OLD MUTUAL’S
RESPONSIBLE INVESTMENT POLICY
1 OLD MUTUAL’S RESPONSIBLE INVESTMENT POLICY 01
• Our understanding of responsible investment
• Responsible investment compared to investment in sustainability and socially responsible investing
• Brief history of our involvement in responsible investing
• Laws and guidelines that inform our policy

2 INCORPORATING ESG INTO OUR INVESTMENT PROCESSES 03
• Our expectations of asset managers regarding different asset classes
• Red flag investments

3 OUR EXPECTATIONS OF ASSET MANAGERS REGARDING ACTIVE OWNERSHIP 07
• Our requirements regarding proxy voting
• Engagement with company management
• Our expectations of investee companies and ESG

4 DISCLOSURE 10

5 APPENDIX 10
• United Nations Principles for Responsible Investment (UNPRI)
• Code for Responsible Investing in South Africa (CRISA)
• Regulation 28 of the Pension Funds Act
• Financial Sector Charter (FSC)
OUR UNDERSTANDING OF RESPONSIBLE INVESTMENT

Old Mutual is an asset owner with fiduciary duties to the ultimate beneficiaries of its assets, and in the case of Old Mutual Unit Trusts, is an approved managing company acting on behalf of unit trust holders. Our customers place the utmost trust and confidence in us to manage and protect their money, whether it is held in policies, unit trusts, shares or any other investment.

It is therefore our duty to invest these funds responsibly. To do so, we have formulated this Responsible Investment Policy, which applies to all Old Mutual South Africa policyholder funds, shareholder funds and unit trusts. The essence of the policy lies in us:

1. requiring our asset managers to incorporate environmental, social and governance (ESG) factors into their investment processes;
2. requiring our asset managers to be active owners (through proxy voting and engagement); and
3. committing to public disclosure about our responsible investment policies and implementation.

We believe that by evaluating ESG factors, asset managers can better understand the risks and opportunities in their investments, in order to enhance long term returns. Responsible Investment also encourages investee companies to conduct their operations in a way that meets the interests of their shareholders and customers, without compromising the needs of future generations.

We believe that these measures go a long way towards ensuring that companies have sound governance practices, good labour practices and manage their impact on the environment and local communities.

This policy will be given effect through investment mandates and engagements with asset managers.

We require all asset managers in the Old Mutual Investment Group, affiliates of Old Mutual Asset Management (United States) and Old Mutual Global Investors, as well as the managers of underlying multi-manager portfolios (e.g. SYmmETRY) and collective investment schemes to apply the principles of this policy.

We do, however, recognise that the practical considerations of these principles will have different implications depending on:

- the nature of our obligations, whether contractual (for example, where we are mandated by a client to invest with a particular asset manager) or based on expectations;
- the practical application based on a number of factors specific to asset classes and investment styles; and
- the agents used to manage our assets, including those asset managers mentioned above, where we will actively engage on our intentions.
RESPONSIBLE INVESTMENT COMPARED TO INVESTMENT IN SUSTAINABILITY AND
SOCially RESPONSIBLE INVESTING

Responsible investment has a different focus to investing in sustainability. When companies, such as Old Mutual, involve ourselves in investments in sustainability, we physically allocate capital to investment opportunities that we see as key building blocks of a long-term socially equitable, ecologically stable economy, without compromising on prospects for superior risk-adjusted returns for our customers.

Furthermore, readers should not confuse responsible investment with traditional socially responsible investing (SRI). Traditionally, socially responsible investment seeks to avoid investing in businesses that don’t align with the investor’s ethical views. This may mean accepting lower returns in pursuit of those ethical ideals. While certain funds are designed with an SRI focus in mind, responsible investing is aligned with our value of pursuing long-term investment returns for our customers.

BRIEF HISTORY OF OUR INVOLVEMENT IN RESPONSIBLE INVESTING

In 2012, Old Mutual became a signatory to the United Nations Principles for Responsible Investment (UNPRI), the overarching global framework on ESG issues in investment and ownership decision-making practices. At the time of signing the UN code, we had already been involved for some time in developing our national Code for Responsible Investing in South Africa (CRISA) through our participation in the CRISA Committee. Parallel to these developments, Old Mutual developed this Responsible Investment Policy. This policy is a living document, which we will review and change when needed.

LAWS AND GUIDELINES THAT INFORM OUR POLICY

The legislation and industry codes on which this policy is based are:

- United Nations Principles for Responsible Investment (UNPRI)
- The Code for Responsible Investing in South Africa (CRISA)
- Regulation 28 of the Pension Funds Act
- The Financial Sector Charter (FSC)
- King III Code of Corporate Governance

Relevant Sections Of These Laws And Guidelines Appear In The Appendix Of This Policy.

The underlying principles of investing responsibly as a means of enhancing returns is clearly also aligned to the requirement for Old Mutual to observe the utmost good faith and exercise proper care and diligence when managing customer funds, as provided for in terms of the Financial Institutions (Protection of Funds) Act.
Our asset managers need to consider ESG factors when identifying risks and opportunities associated with investments that fall under this policy, in line with our pursuit of superior risk-adjusted returns.

We do not however, insist that investments should be selected or rejected solely on the basis of ESG factors. We see ESG factors as a feature in the overall investment process. We also need to point out that our ownership of securities in a company does not imply that we approve of all of the company’s policies, products and actions. We are also mindful of respecting asset managers’ individual investment styles and philosophies, and therefore the way they incorporate ESG issues will vary.

In terms of our promise to customers around responsible investing, we monitor and review the progress made by investment managers in considering ESG factors in their investment decisions, and we take appropriate action where necessary.

As we are signatories to the United Nations Principles for Responsible Investment, we recognise that asset managers that are also signatories, and endorsees of other local Responsible Investment codes such as the Code for Responsible Investment South Africa (CRISA) and the United Kingdom Stewardship Code, are more likely to meet our general requirement of incorporating ESG factors into their investment analysis and decision-making in respect of Old Mutual’s investments.

Old Mutual also commits to allocating a portion of its assets to investments in sustainability (for example, housing, education, renewable energy, etc.) on sound financial terms.
### OUR EXPECTATIONS OF ASSET MANAGERS REGARDING DIFFERENT ASSET CLASSES

The following section elaborates on Old Mutual’s expectations of asset managers for each asset class in addition to those discussed above.

<table>
<thead>
<tr>
<th>EQUITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Asset managers should make use of ESG-related tools, metrics, and analysis to develop a better understanding of ESG risks and opportunities when assessing individual companies and constructing portfolios.</td>
<td></td>
</tr>
<tr>
<td>- We do not have the same requirements for passive (index-tracking) investments, although we do require managers to integrate ESG issues into active ownership practices. We also encourage research into the construction of indices where constituent weights are influenced by ESG criteria.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FIXED INCOME</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Asset managers need to consider ESG factors when evaluating the credit risk of corporate bonds, especially for bonds that are illiquid or have a long term, or both. ESG issues should be considered when setting debt covenants for corporate bonds, where appropriate.</td>
<td></td>
</tr>
<tr>
<td>- Asset managers need to consider country-specific ESG criteria when evaluating sovereign debt.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROPERTY: DIRECT AND SHARES IN PROPERTY COMPANIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- We require appropriate due diligences on direct property investments, which include an analysis of ESG risks and opportunities. We also require environmental impact assessments. In the construction and development phase, we require assessments of energy efficiency strategies so as to reduce future maintenance and resource costs, and to protect against costs of potential regulatory changes requiring retrofitting and refurbishment. Where properties are already developed, we require managers to consider the long-term financial benefits of retrofitting and refurbishment to improve energy efficiency. This is especially relevant given the long-term and illiquid nature of these investments.</td>
<td></td>
</tr>
<tr>
<td>- Asset managers dealing with property shares (property unit trusts, property loan stock and REITS, whether listed or unlisted) need to engage actively with property management and asset management companies around the material ESG issues raised above in respect of their direct property holdings.</td>
<td></td>
</tr>
</tbody>
</table>
### Alternative Investments

Includes private equity, infrastructure, hedge funds, natural resources, etc.

- Asset managers must conduct thorough due diligence before investing and should consider material ESG issues as part of the due diligence process. We commit to monitoring and understanding the ESG risk exposures in alternative investments. We will seek disclosure from alternative investment managers around ESG risks for both new and existing deals.
- We require asset managers working with private equity investments to actively engage in ESG issues so as to positively influence long-term company performance.
- Environmental risk can be significant for infrastructure assets, based on their location and the type of asset. Old Mutual requires its asset manager understand the expected future physical impacts on assets during investment analysis and decision making.

### Foreign Investments

- When investing overseas, we require asset managers to consider the ESG criteria of the country in question when evaluating the investment case for listed or unlisted entities and sovereign debt. This is especially relevant for investments in emerging markets. Examples include:
  - environmental issues such as environmental laws and policies, sustainable development, climate-related risks, deforestation and pollution
  - social issues such as labour laws, poverty, inequality, healthcare and access to basic necessities, and
  - governance issues such as bribery and corruption, corporate governance standards, respect for property rights, quality of government and leadership.

### Collective Investment Schemes and Multi-Managers

- In cases where investment management is delegated to the manager of a collective investment scheme, we require the asset manager to conduct an ESG due diligence on the collective investment scheme and then engage actively on ESG issues.
- We require multi-managers to conduct ESG due diligence on the underlying fund managers.
RED FLAG INVESTMENTS

Some investments fall immediately foul of our responsible investing criteria by failing to meet the ethical expectations of the Old Mutual Group. We expect our asset managers to red flag these investments and to apply a look-through view. In other words, asset managers should flag both direct and indirect exposure to any entity that does not meet our ethical requirements with a view to excluding it. Such entities include those involved in anti-personnel mines, biological or chemical weapons or nuclear weapons, cluster bombs, gross violation of human rights, funding of terrorist activities and blood diamonds. This list may be added to in future.

We also do not invest directly in individuals, entities or countries on the sanctions list of Old Mutual plc, Old Mutual South Africa or South Africa. Where we make indirect investments (for example where a company’s primary business activities are not in a sanctioned country, but some equity is exposed to a country on the sanctions list) we exercise consideration for ESG risks.
We require our asset managers to be active owners of their assets. This involves voting on proxies and engaging with management and directors of investee companies on material ESG issues.

OUR REQUIREMENTS REGARDING PROXY VOTING

Proxy voting is a minimum requirement, although we prefer to combine proxy voting activities with engagement activities. For example, if an asset manager has voted against a resolution, there should be subsequent engagement. Conversely, proxy voting should be consistent with the engagement activities outlined below.

Old Mutual endorses the proxy voting policy of the Old Mutual Investment Group. We will review this policy at least annually.

We similarly require asset managers to have a proxy voting policy that aligns to the relevant standards of corporate governance and applicable legislation. At a minimum, the policy must be consistent with the King III Code on Corporate Governance, the corporate governance provisions in the Companies Act 71 of 2008 and the JSE listing requirements. As with all policy documents, it must be a living document that is reviewed annually or in line with changes in legislation or specific resolutions.

We require asset managers to submit the results of proxy votes.

Old Mutual delegates asset management to multiple asset managers, and recognises the risk of conflicting proxy votes and engagement activities. We commit to monitoring voting and engagement activities and endeavour to ensure that they are carried out consistently.

ENGAGEMENT WITH COMPANY MANAGEMENT

Old Mutual endorses the engagement policy of the Old Mutual Investment Group. We will review this policy at least annually.

We similarly require asset managers to have an engagement policy that describes the appropriate process for engagement and outlines a set of expectations for investee companies to meet the minimum requirements of the policy. The policy must be a living document that is reviewed annually or as appropriate.

We encourage asset managers to meet regularly with company management on operational and company-specific issues, as well as on ESG issues. Where a problematic ESG issue arises, we prefer our asset managers to aim for positive change by constructively engaging with Boards and management in a non-public manner.

However, if there is no progress over an extended time period, asset managers should seek out opportunities to collaborate with co-investors on material issues as a means to drive change, at the same time ensuring that conflicts of interest and issues relating to “acting in concert” are appropriately addressed.
As a last resort, if all forms of engagement are unsuccessful, asset managers may, in consultation with Old Mutual and the investee company, use the press and other public forums to drive change.

**Asset managers are also required to**

- engage in a way that is consistent with proxy voting activities;
- factor in the responsiveness of companies to engagement when doing an investment analysis; and
- provide us with an annual report summarising the engagement activities conducted.

In addition, we require our asset managers to have a policy on managing conflicts of interest.

We commit to monitoring the extent to which asset managers are engaging with the companies in which they invest and the effectiveness of their voting activity.

**OUR EXPECTATIONS OF INVESTEES COMPANIES AND ESG**

Having set out our expectations of asset managers regarding ESG integration this section deals with our expectations for investee companies regarding ESG issues. As we have discussed above, asset managers should consider these principles during engagement activity and proxy voting. These expectations are a guideline and are not exhaustive.

We see these expectations as a framework for engagement, rather than as an endorsement that the company satisfies these expectations.

**EXPECTATIONS OF INVESTEES COMPANIES REGARDING ENVIRONMENTAL ISSUES**

- In terms of environmental legislation, there is a duty on companies and their Boards to not engage in business practices that result in unreasonable amounts of pollution 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. Companies should manage all forms of waste appropriately, for example, by recycling. Companies should appropriately manage land clearance, through consultation with local authorities and affected communities.
- Companies should show this commitment in their financial reporting, as well as ensure that they enter into business relationships with other entities that uphold this commitment.

**EXPECTATIONS OF INVESTEES COMPANIES REGARDING SOCIAL ISSUES**

- Companies should monitor and address staff turnover within the organisation, the progression towards Department of Trade and Industry scorecard targets (for South African companies) and the training they provide to increase employees’ competency.
- Companies must comply with laws around labour and working conditions, and must identify and manage the health and safety risks posed to employees, consumers and the community in which the company operates.
operates. Companies must also have a policy on HIV/AIDS and an implementation programme, and manage the potential impact of HIV/AIDS on the company and its employees.

- Companies must be aware of the potential adverse impact of its activities on local communities and other stakeholders, and work to minimise that impact. Companies should also commit to a social investment outreach programme and ensure both financial support and employee involvement.

**EXPECTATIONS OF INVESTEES COMPANIES REGARDING GOVERNANCE ISSUES**

- Companies are expected to comply with **local laws**, the **listing requirements** of the JSE (for listed companies), and the requirements of the **King III Code on Corporate Governance** (for both listed and unlisted entities).

- **Board composition** needs to comply with King III requirements on holding the balance of power, majority representation by independent non-executive directors (including the chairperson, who should not be the CEO), and ultimate accountability even if certain functions are sub-delegated.

- The Board should ensure that the company has an **audit committee**, composed of suitably skilled and experienced independent, non-executive directors, and chaired by an independent non-executive director. The audit committee should be an integral part of the risk management process and be responsible for overseeing the finance function, internal audit, external audit, and the integrated report or sustainability report.

- A **nomination committee** should recommend potential directors that have the appropriate qualifications, experience and credentials. Shareholders should be provided with complete information in order to make an assessment of the potential director.

- Companies should formulate and adhere to a **remuneration policy** that is fair, transparent and approved by shareholders. Executive remuneration should have independent and objective oversight, and should be sufficient and appropriate to incentivise and retain excellence on the Boards of companies.

- Companies should maintain a sound **system of internal control** to safeguard shareholders’ investments, the concerns of key stakeholders and the company’s assets.

- Companies should treat shareholders within the same class of shareholding equally, for example, in terms of disclosure and communication. The Board should protect the interests of minority shareholders. A **Code of Ethics** should be established. 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.

- **Accounting records** must comply with appropriate financial reporting standards. Public disclosure must be made on an annual basis regarding progress and performance with regard to material sustainability issues, whether in a stand-alone sustainability report or an audited integrated report, in which sustainability metrics comply with the Global Reporting Initiative.

- Companies should consider the impact of transactions with shareholders (for example, dividends, share repurchases, share splits, exercising of share options, share issues) on company solvency, liquidity, risk and gearing. Any changes to memorandum of incorporation or articles of association should be compliant with relevant regulation and standards, and be in the best interest of shareholders.

- Companies should be mindful of the ESG practices of companies in their **supply chain**.
DISCLOSURE

By making this policy available to the public, we show our commitment to disclosure. We also commit to reporting on all aspects of the policy discussed above. This includes submitting an annual report to the UNPRI, who will in turn publish a responsible investing report that is publicly available on their website.

APPENDIX

UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT (UNPRI)

The Preamble to the Principles states:

“As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society.”

The six principles are:

1. We will incorporate ESG issues into investment analysis and decision-making processes;
2. We will be active owners and incorporate ESG issues into our ownership policies and practices;
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest;
4. We will promote acceptance and implementation of the Principles within the investment industry;
5. We will work together to enhance our effectiveness in implementing the Principles; and
6. We will each report on our activities and progress towards implementing the Principles.

CODE FOR RESPONSIBLE INVESTING IN SOUTH AFRICA (CRISA)

CRISA gives guidance on how South African institutional investors should execute investment analysis and investment activities and exercise rights so as to promote sound governance, composed in a voluntary set of five key principles. The principles are similar to the UNPRI. CRISA is aimed at institutional funds, investors and managers with the view that the principles will be given effect through the relationship they have with investment managers and service providers.
The five key CRISA principles are:

1. To incorporate sustainability considerations, including ESG into investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries;
2. To demonstrate acceptance of ownership responsibilities in investment arrangements and investment activities;
3. To consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors;
4. To recognise the circumstances and relationships that hold a potential for conflicts of interest and to proactively manage these when they occur; and
5. To be transparent about the content of policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

REGULATION 28 OF THE PENSION FUNDS ACT

Under the ‘Principles’ section of Regulation 28 of the Pension Funds Act, section c(ix) considers it part of the fiduciary duty of Trustees to require ESG consideration during investment decision-making. In particular, the regulation expressly states:

“… before making an investment in and while invested in an asset consider any factor which may materially affect the sustainable long term performance of the asset including, but not limited to, those of an environmental, social and governance character.”

FINANCIAL SECTOR CHARTER (FSC)

The FSC is based on a harmonisation of the Generic Codes and the Financial Sector Charter as gazetted under Section 12 of the B-BBEE Act. The Code commits all participants to actively promote a transformed, vibrant and globally competitive financial sector that reflects the demographics of South Africa, and which contributes to the establishment of an equitable society by providing accessible financial services to black people and by directing investment into targeted sectors of the economy.
REGULATORY INFORMATION

Old Mutual Life Assurance Company (South Africa) Limited is a licensed financial services provider.
Jan Smuts Drive, Pinelands 7405, South Africa. Company registration no: 1999/004643/06.

Old Mutual is a Licensed Financial Services Provider