

OLDMUTUAL

# OLD MUTUAL SUPERFUND

INVESTMENT SUSTAINABILITY AND  
TRANSFORMATION DISCLOSURE REPORT

1 July 2023 - 30 June 2024

Old Mutual SuperFund Pension Fund and Old Mutual SuperFund Provident Fund



CORPORATE

DO GREAT THINGS EVERY DAY

# INSIDE

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## OUR APPROACH TO SUSTAINABILITY AND TRANSFORMATION



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# **INTRODUCTION AND MESSAGE FROM THE MANAGEMENT BOARD**

# KEY FUND DATA

## AS AT 30 JUNE 2024

### MEMBERS

# 483 974

PROVIDENT FUND → 334 956  
PENSION FUND → 149 018

### PARTICIPATING EMPLOYERS

# 5 730

PROVIDENT FUND → 4 436  
PENSION FUND → 1 294

### ASSETS UNDER MANAGEMENT

# R177.87<sub>BN</sub>

PROVIDENT FUND → R102.36 BN  
PENSION FUND → R75.51 BN

### SUPERFUND PRESERVER MEMBERS

# 48 893

PROVIDENT FUND → 33 776  
PENSION FUND → 15 117

### CONTRIBUTIONS TOWARDS RETIREMENT

# R13.78<sub>BN</sub>

PROVIDENT FUND → R5.36 BN  
PENSION FUND → R8.42 BN

### DEFERRED RETIREMENT MEMBERS

# 693

PROVIDENT FUND → 414  
PENSION FUND → 279

### TOTAL ASSES IN DEFERRED RETIREMENT OPTION

# R2.48<sub>BN</sub>

PROVIDENT FUND → R0.84 BN  
PENSION FUND → R1.64 BN

### CLAIMS PAID

# R19.04<sub>BN</sub>

PROVIDENT FUND → R11.37 BN  
PENSION FUND → R7.67 BN



# MESSAGE FROM THE MANAGEMENT BOARD

As the Management Board of the Old Mutual SuperFund Umbrella Pension and Provident Funds, we are entrusted with the responsibility, not only to safeguard the financial well-being of our members, but also ensure that our investments align with the principles of sustainability, social responsibility and good governance.

In this spirit, we are pleased to present the **2024 Investment Sustainability and Transformation Disclosure Report**, which outlines our ongoing efforts to continue to integrate Environmental, Social, and Governance (ESG) factors into our investment strategy and decision-making processes.

As a South African organisation, prioritising the Transformation of our service providers in our selection process is crucial, with a particular emphasis on their dedication to continuous diversity growth and skills development. Given that Transformation has played a significant role in forming our past and will remain pivotal in shaping our future. We therefore view it as a distinct pillar of Responsible Investment when assessing and evaluating managers.

Old Mutual SuperFund continues to recognise the critical importance of Responsible Investment, while generating long-term financial returns through practicing active ownership. We believe that our continuous monitoring and engagement with our asset managers help drive positive change in the companies they invest in.

As one of the largest commercial umbrella funds in South Africa, by assets and number of members, we believe that the greatest Sustainability and Transformation impact we can have is through:

- Ensuring that each appointed asset or multi-manager adopts a robust Responsible Investment approach. By evaluating these strategies, assessing appropriate disclosures and engagement we gain confidence that adequate processes are in place to consider the interests of all stakeholders in the investments they make, and
- Through focusing on Sustainable Development Goals (SDGs) using active engagement with asset managers we can track and encourage change in the underlying portfolios and the companies they hold. This will be the focus of our 2025 annual review.

Our commitment to ensuring adequately managed Responsible Investment approaches, is built on a robust annual South African asset manager due diligence, which helps us remain abreast of the evolution of asset manager processes and provides comparative

examples of best practice. This year, we have made significant progress in advancing our ESG initiatives, engaging with asset managers, and refining our due diligence processes to incorporate United Nations (UN) Principles for Responsible Investment (PRI) scoring where available, as well as analysing active ownership metrics like engagement and proxy voting statistics from our asset managers. We also track investment team staff losses, new staff hires, promotions and portfolio manager split per gender and racial grouping per asset manager. All these have assisted us in gaining a holistic view of the asset manager's intent and commitment to these important issues.

We have the fiduciary duty or legal obligation to act in the best interest of our members and understand that our members expect not only strong financial returns but also a portfolio that reflects ethical considerations, environmental stewardship, and social equity. To this end, we have focused on enhancing transparency and education through written member communication centred on Responsible Investment practices and voluntarily publishing this annual Investment Sustainability and Transformation Disclosure Report.

We believe that Responsible Investment necessitates a collaborative approach among all stakeholders to achieve the aspirations embodied in the UN Sustainable Development Goals (SDGs).

This report aims to provide our stakeholders with a clear and transparent account of our stewardship activities, the progress we have made, and the challenges we face. We are committed to continuously improving our practices and ensuring that sustainability remains one of the core considerations in our investment decisions.

Thank you for your ongoing trust and confidence in our ability to manage your retirement fund responsibly and sustainably. We look forward to continuing this important journey together.

Sincerely,



**Nhlanhla Nene**  
Chairman: Old Mutual  
SuperFund Management Board



**Megan Carswell**  
Chairperson of the  
Investment Sub-Committee



**OUR APPROACH TO  
SUSTAINABILITY AND  
TRANSFORMATION**

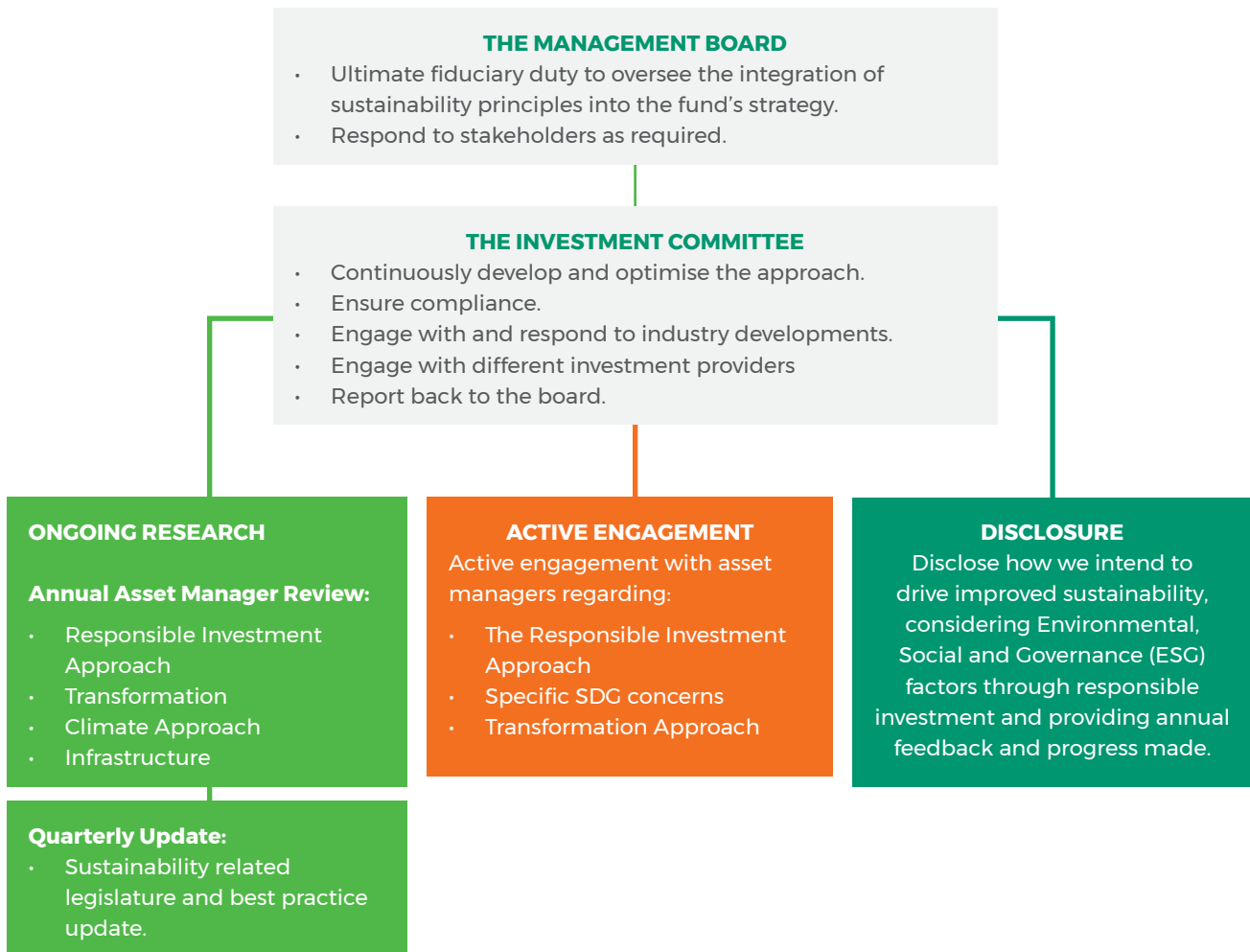


# OUR APPROACH TO SUSTAINABILITY AND TRANSFORMATION

Most of the current Old Mutual SuperFund investments consist of pooled, daily unitised, multi-asset class portfolios that comply with Regulation 28. Using pooled investments in either a collective investment scheme or a long-term insurance policy, means that Old Mutual SuperFund does not own the equity in underlying companies directly, but owns units within each portfolio.

However, leveraging our size, investment expertise and tenure in the South African retirement landscape we believe that we can influence appropriate Responsible Investment practices and Transformation through intentional active engagement and continuous monitoring.

## OUR CURRENT RESPONSIBLE INVESTMENT STRUCTURE AND APPROACH CONSISTS OF THE FOLLOWING:



“ Our commitment to Responsible Investment and Transformation is fundamental to the way we operate, safeguarding the interests of our members and contributing to a more sustainable future. ”



# ANNUAL ASSET MANAGER REVIEW



# ANNUAL ASSET MANAGER REVIEW

Every year, the Old Mutual SuperFund conducts a detailed review of all investment portfolios, with the assistance of our investment consultant, Old Mutual Corporate Consultants (a division of Fairbairn Consult).

The annual investment review includes a detailed survey which informs SuperFunds' engagement with asset managers regarding areas for development and continuous improvement. The survey further enables us to track progress by asset managers from year to year in respect of key metrics.

The review contains an analysis of quantitative and qualitative considerations which are all woven together to formulate a holistic understanding of the asset managers. Sustainability and Transformation form part of the qualitative considerations.

## 2024 review included the following relevant sections:

- **Responsible Investment Approach**
- **Transformation Approach**
- **Climate Change Approach**
- **Infrastructure Approach**

“ For the 2024 review, **41** asset managers responded, of which **19** currently have offerings provided by SuperFund. ”

All the Old Mutual SuperFund Choice asset managers responded to this review.

Our investment consultant also conducts a detailed review of the bespoke investment structures utilised by large sub-funds participating in the Old Mutual SuperFund Customised offering.



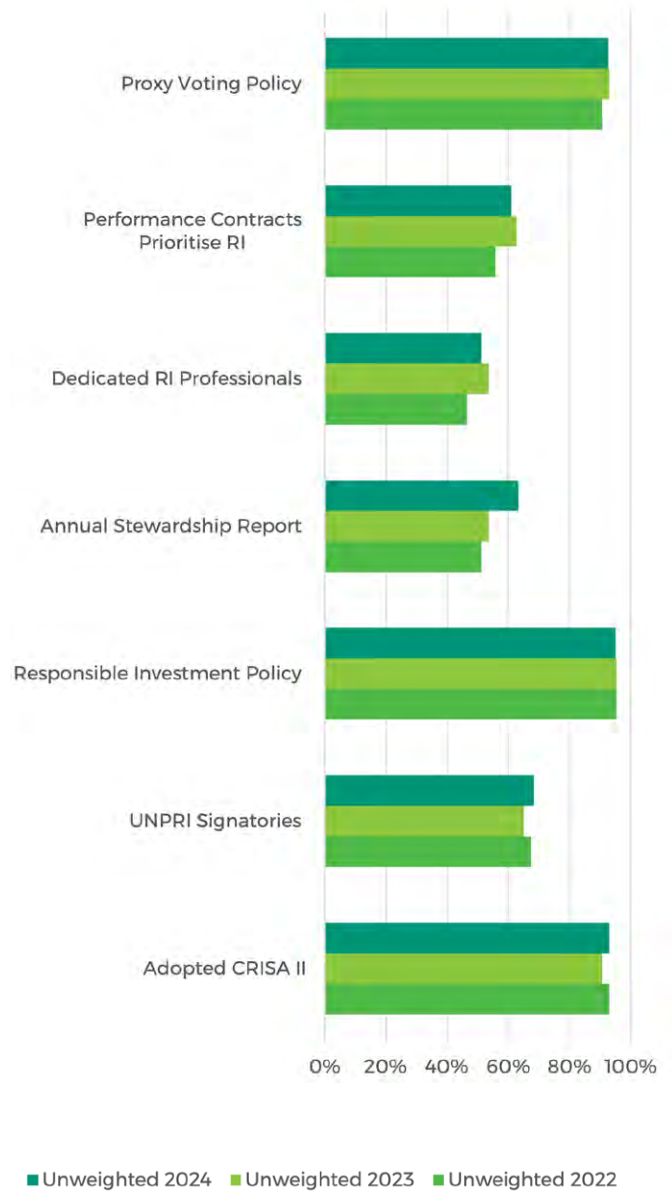


## RESPONSIBLE INVESTMENT APPROACH

RESPONSIBLE INVESTMENT PRACTICES OF  
**SUPERFUND ASSET MANAGERS**



RESPONSIBLE INVESTMENT PRACTICES OF  
**ALL RESPONDENTS**



Unweighted means counting the number of managers equally, regardless of how much they manage within SuperFund – all managers are treated the same.

Weighted by AUM (Assets Under Management) means the results reflect where most of SuperFund’s assets are invested. Managers with larger assets in SuperFund have a bigger impact on the results.

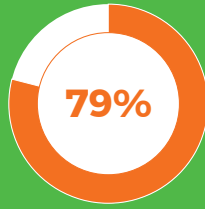


## AREAS OF SUCCESS

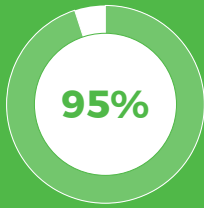
### OLD MUTUAL SUPERFUND ASSET MANAGERS



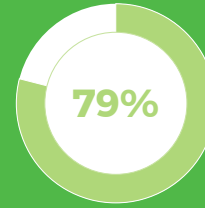
CRISA  
Adopters



UNPRI  
Signatories

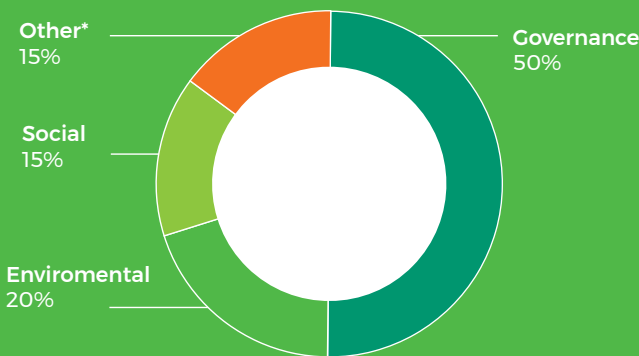


Responsible  
Investment Policies



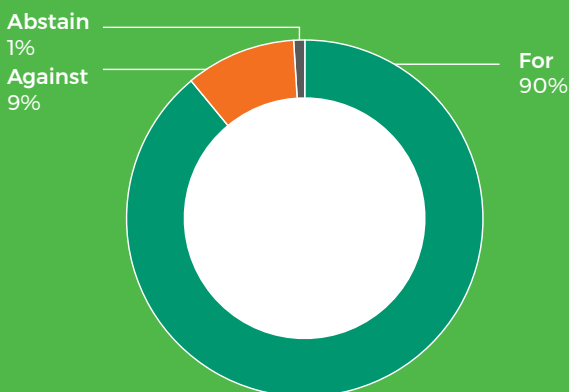
Stewardship  
Reports

### 1 895 INCUMBENT COMPANY ENGAGEMENTS



\*Other refers to engagements which are not related to ESG factors, such as seeking clarity on business direction, etc.

### 1 213 INCUMBENT PROXY VOTING OUTCOMES



## ROOM FOR GROWTH

### OLD MUTUAL SUPERFUND ASSET MANAGERS

**47%**

of incumbents have formal escalation procedures for unsuccessful company engagements.

### WHY IT MATTERS?

Escalation procedures are formalised steps taken when engagements with companies fail to yield satisfactory results. These procedures are designed to exert additional influence in an organised way on investee companies regarding areas of concern where progress has been insufficient. Without established escalation procedures, there is a risk that significant issues may not be resolved effectively, or that escalations with companies may be handled inconsistently.

**58%**

of incumbents engaged companies on ESG issues within their supply chain.

### WHY IT MATTERS?

Many suppliers to investee companies are private companies that do not face the same level of scrutiny as publicly listed companies regarding ESG issues and requirements. One way to ensure the desired global systemic change is achieved is by holding suppliers accountable to the same standards as the companies they serve.

“ Only one Old Mutual SuperFund manager does not set ESG Goals and Targets for underlying companies they invest in. This is an index tracking asset manager which manages assets on behalf of a Customised client. The Old Mutual SuperFund Investment Consultant has engaged, and the asset manager confirmed that they were reconsidering their position on ESG going forward. Old Mutual SuperFund continues to monitor this closely. ”



## MARKET TRENDS

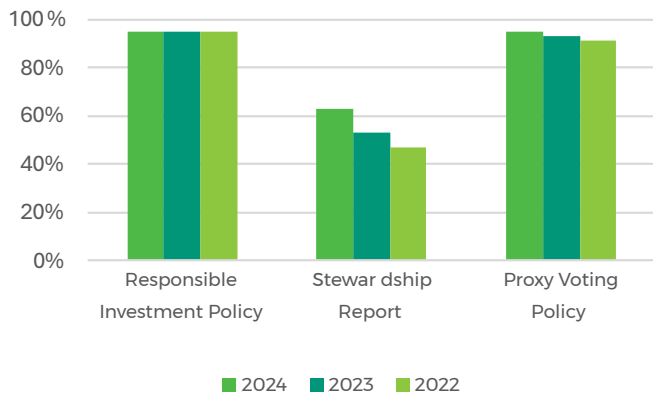
Market trends provide some insights into the responses of the 41 asset managers.

Over the years the following trends among the asset manager responses have been evident:

### REPORTING AND POLICIES

- A significant proportion of asset managers provide Responsible Investment Policies, but the clarity, commitment, and tangible actions within these policies vary greatly.
- There is an increasing percentage of Stewardship Reports being published with a number of managers in the process of developing such a report. Other managers do not produce these reports due to resource constraints.
- There is a steady increase in availability of Proxy Voting Policies according to the submissions provided. Most proxy voting policies primarily focus on Governance, with minimal reference to, or reporting on, Social and Environmental factor voting. Where the information was provided, Environmental and Social proxy voting accounted for only 0.3% of all proxy votes combined.

### REPORTS AND WRITTEN POLICIES AVAILABLE



## WHY IT MATTERS?

Well-written reports and policies tend to include:

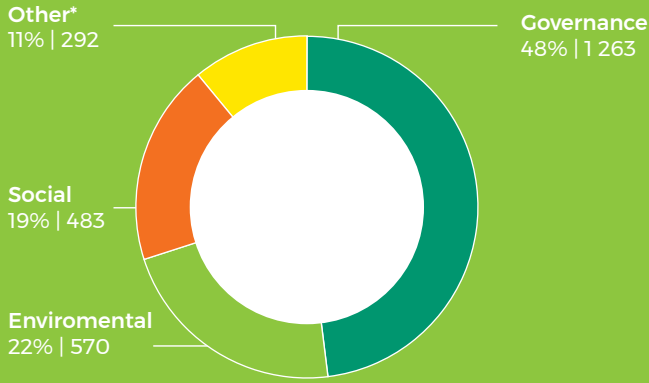
- How companies approach responsible investment and the asset manager's implementation. Such reports included an indication of escalation steps like engagement, consideration for exclusion and media outreach.
- Good sustainability reports tend to include a consolidated view of proxy votes and the number of engagements per ESG category, including the outcome of engagements with case studies.
- Sustainability or Stewardship reports include achievements and shortfalls for the year and a roadmap for the way forward.
- Proxy voting policies include not only Governance factors, but also Environmental and Social guidelines.



# STEWARDSHIP

20 of the 41 asset managers could provide a breakdown of their engagements by ESG factor.

## ASSET MANAGER ENGAGEMENT BREAKDOWN



\*Other refers to engagements which are not related to ESG factors, such as seeking clarity on business direction, etc.



## ASSET MANAGERS' ENGAGEMENTS



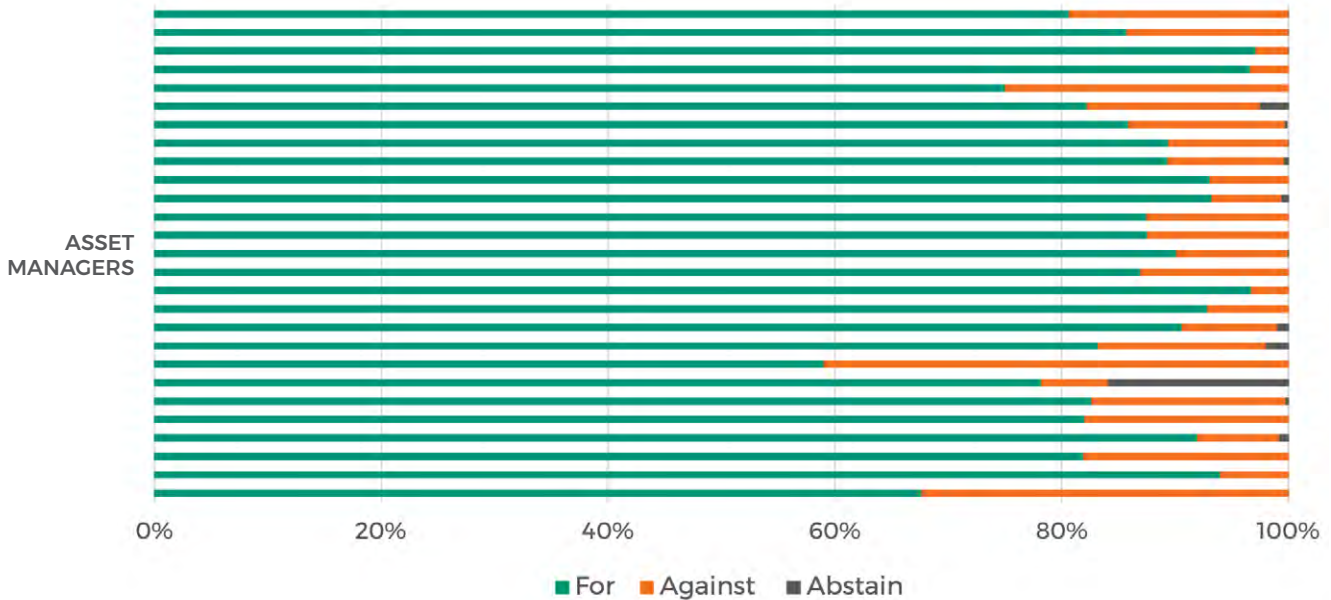
## WHY IT MATTERS?

- Effective company engagement is considered the most powerful tool for driving desired sustainability changes. For large changes, engagements can run over several meetings and even years.
- Globally, there are 17 UN SDGs, which are supported by 169 targets and 232 measurable indicators. It is not always possible for asset managers to address each of these for every company.
- The survey findings revealed that some asset managers focused more on environmental factors, while others gave greater attention to social factors in their company engagements with one manager only focused on governance.
- Understanding the asset managers' focus on ESG issues enables the Investment Committee to engage more effectively on the changes the asset managers seek to implement.

# PROXY VOTING

While proxy votes cast per manager are generally always available only 27 of the 41 asset managers provided a breakdown of their voting into a consolidated “For”, “Against” and “Abstain” in the summary set out below for the year.

## PROXY VOTING OUTCOMES



## WHY IT MATTERS?

For proxy votes it is important to note that many asset managers often resolve issues through discussions with management prior to company Annual General Meetings (AGMs). Hence, we consider this as an indication of where there was a difference of opinion between management and the asset managers.

It is important for asset managers to vote on shares to ensure that the companies they invest in align with the best interests of stakeholders, promoting long-term value and corporate responsibility. Whether the asset manager votes for or against, it signals that they have thoughtfully evaluated the decision and its impact on the company.

**Asset Managers tend to abstain from voting for the following reasons:**

- Conflict of Interest
- Ethical Dilemmas and
- Insufficient information



# TRANSFORMATION APPROACH

## AREAS OF SUCCESS

OLD MUTUAL SUPERFUND ASSET MANAGERS

# 99%

of the Fund's assets are managed by Level 1 or Level 2 B-BBEE contributors.

# 100%

of the Fund's asset managers have skills development programmes in place.

## GUIDING THOUGHTS

- B-BBEE scorecards are made of different facets, including ownership, management control, skills development, enterprise and supplier development and socio-economic development.
- Achieving a good B-BBEE score can therefore be attained in different ways.
- The overall empowerment rating of the asset manager provides a good proxy measure of the firm's overarching commitment to Transformation and B-BBEE.
- The Funds consider the trend in respect of the empowerment rating over a period of 5 years, to identify progress in respect of Transformation over time.

## ROOM FOR GROWTH

# 9/19

asset managers used by Old Mutual SuperFund have more than 51% Black Ownership. However, if the look-through principle\* is applied to the portfolios, then this figure changes to 72% of the Old Mutual SuperFund Assets.

Average Black Female Ownership tends to lag the Financial Sector Transformation Council (FSTC) goal of 30% both for SuperFund asset managers and the total respondents.

\* The look through principle is a way of looking past structures to understand the true nature of the underlying investments.

## WHY IT MATTERS?

SuperFund considers several factors to understand the asset manager's Transformation approach in more detail. Including:

- The Transformation approach of the firm in driving Transformation in the industry such as support of black brokerage houses and driving Transformation in investee companies.
- The diversity of the investment team where attention is paid to the skills development programmes that are in place, what progress in respect of these programmes is made over time, and whether the firm has measurable, time specific goals to increase these levels.
- Intent of the asset managers over time, by analysing new hires and staff losses as well as promotions per demographic in the investment teams.



As a Proudly South African Fund we are driven to continue improving on these metrics through annual analysis, continuous active engagement and robust decision making.





## OLD MUTUAL SUPERFUND AND TOTAL RESPONDENTS

### TRANSFORMATION ALL RESPONDENTS



### TRANSFORMATION SUPERFUND MANAGERS



Unweighted means counting the number of managers equally, regardless of how much they manage within SuperFund – all managers are treated the same.

Weighted by AUM (Assets Under Management) means the results reflect where most of SuperFund’s assets are invested. Managers with larger assets in SuperFund have a bigger impact on the results.



## MARKET TRENDS

Market trends provide some insights into the responses of all 41 responding asset managers.

There has been a strong improvement in B-BBEE levels over a six-year period, with 93% of Respondents being either level 1 or 2 B-BBEE contributors in the 2024 survey, compared to 64% in 2018. It is worth noting that meaningful change happens over time as opposed to once off activities or incentives.

No respondents were rated a level 5 and lower on their B-BBEE scorecards compared to 18% of respondents in 2018.

In the 2024 survey, 58% of respondents were more than 51% Black Owned compared to 56% in 2023, and Gender diversity has remained relatively consistent compared to 2023, with 24% of firms being more than 30% Black Women Owned and 22% of all portfolio managers being women.

“ In the 2024 survey, **58%** of respondents were more than **51%** Black Owned compared to **56%** in 2023 ”

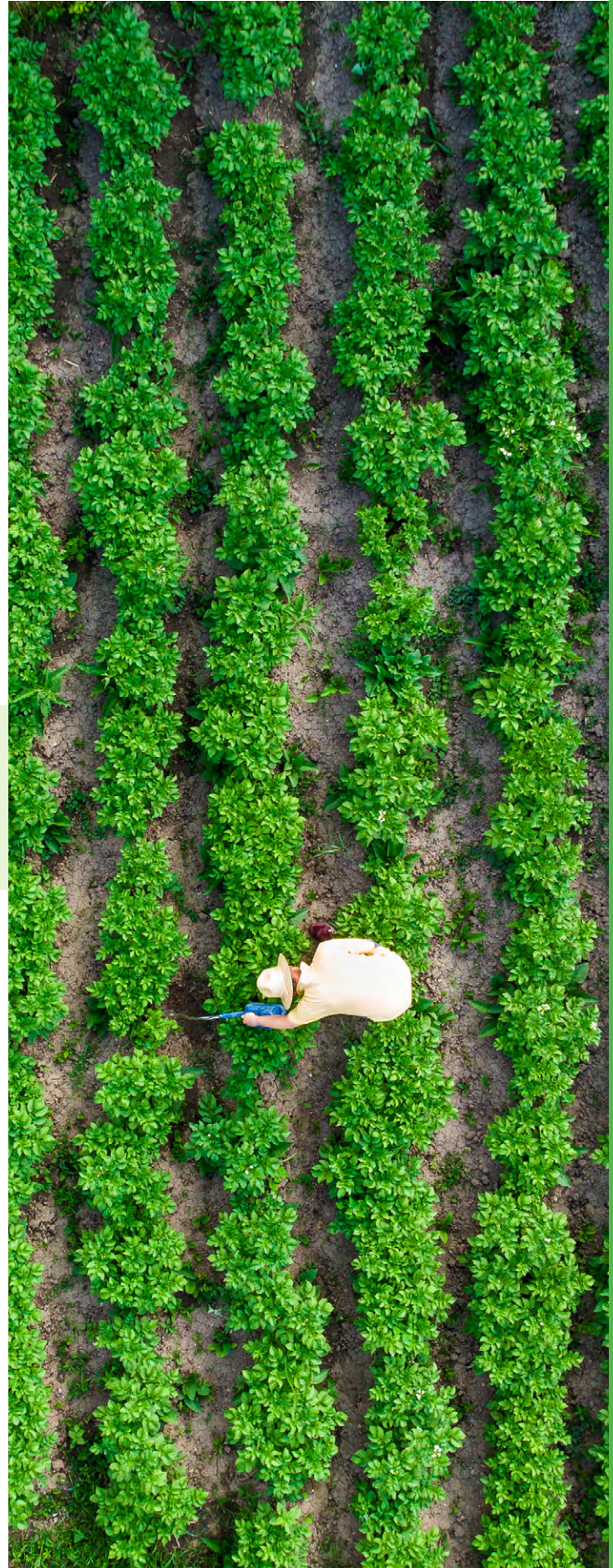
## WHY IT MATTERS?

More and more asset managers are transforming their ownership to more than 50% black owned.

Black ownership transfer is done in two different ways:

- Bulk transfer/deal to select individuals, single company or trust structure or
- Broad based inclusion and distribution of shares open to black individuals willing to participate

According to Mercer Research conducted in 2023, only 14% of asset manager decision makers, globally, were women. South African asset management industry appears to be faring better on this metric at 21% according to this due diligence.





# CLIMATE CHANGE APPROACH

## AREAS OF SUCCESS

# 99%

weighted AUM Reference to Climate Change in Policies which is an improvement from 90% in 2023.

# 78%

of SuperFund asset managers by number reference to climate change in policies compared to 56% of total respondents in 2023.

# 78%

of SuperFund asset managers by number can report on at least one carbon metric at portfolio level compared to 64% of the total respondents in 2023.

## WHY IT MATTERS?

- Climate Risk was first introduced in the 2020 review with an objective to monitor the asset managers' alignment with global best practices aimed at reducing carbon emissions through monitoring and engagement efforts.
- Managers who are part of the Net Zero Asset Managers' initiative are required to make climate change commitments and adhere to a time-based plan to reach Net Zero by 2050. Should carbon targets not be met by companies over time, these managers may need to exclude or limit high emitters from their portfolios in future.

## ROOM FOR GROWTH

# 37%

of current SuperFund asset managers by number currently encourage disclosure of the standards as published by International Sustainability Standards Board (ISSB) which contain many of the required disclosures as required by the initial Taskforce for Climate Related Financial Disclosures (TCFD).

# 11%

Old Mutual SuperFund managers currently encourage Taskforce for Nature Related Financial Disclosures.

## WHY IT MATTERS?

As the Taskforce on Climate Related Financial Disclosures (TCFD) have matured and incorporated in ISSB, other reporting taskforces have emerged including:

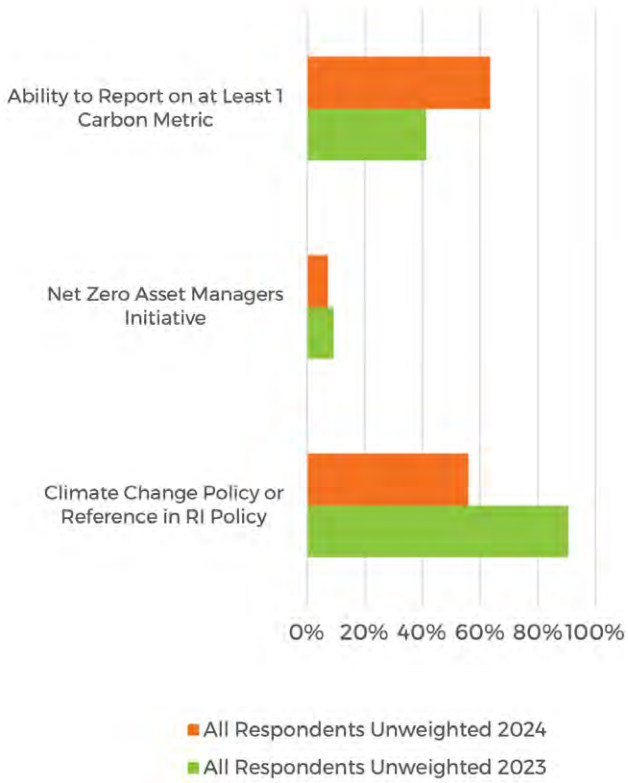
- Taskforce on Inequality and Social -related Financial Disclosures (TIFD) and
- Taskforce on Nature Related Financial Disclosures (TNFD).

Similar to the TCFD taking time to gain momentum, we expect that these additional taskforces will take time to implement.

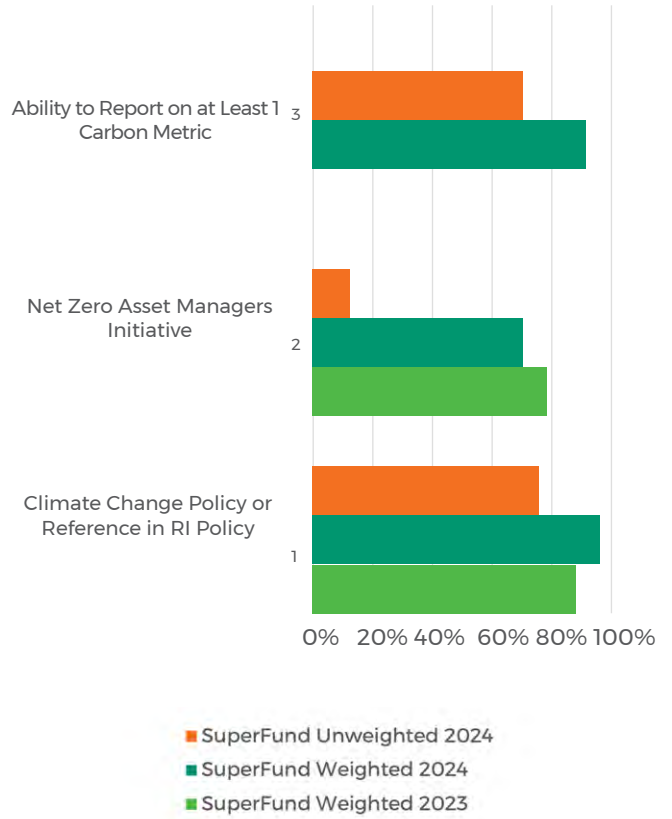


## CLIMATE CHANGE

CLIMATE CHANGE PRACTICES OF  
**ALL RESPONDENTS**



CLIMATE CHANGE PRACTICES OF  
**SUPERFUND INCUMBENTS**





# MARKET TRENDS

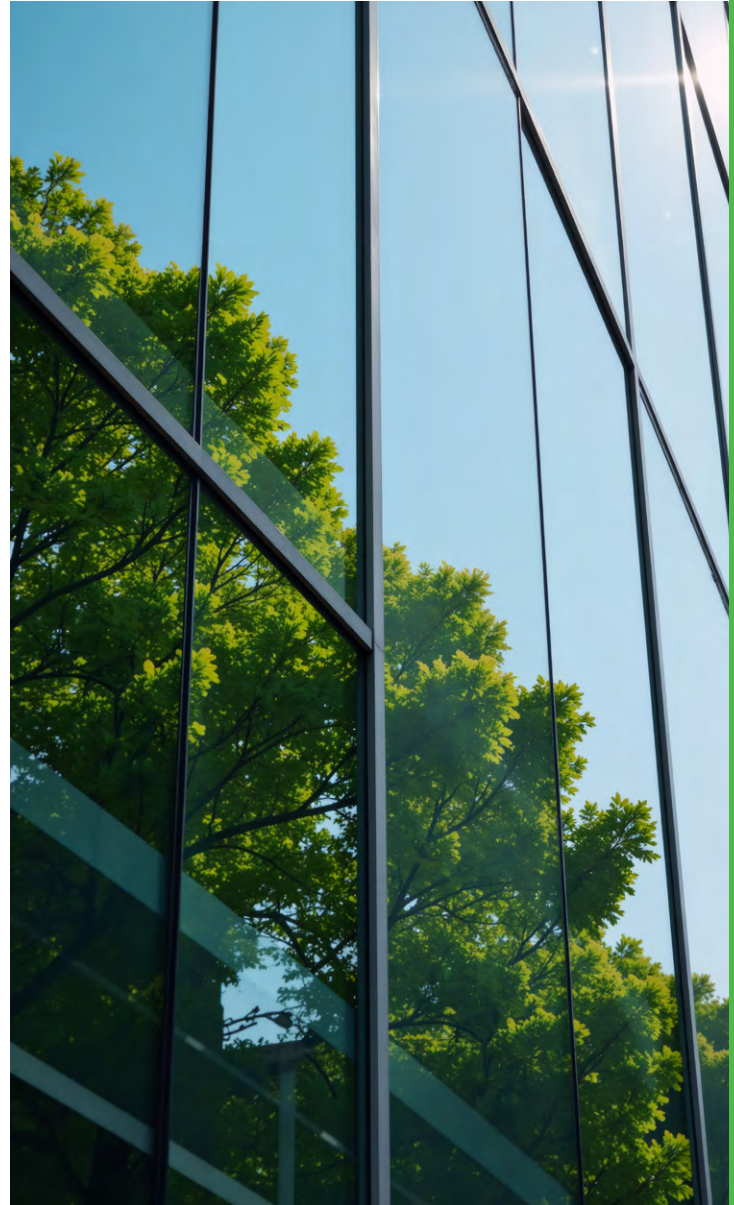
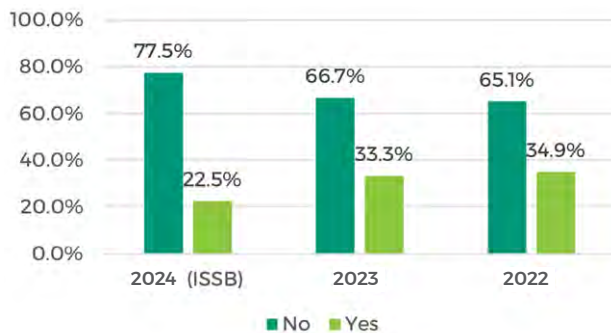
Market trends provide some insights into the responses of the 41 reviewed asset managers which have responded.

TCFD was incorporated as part of the ISSB which is an independent board under the oversight of International Financial Reporting Standards Foundation. While asset managers have been doing some work in promoting TCFD over the years the ISSB disclosures need to be mapped appropriately.

The graph below illustrates the overall percentage of managers which are supporters of TCFD for 2022 and 2023 and those encouraging ISSB disclosures for 2024. Some asset managers support additional disclosures in general but don't explicitly promote ISSB.

64% of respondents indicated that they are able to calculate at least one of the carbon metrics at portfolio level showing a continuous improvement compared to previous years, 59% in 2023 and 54% in 2022.

## ENCOURAGE TCFD DISCLOSURES



64% of respondents indicated that they are able to calculate at least one of the carbon metrics at portfolio level showing a continuous improvement compared to previous years, 59% in 2023 and 54% in 2022.





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