of issued share capital in any rolling 10-year period (as adjusted for scrip/bonus and rights issues).
- Old Mutual Investment Group discourages the use of derivative instruments by option participants prior to the end of the vesting period.

3.3.6 REMUNERATION DISCLOSURE

Old Mutual Investment Group supports companies that enhance their disclosure. In line with best practice, remuneration disclosure should contain details on the following:

- disclosure of directors’ interests, including those of a director who has resigned during the reporting period;
- disclosure of individual directors’ remuneration and benefits, including those of any director who has resigned during the reporting period;
- disclosure of the existence and details of a company’s pre-vesting forfeiture (malus) and post-vesting forfeiture (clawback) remuneration policies;
- basic salary, bonuses and performance-related payments and sums paid by way of expense allowance;
- charts comprising company performance and CEO pay;
- any other material benefits received, with an explanation as to what this includes;
- contributions paid under any pension scheme;
- any commission, gain or profit-sharing arrangements;
- details regarding share options, including assumptions made in calculations;
- details regarding remuneration consultants and fees paid;
- composition of the remuneration committee; and

- a background statement in relation to votes cast in relation to remuneration at the last AGM. If applicable, this background statement should include reasons for 25% or more of votes cast against either the remuneration policy or the implementation report, how the company engaged with the dissenting shareholders, and actions taken in response.

3.4 FINANCIAL REPORTING

- All financial reporting by a company must be prepared in accordance with the International Financial Reporting Standards (IFRS).
- The board of a company must present a balanced and an understandable view of the company's financial position and the company's ability to continue as a going concern.
- A company's annual report must contain a statement from the board outlining its responsibility for preparing the accounts and a statement from the company's auditors concerning their reporting responsibilities.
- Where non-financial aspects of reporting have been subject to external valuation or review, this fact must be stated and details provided in the company's annual report.
- Companies should make every effort to ensure that information is distributed to stakeholders via a broad range of communication media and that such information is disseminated to all stakeholders simultaneously, where possible.
- A company's audit committee should determine whether or not a company's interim results should be audited.
- Old Mutual Investment Group will vote for proposals to approve financial or directors' reports only if the reports are available to all shareholders before the shareholders' meeting.
- Old Mutual Investment Group will vote in favour of a resolution to approve the annual financial statements of a company where it considers the annual financial statements to be a fair reflection of the company's financial position for the period. In considering its vote, Old Mutual Investment Group will assess whether there has been an audit qualification for the period and whether there has been any material omission of information.
- Should Old Mutual Investment Group not approve the annual financial statements of a company for whatever reason, it will provide an explanatory note outlining its rationale for declining to approve the annual financial statements.

3.5 AUDIT COMMITTEE

3.5.1 GENERAL PRINCIPLES

- The board should establish an audit committee of at least three members or, in the case of smaller companies, two members, all of whom must be independent directors. The board should satisfy itself that at least the majority of members of the audit committee has recent and relevant financial experience.
- The audit committee should be established with formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles, and for maintaining an appropriate relationship with the company's auditors. A company should not allow the same individual to serve as an audit partner for a period of more than five financial years.
- The audit committee should have publicly available written terms of reference dealing adequately with its membership, authority, duties, roles, responsibilities and legislated requirements.
- The chairperson of the audit committee should not be the chairperson of a company's board. The committee chairperson should be knowledgeable about the status and requirements of the role, and must have the requisite business, financial and leadership skills, and should be a good communicator.

- The membership and appointment process of the audit committee should be disclosed in a company's annual report, and must indicate whether or not the audit committee has complied with its terms of reference and the manner in which it did so, and shareholders should be able to obtain a copy of the current terms of reference of the company's audit committee.
- The audit committee should review arrangements by which employees of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
- The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

3.5.2 MEMBERSHIP AND APPOINTMENT

- Old Mutual Investment Group will vote for proposals to create audit committees on which all of the members are independent.
- Old Mutual Investment Group will vote against individual directors who are not independent and sit on the audit committee.

3.5.3 AUDITING AND NON-AUDITING SERVICES

- The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. If the board does not accept the audit committee's recommendation, it should include this in the annual report and in any papers recommending appointment or reappointment, issue a statement from the audit committee explaining the recommendation, and set out reasons why the board has taken a different position. When requested to vote in favour of the appointment or reappointment of external auditors, Old Mutual Investment Group will consider the extent to which the company's audit committee is appropriately constituted, the skill, experience and independence of audit committee members, the tenure of the appointed audit firm and lead auditor, whether or not the lead auditor has links with any significant accounting controversies, as well as the views of the company audit committee on the quality of audit services provided.
- The board of directors should have an audit committee that is responsible for oversight of the annual external audit of the company.
- Old Mutual Investment Group will support the rotation of audit firms on a six- to 10-year basis or as required by law.
- A company's audit committee should set a code of principles regarding the conditions under which the external audit firm will provide non-audit services.
- There should be a separate disclosure in a company's annual financial statements of the amount paid to the external auditors for non-audit services as opposed to audit services.

3.6 UNISSUED SHARES UNDER THE CONTROL OF DIRECTORS

3.6.1 PRINCIPLES APPLYING TO UNISSUED SHARES UNDER THE CONTROL OF DIRECTORS

Where a company's unissued shares are placed by a shareholder resolution under the control of the directors of the company, it opens the possibility of the directors abusing their authority by issuing the company's shares in a partisan manner.

3.6.2 GUIDANCE ON UNISSUED SHARES UNDER THE CONTROL OF DIRECTORS

Old Mutual Investment Group will vote in favour of a resolution that enables the directors to control a portion of the unissued shares, or other voting instruments as defined in terms of relevant legislation, in the share capital of a company

that corresponds to a maximum of 5% of the issued shares and/or other voting instruments in the share capital of the company, cumulatively in any financial year. Old Mutual Investment Group considers a maximum threshold of 5% as acceptable to protect its clients' interests and to allow the company sufficient flexibility in executing its strategy with respect to the share capital of the company. Old Mutual Investment Group, in making the above determination, does not distinguish between issued share capital exchanged for cash or for shares in another company, as the dilutionary effect is equivalent. Should a company propose a resolution which places more than 5% of the unissued shares under the control or discretion of its directors but:

- subjects those shares to existing shareholders' pre-emptive rights and to a maximum of 10% (SA standard is 10%; UK permits 33% of issued share capital or 25% of the enlarged issued share capital); or
- the company has provided a full and reasonable explanation for the necessity of such a resolution,

Old Mutual Investment Group may vote in favour of such a resolution.

3.7 SHAREHOLDER MATTERS RELATING TO CAPITAL MANAGEMENT

3.7.1 DIVIDEND POLICY

Should a company in which Old Mutual Investment Group has invested declare a dividend, Old Mutual Investment Group will investigate the rationale behind the declaration as well as analyse the effect such a dividend, if paid to shareholders, may have on the capital structure and liquidity status of a company. Thus, Old Mutual Investment Group will consider the reasons given by a company for the declaration of a dividend and determine its voting position given the circumstances.

3.7.2 CAPITALISATION ISSUES

Old Mutual Investment Group will consider the share capital structure before and after such an issue, and form a view as to whether or not it is in favour of such an issue, given the circumstances and possible alternatives that may be available to its clients – for example, the issuing of dividends.

3.7.3 ODD-LOT OFFERS

Old Mutual Investment Group will support proposals by a company to “mop up” smaller and odd number shareholdings if it results in a lower administrative burden and expense for the company, and provided that the company has the requisite authority to conduct such offers and such offers are at least at market prices.

3.7.4 SHARE SPLITS AND CONSOLIDATIONS

Old Mutual Investment Group will consider a company's proposal to split or consolidate its share capital, given the circumstances.

3.7.5 REDUCTION IN CAPITAL

Old Mutual Investment Group will consider a company's proposal to reduce its share capital given the circumstances and provided that a company has the requisite authority to do so, and furthermore, that subsequent to such a reduction, all legislative and regulatory requirements are met by the company.

3.7.6 ISSUING SHARES FOR CASH

Old Mutual Investment Group is cognisant of the JSE Listing Requirements, which place a restriction on issuing shares for cash up to a maximum of 15% of issued share capital. However, Old Mutual Investment Group is of the view that a maximum restriction of 5% is more acceptable to its clients, given the circumstances under which a proposal to issue shares for cash is made. In the event that shares are offered at a discount, a small discount of $\pm 5\%$ of the 30-day volume weighted average price (VWAP) is considered acceptable.

3.7.7 PREFERENTIAL VOTING RIGHTS/DUAL CAPITALISATION

Old Mutual Investment Group does not support the introduction of preferential voting rights/dual capitalisations with regard to a company's share capital. However, should a company have such structures in place, then Old Mutual Investment Group will form a view regarding the different classes of shares when deciding to exercise a vote in relation to those shares which it holds on behalf of its clients.

3.7.8 PROVISION OF FINANCIAL SUPPORT IN TERMS OF SECTION 45 OF THE COMPANIES ACT

Old Mutual Investment Group will review each resolution for financial assistance on a case-by-case basis. Old Mutual Investment Group will support resolutions for financial assistance, as defined under section 45 of the Companies Act of 2008, where such resolutions are worded in a manner that does not provide blanket powers to the directors; are limited in terms of scope of application; and the form, nature and extent of such financial assistance are clearly defined.

3.8 SHARE REPURCHASES

Old Mutual Investment Group is of the view that share repurchases are an efficient and effective means of returning cash to shareholders and will generally, on behalf of its clients, vote in favour of such proposals by a company, provided that:

- a company has the requisite authority in its memorandum of incorporation to repurchase its shares;
- both before, during and after the share repurchase exercise, a company remains both liquid and solvent;
- the exercise does not result in a material change to a company's share rating;
- a company has complied with all other legislative requirements relating to the share repurchase;
- the share repurchase exercise is not used as a means to frustrate or enforce corporate actions, or will not result in prejudice to different classes of shareholders;
- a reasonable percentage of the issued shares of a company are subject to the repurchase proposal;
- the share repurchase proposal is used to achieve goals that add value to a company and these goals are specifically stated and explained by a company in its proposal; and
- the share repurchase proposal is in the best interest of Old Mutual Investment Group's clients.

When a company considers repurchasing its shares, all its shareholders must be given an equal chance to tender their shares, and any mandatory repurchase must apply equally to all classes of shares.

3.9 CHANGES TO MEMORANDUM OF INCORPORATION

3.9.1 INTRODUCTION OF NEW SHARE CLASSES

- Old Mutual Investment Group, in considering whether or not to vote in favour of a resolution of a company which proposes splitting a company's share capital into different classes (with classes carrying different voting rights and/or dividend rights), will in each circumstance determine if such a split will be in its clients' best interests.
- Old Mutual Investment Group will furthermore assess a company's commercial reasons for proposing such a resolution.

3.9.2 CHANGES IN BOARD COMPOSITION

- Old Mutual Investment Group recognises that a company's proposal to amend its memorandum of incorporation to change the composition of its board may be necessary for any number of commercial reasons, and will consider whether such an amendment will be in its clients' best interests given the circumstances.
- Old Mutual Investment Group will also consider the appropriateness of such an amendment in light of both South African and international codes of best practice and its internal corporate governance policy.
- Old Mutual Investment Group will not support changes to memoranda of incorporation that explicitly state that only non-executive directors should retire by rotation.

3.9.3 DIRECTORS' INDEMNIFICATION

Old Mutual Investment Group will assess the wording of such resolutions that amend a company's memorandum of incorporation with particular reference to the following:

- whether the proposed indemnity is necessary or appropriate in the circumstances;
- the extent of the liability of the persons covered by the proposed indemnity;
- the number of directors, officers or other persons covered by the proposed indemnity;
- the cost to the company of the proposed indemnity;
- the maximum amount by which each person is and by which all persons are covered by the proposed indemnity;
- whether a company itself grants the proposed indemnity or whether a company is considering entering into an agreement with a third-party insurer to provide the proposed indemnity; and
- any other relevant factors.

3.9.4 BORROWING POWERS OF DIRECTORS

- Old Mutual Investment Group accepts the view that a company may be required to finance its commercial endeavours via debt financing, and that its memorandum of incorporation may place a restriction on the borrowing powers of directors in order to ensure that such financing is achieved in a prudent manner.
- In each case where a proposal is made to amend a company's memorandum of incorporation with regard to the borrowing powers of directors, Old Mutual Investment Group will assess the circumstances under which such proposal is made, and the current level of directors' borrowing powers, to ensure that a company does not allow reckless borrowing that may place itself in illiquid or insolvent circumstances.

3.10 POLITICAL DONATIONS

Old Mutual Investment Group respects the right of companies to engage with Government on policy and other related issues. Where companies make donations to Government, intermediaries or trade organisations, this must be undertaken in line with local legislation, which in some cases may require shareholder consent by way of an ordinary majority. Notwithstanding this, where companies make donations or contributions of a political nature, they should be disclosed and each one fully explained in the annual report, including information on the types of organisations supported and the business rationale for supporting these organisations.

3.11 SOCIAL ISSUES

3.11.1 GENERAL PRINCIPLES – ALL COMPANIES

- A company should demonstrate how it has integrated material social, safety and health risks and opportunities into its approach to business strategy and performance management. Public disclosure must be made on an annual basis regarding progress and performance with regard to material sustainability issues. This may be in the form of a stand-alone sustainability report or by way of the company's integrated annual report. Old Mutual Investment Group supports companies making use of third-party auditors to provide assurance on key sustainability performance metrics.
- A company should commit to a social investment outreach programme and ensure that it is supported, both financially and by employee involvement.
- A code of ethics should be developed to guide a company's relationship with its stakeholders. Commitment to the code should be indicated by the development of procedures to implement, monitor and enforce the code of ethics at a high level by assessing a candidate's integrity when promoting and by conducting training on a company's ethical values. Directors' reports should include references to this commitment. A company's relationship with other entities with a lower ethical commitment should be re-evaluated.
- A company should commit to enforcing occupational health and safety legislation, which prescribes that employers must provide and maintain a safe and healthy, low-risk working environment.

- A company should implement a programme of human capital development by monitoring and addressing the number of staff within the organisation, the progression towards employment equity targets, the provision of training that will increase employees' competency and also providing opportunities for women, previously disadvantaged and disabled individuals.

3.11.2 GENERAL PRINCIPLES – SOUTH AFRICAN LISTED COMPANIES

HIV/AIDS

- In terms of the Employment Equity Act, every company must have an HIV/AIDS policy and an implementation programme.
- A company's board should adopt the appropriate strategy, plan and policies to address and manage the potential impact of HIV/AIDS on the company and its employees. Furthermore, performance should be regularly measured using established indicators and progress should be reported to stakeholders

TRANSFORMATION

- A company should have in place specific policies and procedures that encourage a diversified workforce at all levels within the organisation.
- Specifically, a company should make a commitment to the principles contained in the Employment Equity Act and those principles should be regularly enforced throughout the organisation.
- Progress on transformation should be reported regularly to all stakeholders and therefore be included in the company's annual report.
- The disclosure should be on the basis of a balanced scorecard in line with conditions stipulated in the Employment Equity Act, and the balanced scorecard should be published annually in accordance with regulatory requirements.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

A company should commit to ensuring that it makes a significant contribution to broad-based black economic empowerment (B-BBEE) and that it adopts initiatives that will advance historically disadvantaged people on a large scale. A company should integrate its B-BBEE strategy with its overall strategy for the organisation.

3.11.3 PROXY VOTING GUIDELINES FOR BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

TRANSACTIONS

- Old Mutual Investment Group will support proposed B-BBEE transactions which have a good investment case.
- Old Mutual Investment Group will support B-BBEE transactions that create meaningful long-term and on-going B-BBEE participation in the company. This will be evaluated on a case-by-case basis and will focus on mechanisms employed to ensure long-term sustainability of the B-BBEE arrangement. Such mechanisms could include, but are not limited to, minimum lock-in arrangements, limitation on selling of B-BBEE equity etc. As a minimum, Old Mutual Investment Group is supportive of B-BBEE transactions that have a minimum of a seven-year lock-in, with further requirements that sale of equity can only be undertaken to suitably qualified B-BBEE parties.
- Old Mutual Investment Group recognises that B-BBEE is an important social and business imperative and that B-BBEE transactions are important for the success of the companies in which Old Mutual Investment Group invests. Old Mutual Investment Group has a duty to its clients to act in their best interests in evaluating such transactions.
- Old Mutual Investment Group expects that companies would demonstrate the benefits of such a transaction, and calculate and disclose the economic implications thereof, as well as its impact on key financial metrics.
- Any economic cost will include the cost of any discount to the market price of shares issued or sold to the B-BBEE parties and/or the effective cost of any funding or option arrangement. Such economic cost should be calculated

using generally accepted financial or option valuation methodologies applicable to the situation. Old Mutual Investment Group will consider whether such costs are fair in relation to the expected benefits and fair in relation to norms in the marketplace. As a guideline, the economic cost should be 3% - 6% for a 10% - 30% stake for all proposed B-BBEE transactions depending on regulatory requirements as set out below and whether a sufficient investment case is presented and value derived for the B-BBEE participants in accordance with these principles.

- The structuring and designing of the B-BBEE scheme and selection of participants in such a transaction remain the prerogative of a company's management. Full and detailed disclosure by a company needs to be provided on all relevant terms of the B-BBEE deal. Old Mutual Investment Group expects management to clearly justify the structure and composition of the B-BBEE deal.
- Old Mutual Investment Group favours B-BBEE transactions that are sustainable, including those that are reasonably expected to result in a high probability of value realisation for empowerment partners.
- To the extent that a B-BBEE transaction is put in place partly to meet B-BBEE legislation (such as the Department of Trade and Industry (DTI) Codes), or to meet the requirements of an industry charter, we would expect the company to obtain the necessary sign-off, advice (legal or otherwise) and/or evidence that the transaction complies with such legislation or charter; and that such sign-off, advice and/or evidence be disclosed to shareholders. A transaction which does not meet legislative or charter requirements, or with respect to which insufficient comfort is provided to shareholders that it does meet such legislative or charter requirements, is likely to be rejected in the absence of other strong reasons, which must be motivated by the company.
- Such legislation or charter may have certain ownership targets in the future, and therefore Old Mutual Investment Group would need to gain comfort on the extent to which the transaction meets both current and future requirements.

3.11.4 PROXY VOTING GUIDELINES APPLYING TO B-BBEE CONSTITUENTS IN TRANSACTION CONSORTIA

- Each component constituent in a consortium that is introduced should be justified on a cost benefit basis on its own merits. Old Mutual Investment Group favours the composition of a consortium that would add the most value and the least cost to the company concerned. The choice of the constituents, and the evaluation of which will add the most value to the company, is the responsibility of management, who will be required to justify their choice in the context of the company.
- Subject to the above, all things being equal, Old Mutual Investment Group favours B-BBEE transactions that are as broad based as possible, and therefore will generally support proposals where employees, customers and other stakeholders are included in the transaction deal. We would classify a transaction as broad based if more than 70% of the shares acquired are for the benefit of a broad base of constituents.
- In so far as any component in a B-BBEE transaction is not broad based and there is a cost to the company with regard to the transaction, Old Mutual Investment Group would expect such empowerment partners to provide a

“ OLD MUTUAL INVESTMENT GROUP RECOGNISES THAT B-BBEE IS AN IMPORTANT SOCIAL AND BUSINESS IMPERATIVE AND THAT B-BBEE TRANSACTIONS ARE IMPORTANT FOR THE SUCCESS OF THE COMPANIES IN WHICH OLD MUTUAL INVESTMENT GROUP INVESTS. ”

capital commitment upfront that is material in the context of the B-BBEE deal and the empowerment partner's financial position. Old Mutual Investment Group also expects that such partners would have suitable performance conditions towards the company and suitable arrangements, including lock-ins and restrictions, around competing ownership. Old Mutual Investment Group does not expect a capital commitment for the broad-based elements of the transaction. It is therefore possible that some components of the transaction will provide an upfront commitment, whereas other components will not.

- As a corollary to the third point above, where a component is not broad based, but there is no cost to the company as a result of the transaction (i.e. where historically disadvantaged individuals have acquired shares in the market or from the company at full price, and there is no recourse at all to the company), then Old Mutual Investment Group would not expect such further conditions as outlined in the third point above to be imposed.

3.12 EXPECTATIONS OF INVESTEE COMPANIES REGARDING ENVIRONMENTAL ISSUES

- In terms of environmental legislation, there is a duty on a company and its board not to engage in business practices that result in unreasonable amounts of pollution and/or environmental degradation.
- As a minimum, companies must take steps to reduce greenhouse gas and hazardous emissions, limit the biodiversity impact of their operations, manage their water use appropriately and monitor their use of energy and other resources.
- A company should report its capacity to manage its exposure to the risks of climate change in accordance with the principles published by the Task Force on Climate-Related Financial Disclosures.
- A company should show this commitment in its financial and non-financial reporting, as well as ensure that it enters into business relationships with other entities that uphold this commitment.
- A company should introduce performance criteria into its executive remuneration which incentivise management to reduce environmental harm and improve eco-efficiency, taking into account the impact which the company has on the environment and use of its natural capital.

3.12.1 PROXY VOTING ON ENVIRONMENTAL-RELATED SHAREHOLDER PROPOSALS

- Old Mutual Investment Group may support shareholder proposals on environmental risk which:
 - clearly address a gap in relevant disclosure practices by a company;
 - in our view, will lead to material economic disadvantage to the company and its shareholders if not addressed; and
 - received inadequate management response to our prior engagement on the issue.

Ultimately, the board is responsible for protecting the long-term economic interests of shareholders and we may vote against the re-election of certain directors where we believe they have not fulfilled that duty in respect of the environmental issues above.



OLDMUTUAL

FOR MORE INFORMATION

OLD MUTUAL INVESTMENT GROUP

Mutualpark, Jan Smuts Drive, Pinelands 7405

listening@oldmutualinvest.com

Tel: +27 (0)21 509 5022

www.oldmutualinvest.com

Old Mutual Investment Group (Pty) Limited (FSP 604) and Old Mutual Customised Solutions (FSP 721) are Licensed Financial Services Providers, approved by the Registrar of Financial Services Providers (www.fsb.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. Old Mutual Investment Group (Reg No 1993/003023/07) and Old Mutual Customised Solutions (Reg No 200/028675/07) are wholly owned subsidiaries of Old Mutual Investment Group Holdings (Pty) Ltd and are members of the Old Mutual Investment Group.



INVESTMENT GROUP