



INVESTING FOR A FUTURE THAT MATTERS

OLDMUTUAL

INVESTMENT GROUP MACROSOLUTIONS

INVEST WITH PERSPECTIVE

AUGUST 2020

MacroSolutions manages the following Profile Portfolios for the Old Mutual Superfund:
EDGE 28, CPI + 6% | BALANCED, CPI + 5% | MODERATE, CPI + 4% | CAPITAL, CPI + 3%

HOW WE INTEGRATE ESG

Responsible investment is important. It is relevant. And we engage with it on a daily basis. We incorporate ESG factors into our investment and ownership decisions. We do this by:

- firstly, whether to own an asset (pre-trade) and,
- secondly, influencing the outcomes on assets that we already own (post-trade).

“When material issues arise that we think could damage or enhance shareholder value, we actively lobby for change.”

PETER BROOKE
Macrosolutions', Boutique Head

THE RESPONSIBLE INVESTORS: PRE-TRADE

The first stage of incorporating ESG factors into our decision-making happens when we review an investment for inclusion in our portfolios. Our philosophy incorporates a uniquely two-dimensional investment approach of “Theme” and “Price”, on an equally weighted basis. Under Theme, in addition to considering the macroeconomic environment that drives the performance of the investment, we also consider industry dynamics and company specifics. In doing so, we look for any environmental, governance or social issues that may impact the investment now or in the future. Most often, these issues screen as negative themes and form part of our decision not to own a company.

OWNERS: POST-TRADE

Given the small universe of shares in South Africa, it is in our interests to actively engage with companies in order to get the best long-term outcomes for our clients. We invest in a company with an expected time horizon of around five to 10 years. As long-term investors, we need those companies to do the right thing – whether that be how they allocate capital, remunerate themselves or invest to grow. Decisions made by companies today impact their longer-term sustainability and hence the investment outcomes for our clients.

While we can draw on the expertise of our Responsible Investment team as specialists on ESG-related engagement, the responsibility to ensure that companies do the right thing sits with the portfolio manager. As active custodians, we regularly vote on company resolutions (see our Responsible Ownership Report, click here to access <https://www.oldmutualinvest.com/institutional/responsible-investing>). Our level of engagement is much more than just proxy voting.

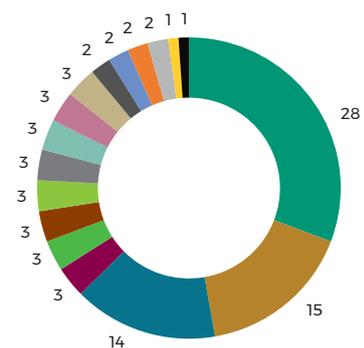
By integrating ESG considerations into our investment framework we have managed to avoid owning a number of “landmines”. For those companies that we do own, we actively engage with their leadership, through voting and lobbying for change, to drive the best possible outcome for long-term value.

As custodians of our clients' wealth, we are focused on delivering returns sustainably and our philosophy of “Theme” and “Price” has worked well in growing and protecting our clients' capital.

WE ARE ACTIVE OWNERS | 2019

- **Proxy voting** | We engaged with a total of 120 705 ballots at 359 company meetings.
- **Company engagements** | We engaged 31 companies on 93 key ESG issues.
- We closed out approximately 20% of all 2019 engagements by year-end.
- As in 2018, 2019 remuneration engagements still make up most ESG engagements.
- It is interesting to see environment engagements having the second highest number for 2019 – this is evidence of our key commitment to address environmental risk in our investee companies.

NUMBER OF ENGAGEMENTS



- Remuneration (Policy)
- Environment (Climate change)
- Executive Compensation
- Audit quality
- Board (succession)
- Capital structure/share capital
- CEO
- Corporate governance (unspecified)
- ESG risk management
- Privacy & data security
- Succession planning
- Environment (carbon emissions)
- Environment (unspecified)
- Remuneration (metrics/measurement)
- Social (unspecified)
- Environment (waste)
- ESG integration

REGULATORY INFORMATION:

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