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OUR APPROACH TO RESPONSIBLE INVESTMENT

Our approach to Responsible Investment is motivated by a clear understanding that environmental, social and governance (ESG) issues can and do impact returns. We are bound by a fiduciary duty to our clients to address these issues and, importantly, by a belief that it's both the right and smart thing to do.

Old Mutual Investment Group is guided by a publicly available Responsible Investment policy that commits us to integrate ESG issues across all of our investment and ownership capabilities.

See our policies at www.oldmutualinvest.com

From a responsible investment perspective, 2018 was a milestone year for the South African market. The investment community became acutely aware of the need to work collectively to address ESG issues, the JSE developed new market regulation to strengthen governance, and the Financial Sector Conduct Authority (FSCA) launched pension fund sustainability reporting guidelines for comment.

For Old Mutual Investment Group, our resolve and commitment to responsible investment is as strong as ever. The journey we began in 2010 is gaining momentum, yet remains focused on two priority areas:

1. Deepening our ESG research and integration practices.
2. Focusing our capabilities on investment solutions that address long-term sustainability issues (for example, renewable energy, education, ESG indices).

SPECIALIST SKILLS

We have a team of 11 full-time professionals working on a range of ESG issues across our investment capabilities. These specialists all bring deep insight into their respective areas of practice, which cuts across our private equity, infrastructure, development impact, agriculture, fixed income and listed equities capabilities. The team works across a range of sectors and geographies and brings a unique insight into investment risk and opportunity.

HARNESSING ESG DATA IN LISTED EQUITY

Leveraging both quantitative and qualitative insights means that we can stay on top of ESG issues as they arise in the listed markets. During 2018 we developed an algorithm that processes ESG data into a proprietary ESG score. We can then use this ESG score in our quantitative equity strategies and separately to focus qualitative ESG research across our fundamental equity strategies.

LISTED EQUITY STEWARDSHIP

Another important component of our responsible investment commitment is our Listed Equity Stewardship programme, which cuts across some R300 billion of client holdings. In July 2018, we set out a clear position concerning our expectations of listed companies in relation to ethical leadership, tackling transformation and integrating ESG issues into their

long-term business strategies. Our position was communicated in an open letter to the CEOs of the largest listed companies in South Africa and supported by direct engagements thereafter.

DRIVING GREEN GROWTH THROUGH ALTERNATIVES

Across Old Mutual Alternative Investments (OMAI), Old Mutual Specialised Finance and Futuregrowth – all part of Old Mutual Investment Group – we manage approximately R122 billion of our clients' capital in green economy investments, both debt and equity. These businesses are a constructive voice across a range of national interest issues such as renewable energy, land reform and governance at State-owned entities. Across OMAI we further enhanced our ESG integration practices by investing in additional specialist skills and through investments in the systems to track and report on impact data. We now have the

systems to track and report on the contribution our clients' capital makes towards the United Nations Sustainable Development Goals (SDGs).

DRIVING INNOVATION

A standout innovation that we brought to the market in 2018 was our ESG Index Fund range for retail investors. This range was a first for South Africa and was built on our experience of offering similar products to the institutional market – where we currently have in excess of R10 billion of our clients' capital in ESG index products. These passive, low-cost products are designed to offer investors the opportunity to achieve benchmark-like returns by holding a basket of companies that is measurably better for the planet. In 2019 we'll continue to place responsible investment at the heart of our business, with an unrelenting focus on adding value to our clients' portfolios while at the same time contributing towards a future that matters. 🌱