OLDMUTUAL

INVESTING WITH SIGNIFICANCE

OMAI Sustainability Report

ALTERNATIVE INVESTMENTS

Old Mutual Alternative Investments is one of Africa's largest private alternative investment managers, with R59.76 billion (USD 4.07 billion)* under management in infrastructure, private equity, and impact investing assets.

*as at 31 December 2020

Purpose of **Report**

The overall purpose of this report is to provide insights into our business and our investments beyond more than just financial returns. We have adopted various international ESG standards and frameworks, using the United Nations Sustainable Development Goals as the topline framework to drive positive outcomes. The report provides an OMAI wide and business unit-level view of our ESG approach, our focus areas, ESG performance, and what ESG topics we think are important to take note of. We seek to understand our footprint, assess what is possible to change in that footprint, then drive and measure that positive outcome.

Report **Structure**

- INTRODUCTION
- LEADERSHIP MESSAGE
- ESG TRENDS
- ESG PERFORMANCE
- SUSTAINABILITY INSIGHTS

Four Focus Area Highlights

Climate action

3.71

Million tons CO2 equivalent offset

Gender equality

42%

Female employees

Decent work

29,178

Jobs

Governance

38%

Old Mutual representation on boards

Our Investments

AIIM

African Infrastructure Investment Managers (AIIM) has 19 years of unmatched infrastructure investment experience across the African continent with investments throughout Sub-Saharan Africa and R28.57 billion (USD 1.9 billion) * AUM. AIIM's 33-member strong investment team are based out of five locally staffed offices across the continent, providing local experience and expertise. The track record extends across seven funds with more than 60 investments across the transport, renewable energy, power generation, digital and communication infrastructure sectors in 19 countries.

AIIM's objective is to target investments with potential to produce strong long-term returns and simultaneously result in positive social and environmental impact. Our commitment to responsible investment is central to AIIM's investment objectives and to fulfilling our fiduciary duties towards our shareholders and beneficiaries. We believe that embedding environmental, social and governance thinking into our investment decision making is critical and is followed closely by seeking to unlock positive impacts for project stakeholders and communities.

*as at 31 December 2020

Wind power	Solar power	Hydropower	Ports & Logistics	Airports	TeleComms
11	20	1	2	4	10

Digital	Midstream gas	Roads	Social property	Thermal power
3	3	3	4	5

OMPE

Old Mutual Private Equity (OMPE) is a leading private equity manager in South Africa, founded in 2000 to source, negotiate and manage private equity investments in South Africa. OMPE is one of the most established and respected private equity managers in South Africa with more than 100 years of combined relevant experience. Over the last two decades, the team has collectively invested R9 billion in 31 private equity transactions and realised 19 exits. The team, which currently manages private equity assets of more than R8.92 billion (USD 607 million) *, inclusive of its recently deployed OMPE Fund IV, has worked together for 15 years.

OMPE recognises that the successful management of private equity investments must be cognisant of the needs and priorities of all stakeholders. OMPE views the commitment to ESG factors as part of its broader responsibility to clients, shareholders and the communities in which it operates. Implementing ESG standards is at the core of our integrated investment process. We focus on investing responsibly to create long-term sustainable value.

*as at 31 December 2020

Media & Entertainment	Financial services	Retail	Healthcare	FMCG manufacturing
2	1	3	1	1

IMPACT INVESTING

The Impact Investing fund manager has been a leader in generating positive social and environmental impact alongside financial returns since 2007, identifying assets and regions where gaps or backlogs in social infrastructure have been identified. We seek to create commercially sustainable investments that provide large scale positive impact which benefit lower to middle income communities, particularly in affordable housing and quality education. Our team manages more than R7.84 billion (USD 534 million) * across a range of funds.

We are committed to ensuring that all investment decision-making is grounded in our commitment to responsible investing. Environmental, social and governance (ESG) factors are at the forefront of our investment decisions. Our commitment to create positive impact is evident in our housing portfolio where 33% of our Greenfields rental portfolio achieved green building certification, conserving water and energy. The quality of education in our schools' portfolio is evident in the excellent matric results achieved year-on-year.

*as at 31 December 2020

Schools	Rental units	Student Beds	Frail care beds	Life-right units
41	7,298	7,669	91	1,179

Housing opportunities	Mortgage loan
18,531 developed since inception	1,173

Introduction

Our Approach

Our commitment to responsible investment is central to our investment objectives and to fulfilling our fiduciary duties towards our shareholders and beneficiaries. We believe that embedding environmental, social and governance (ESG) thinking into our investment decision-making is critical if we want to create positive futures and sustainable, superior, risk-adjusted returns for our clients. We have adopted an ESG and Impact Management Framework to achieve our vision of continual improvement in ESG performance.

We apply an equal focus on risk management and positive impact outcomes. We seek to deeply understand the trade-offs posed by investments, being thoughtful in our investment decisions, purposefully acting to be part of the solution in facing global ESG challenges.

Values & Drivers

Our ESG approach is underpinned by the following objectives:

CREATION OF POSITIVE FUTURES

We want to create positive futures for those affected by our investments, resulting in improved living standards, education, housing, employment opportunities and stewardship of ecosystems in which we operate. To achieve this, we must move beyond a narrow focus on commercial/financial returns and proactively seek investment opportunities that create value through positive sustainability outcomes.

SUSTAINABLE, RISK-ADJUSTED RETURNS

We undertake a holistic risk management approach by integrating ESG into our investment process. We strive for sustainable returns – returns that are achievable over the longer term, and we calibrate risk-adjusted returns – returns that have predicted and built in the cost of managing ESG risk and delivering improved ESG performance.

GREEN ECONOMY

'Green economic growth' refers to an economic growth path that is profit-driven but also socially inclusive, resource efficient and low carbon. The term has been adopted globally as a counter-concept to traditional industrial economic growth, which focuses on increasing Gross Domestic Product above all other goals. We actively support investments into this Green Economy.

Negative vs Positive

Management of negative and positive potential impacts is equally important. Management of potential negative impacts from our investments is undertaken through our ESG risk management practices. Management of potential positive impacts is undertaken through our ESG value creation and positive impact practices. Both are managed throughout the investment lifecycle, with risk management ('do no harm') being the foundation of every investment. Each of our capabilities has a fit-for-purpose environmental and social management system (ESMS).

The ESMS is the system that drives the management of ESG risk and optimisation of positive impact. Impact measurement and management falls under the processes of the ESMS.

Four Focus Areas

To achieve meaningful, significant positive outcomes through our investment practices, OMAI has selected four key focus areas from a group-wide perspective.
The four focus areas are:

CLIMATE CHANGE | DECENT WORK | DIVERSITY | GOVERNANCE

Under these broad focus areas, we find our asset classes provide opportunity for positive impact through the themes of energy, carbon, social aspects, infrastructure, housing, education and governance. We align these themes with specific United Nations Sustainable Development Goals. Our investment professionals understand that each of these themes are critical in every investment.

UN SDGs - The top-line goals to drive toward

The United Nations Sustainable Development Goals (SDGs) is a set of 17 goals which act as a successor to the Millennium Development Goals. These goals were adopted at the Sustainable Development Summit on 25-27 September 2015 in New York, and are now considered the primary global benchmark for institutions seeking to achieve sustainable development in their business, activities and investments. From a portfolio company perspective, ESG metrics and information can be mapped to the broad goals of an SDG.

We have assessed the 17 SDGs in the context of our current and potential future set of portfolio assets. Including the four key themes, we have selected those SDGs which we believe we are able to influence in terms of outcomes across our broad portfolio and those that are also relevant within our context.
Our guiding philosophy here has been to focus on where we can practically make a difference and consequently target our efforts in these areas. Within each of the SDG categories selected, we have chosen specific metrics that we believe can best guide our efforts in these areas.

Our investments are particularly aligned with the following SDGs:

INDIRECTLY OMAI ALSO CONTRIBUTES TO SDG: 01 NO POVERTY

SDG: 04 QUALITY EDUCATION

SDG: 05 GENDER EQUALITY

SDG: 06 CLEAN WATER 7 SANITATION

SDG: 08 DECENT WORK AND ECONOMIC GROWTH

SDG: 09 INDUSTRY, INNOVATION, INFRASTRUCTURES

SDG: 10 REDUCES INEQUALITY TRANSFORMATION IN THE SOUTH AFRICAN CONTEXT

SDG: 12 RESPONSIBLE CONSUMPTION & PRODUCTION

SDG: 13 CLIMATE ACTION

SDG: 16 PEACE, JUSTICE & STRONG INSTITUTIONS - GOVERNANCE

AIIM also focusses on:

SDG: 07 AFFORDABLE & CLEAN ENERGY

Impact funds also focus on:

SDG: 11 SUSTAINABLE CITIES AND COMMUNITIES

Standards and Guidelines

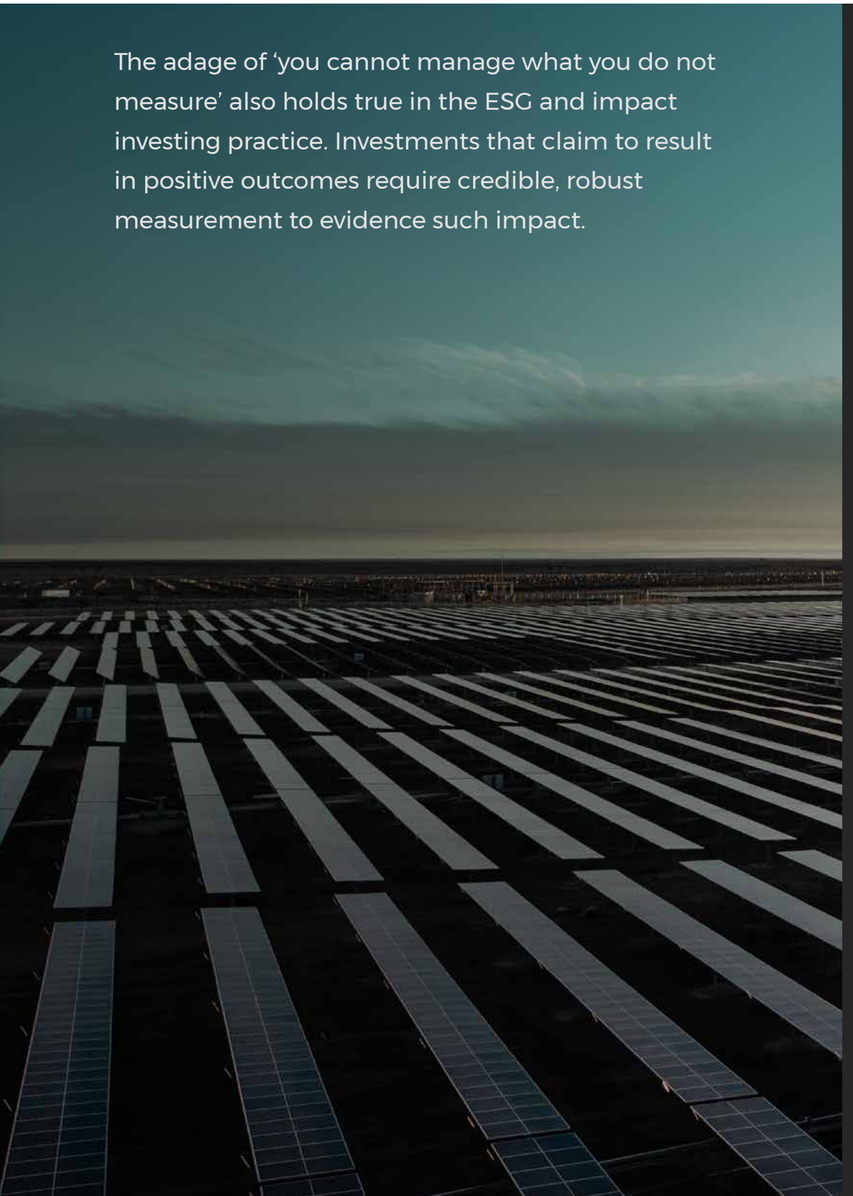
We are committed to implementing best ESG international practice appropriate for the nature of our investments. Standards and guidelines that we adhere to include:

- Applicable country(s) ESG-related legislation
- United Nations Principles for Responsible Investment (signatory status)
- United Nations Global Compact (participant status through Old Mutual Limited)
- United Nations Guiding Principles on Business and Human Rights
- United Nations Sustainable Development Goals
- Equator Principles
- International Finance Corporation Performance Standards
- International Finance Corporation / World Bank EHS Guidelines
- International Labour Organisation
- Task Force on Climate-related Financial Disclosures (TCFD)
- Sustainability Accounting Standards Board (SASB) Materiality
- 2x Challenge
- Institutional Limited Partners Association (ILPA) Diversity in Action
- King IV Code for Corporate Governance

Impact Investing and other identified impact investments across OMAI adhere to the following impact investing-related standards and guidelines:

United Nations Sustainable Development Goals Impact Framework
Global Impact Investing Network (GIIN) Framework (member status)
IFC Operating Principles for Impact Management (signatory status)

Approach to Impact Measurement



The adage of 'you cannot manage what you do not measure' also holds true in the ESG and impact investing practice. Investments that claim to result in positive outcomes require credible, robust measurement to evidence such impact.

The IFC has identified three dominant frameworks adopted for impact 'measurement' frameworks which they refer to as archetypes. These include:

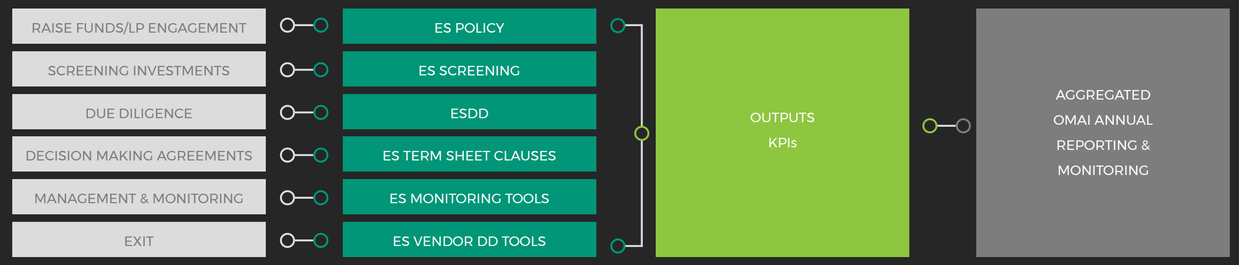
- Impact target archetype (actual measurement of defined metrics against a target/goal)
- Impact rating archetype (a qualitative assessment of the significance of the impact)
- Impact monetisation archetype (a quantitative calculation of the degree of impact)

It is critical to identify that there is a difference between 'measurement' and 'rating', and that these are not mutually exclusive archetypes. Our primary approach is the impact target archetype. Measurement of relevant metrics is undertaken to assess progress or lack thereof.

To understand which metrics should be measured for positive impact, OMAI uses a Theory of Change approach. The Theory of Change explains the process of change that is expected to occur as a result of the activities that are implemented by the investment. It does this through outlining the change pathways toward a desired end impact, identifying the casual linkages along the pathways. We have mapped out Theories of Change at an asset class level for our impact investing activities.

OMAI also uses the dimensions of impact as defined by the Impact Management Project to establish the nature and extent of positive impact.

Our Environmental and Social Management System (ESMS)



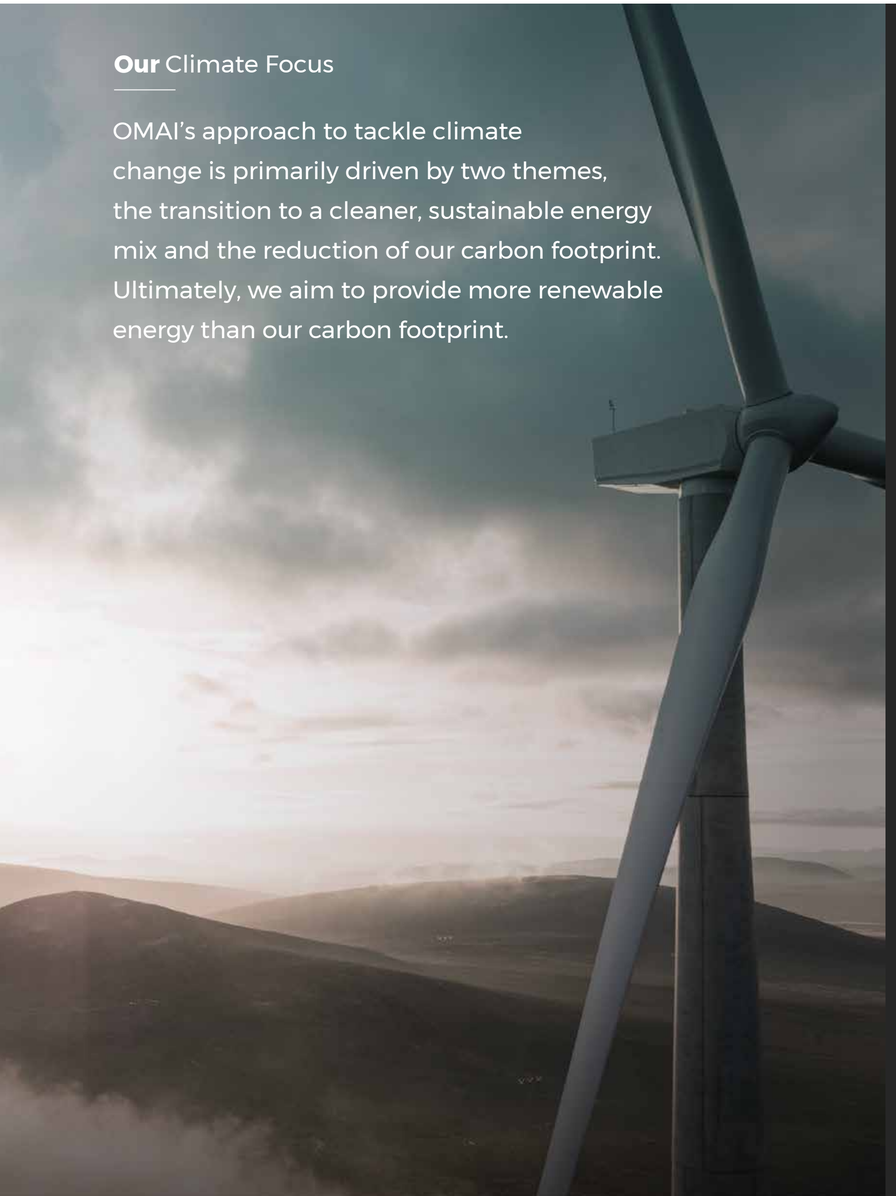
We have developed and implemented an integrated ESMS as a robust and embedded approach to addressing environmental and social management requirements across our fund portfolios and a framework for more efficient and transparent ESG reporting to our stakeholders.

The ESMS is fit-for-purpose for each of our four capabilities: it is made up of a set of policies, procedures, tools, and reporting guidance customised for the capability funds to help them identify, assess, manage and report on ESG risks associated with their assets and portfolio companies, and identify opportunities for positive impact. The ESMS is designed to fully integrate ESG into our investment lifecycle.

The ESMS allows us to:

- Integrate ESG issues directly into the investment decision-making processes
- Set clear requirements for its portfolio companies to develop and implement ESG systems to ensure they can meet our ESG standards:
- Provide a framework for reporting and disclosure on ESG aspects to OMAI by our portfolio companies; and
- Work in partnership with our portfolio companies to help them identify and implement ESG opportunities and create sustainable value-add to enhance their overall financial performance.

Climate Change



Our Climate Focus

OMAI's approach to tackle climate change is primarily driven by two themes, the transition to a cleaner, sustainable energy mix and the reduction of our carbon footprint. Ultimately, we aim to provide more renewable energy than our carbon footprint.

UN SDG 7: Affordable and clean energy

Through the infrastructure fund manager, African Infrastructure Investment Managers (AIIM), we directly contribute to climate action and UN SDG 7 through the Energy theme. Specifically, our investments provide access to affordable, reliable, and modern energy services (target 7.1) and substantially increase the share of renewable energy in the energy mix (target 7.2). AIIM has invested in and manages 32 large-scale renewables facilities with a total installed capacity of 2.32 gigawatts (GW). In 2020 alone, AIIM-managed facilities produced 3,521 gigawatt hours (GWh) of renewable energy, equivalent to powering 1,071,901 middle-income homes with clean energy. Many of these facilities have been invested in through the highly successful Renewable Energy Independent Power Producer Procurement (REIPPP) program in South Africa, providing 29% of installed renewable energy capacity in South Africa. For a detailed breakdown of our tracked progress please see the ESG performance under the Energy theme.

Lesedi and Letsatsi are two examples of the 32 renewable energy facilities achieving these outcomes. The two 69 megawatt (MW) solar photovoltaic plants have produced an average of 295,000 megawatt hours (MWhr) of renewable energy every year, resulting in annual emissions offset of about 297,000 tons of carbon dioxide equivalents (tCO_2e). Read the case study.

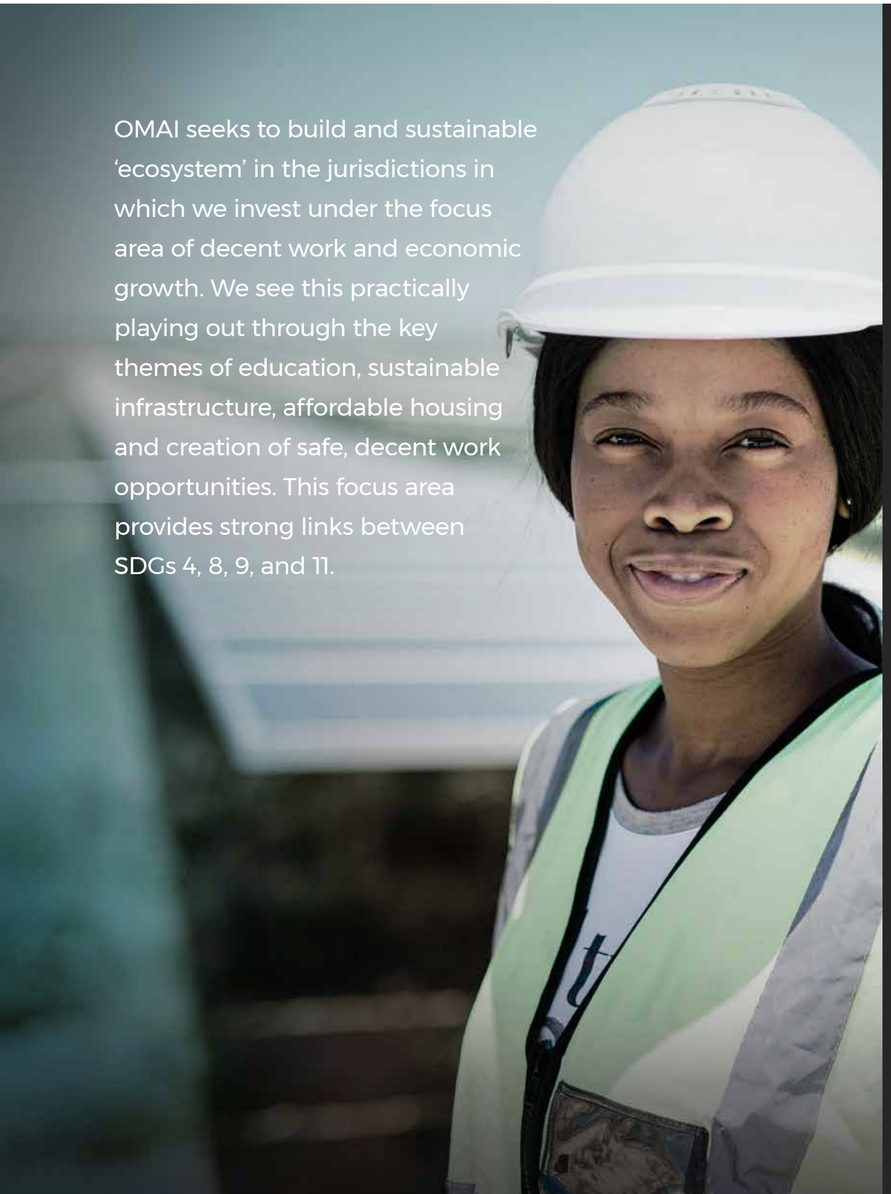
AIIM's investments into the off-grid power sector is also contributing to transitioning the energy mix. Our investments into two portfolio companies focused on solar home systems (BBOXX and DC Go) and two companies concentrating on providing reliable solar or hybrid solar/diesel power to small and medium-sized businesses (Orionis and Starsight Energy) have to date installed 20,733 active solar-home-systems and 64 MW of capacity, offsetting 10,759 tCO_2 equivalents.

UN SDG 13: Climate action

Through the implementation of the Task Force on Climate-Related Financial Disclosures (TCFD) framework, OMAI has sought to understand the carbon footprint of its portfolios and opportunities of reducing this footprint. Although SDG 13 targets are pointed at country level action, OMAI is working on increasing the portfolio's resilience and adaptive capacity to climate-related hazards (target 13.1), integrating climate change measures into policies, strategies, and planning (target 13.2) and providing internal training on climate change mitigation, resilience, and adaptation (target 13.3). From coverage of c. 70% of investments in the three fund managers, the carbon footprint for 2020 was 242,297 tCO_2 equivalent. This carbon footprint is already accounted for with the resulting more than 3.7 million tCO_2 equivalent offset generated by renewable energy investments. For a detailed breakdown of our tracked progress please see the ESG performance under the carbon theme.

Starsight Energy is an example of driving carbon efficiency and reductions. In 2020 Starsight Energy's systems produced 13.2 GWh (5.3 GWh non-renewable and 7.9 GWh renewable) of power, the equivalent of powering c. 20,000 households, with most of the power being produced from renewable energy. The carbon emissions savings for 2020 were 3,268 tCO_2 Equivalents.

Decent work and economic growth



OMAI seeks to build and sustainable 'ecosystem' in the jurisdictions in which we invest under the focus area of decent work and economic growth. We see this practically playing out through the key themes of education, sustainable infrastructure, affordable housing and creation of safe, decent work opportunities. This focus area provides strong links between SDGs 4, 8, 9, and 11.

UN SDG 4: Quality education

Through the Impact Investing fund manager, OMAI has been investing in affordable private schools since 2011. We seek to find communities that are underserved in terms of quality education. By placing a private school directly within the community thereby reducing other associated schooling costs, we can provide affordable, quality education to those underserved communities. We see education as a foundational building block for a sustainable, prosperous society. Specifically, our schools directly contribute to the SDG 4 targets 4.4, 4.5, 4.6, 4.7, 4.a and 4.c. To explore our achievement in quality education further please see the ESG performance under the Education theme.

For two recent schools case studies please see the St Christopher's and Canaan College case studies under Sustainability Insights.

UN SDG 8: Decent work and economic growth

Across all our investment activities, OMAI drives the creation of inclusive, sustainable economic growth, providing safe and decent work opportunities. We contribute to gross domestic product growth (targets 8.1 and 8.2), sustainable resource consumption and efficiency (target 8.4) and increased inclusive employment (target 8.5). By applying international standards, we seek to mitigate and manage the risks of forced labour, child labour, modern slavery and human trafficking (target 8.7) and protect labour rights, promoting a safe and secure working environment for all employees (target 8.8). For a detailed breakdown of our tracked progress please see the ESG performance under the Social and Health and Safety themes.

UN SDG 9: Industry, innovation and infrastructure

Through African Infrastructure Investment Managers (AIIM) and Old Mutual Private Equity (OMPE), we strive to invest in sustainable infrastructure and industry. Current investments directly contribute to inclusive access to quality, reliable, sustainable, and resilient industry and infrastructure – including small-scale industrial and other enterprises and increasing the access to information and communications technology (SDG 9 targets 9.1, 9.2, 9.3 and 9.c). For a detailed breakdown of our tracked progress please see the ESG performance under the infrastructure theme, alongside various infrastructure case studies under the Sustainability Insights section.

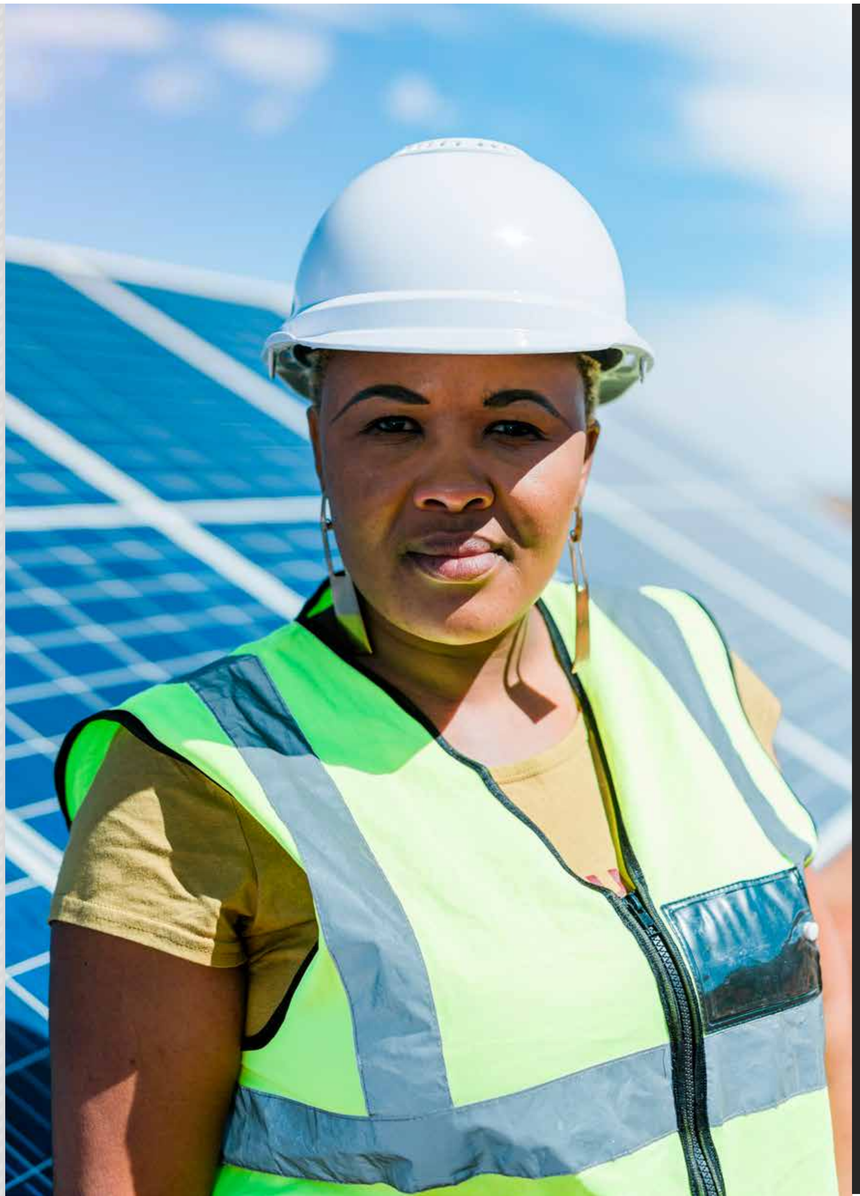
UN SDG 11: Sustainable cities and communities

Through the theme of affordable, quality housing, the Impact Investing fund manager directly supports inclusive, safe, sustainable, and resilient cities. The strategy of the housing funds are to locate underserved communities from a housing perspective and to fill that gap with affordable sustainable accommodation (target 11.1). To explore a detailed breakdown of outcomes, see the ESG performance under the Housing theme. Under the Sustainability Insight section our Fourleaf Estate, Karino Lifestyle Estate and Urbika Lifestyle case studies provide deeper context of our impact, while our Implementing Edge for greener buildings article provides detail on our green building successes.

Diversity

Our Diversity Focus

Within the focus area of diversity, OMAI seeks to achieve positive outcomes for inclusive and gender-equal employment; and reduce inequalities, through the transformation of work forces and the representation of historically disadvantaged South Africans. We believe that businesses with diverse and inclusive workforces are more resilient, providing for a sustainable society and economy.



UN SDG 5: Gender equality

While some aspects of gender equality are more challenging to directly address in our professional capacity, we can as professionals drive the empowerment of women in our own business and in our portfolio companies. Across all our investments, OMAI seeks to end all forms of discrimination against women (target 5.1), end all forms of violence against women and girls in our portfolio companies and supply chains (target 5.2) and ensure women's full and effective participation and equal opportunities for leadership (target 5.5). We require the implementation of best practice gender equality, protection, and anti-discrimination policies across the portfolios. We actively track overall female representation in the workforce, and representation at management and board levels. For a detailed breakdown of progress see the ESG performance under the social theme.

UN SDG 10: Reduced inequalities

In all OMAI's South African investments, we seek to promote the social, economic and political inclusion of all through tracking the representation of historically disadvantaged South Africans (HDSAs) (target 10.2). We currently track overall HDSA representation in the portfolio company, representation at the management level and at board level. To further explore our progress on this please see the tracked data on HDSAs across our portfolios under the ESG performance social theme.

Governance

Our Governance Focus

Governance is a cornerstone of organisational sustainability. We believe that good governance lies at the heart of a sustainable business that delivers returns for all stakeholders, including shareholders, lenders, employees, suppliers, and the communities in which we invest. As a responsible investor, OMAI maintains a continual focus on governance aspects in our investment decision-making and active stewardship of assets. OMAI applies good governance practices in all portfolio companies, with adherence to local governance-related laws and a reference to the King IV Report on good corporate governance.

UN SDG 16: Peace, justice and strong institutions

In terms of SDG 16 OMAI seeks to promote the rule of law (target 16.3), reduce illicit actions in portfolio companies (target 16.4), reduce corruption and bribery (target 16.5), increase transparency within portfolio companies (target 16.6) and promote inclusive, participatory and representative decision-making (target 16.7).

As part of the responsible stewardship commitment, OMAI investment professionals provide active input at the Board and Subcommittee levels in portfolio companies. From an ESG perspective OMAI strives to have portfolio companies either have a dedicated Subcommittee mandated to monitor ESG aspects, or ESG aspects included in another Subcommittee. OMAI has also included technical specialists with sector-specific experience to join certain Boards as Independent non-executive directors, allowing for increased Board expertise and performance. OMAI also supports portfolio companies in the implementation of robust environmental, social, health and safety management systems. The development and execution of such systems provide the functional governance aspects to the portfolio companies' policies and commitments to sound environmental, social, health and safety practices. For a breakdown of governance progress sees the ESG performance Governance theme.

Our Journey

We are committed to investing responsibly and has been on a steady and focused responsible investment journey. As allocators of capital we believe that incorporating the consideration of environmental, social and governance (ESG) factors into our investment and ownership decisions makes good investment sense. We firmly believe that, as the custodian of our shareholders' and beneficiaries' long-term futures, it is the right thing to do.

1970 - 1998

Unlisted instruments managed on Old Mutual's balance sheet.

1999

IDEAS Managed Fund established with an explicit social development mandate, focusing on economic, social and renewable energy infrastructure.

2000

African Infrastructure Investment Managers (AIIM) were established in a joint venture with Macquarie and appointed to manage the South Africa Infrastructure Fund (SAIF).

2003

Financial Sector Charter (FSC) signed, a voluntary transformation charter by South Africa's largest financial sector participants and the catalyst for the creation of the Impact Funds.

2004

Old Mutual Private Equity (OMPE) Fund I and the AIIM African Infrastructure Investment Fund (AIIF) launched. Old Mutual Alternative Investments begins to scale.

2006

AIIM Empowerment Fund (IEF) were established, enabling black economic empowerment in infrastructure investments, addressing past inequalities.

2007

Impact Investing was established with a plan to commit R3.4 billion in development finance for the creation of some 60,000 housing units over a five to 10-year period.

2008

International Private Equity Fund of Funds established.

2009

International Fund of Funds I launched.

2010

Impact Investing Housing Impact Fund South Africa (HIFSA) launched, with a social development mandate of investing into affordable housing.

2011

Impact Investing Schools and Education Impact Investment Fund South Africa (Schools Investment Fund) launched with a focus on affordable private schooling in South Africa. AIIM Lagos office opened allowing for in-region presence in West Africa, coinciding with the launch of the AIIF2 Fund which had the first environmental and social management system specified in the fund agreement.

2012

AIIM Apollo and IDEAS Renewable Energy Sub-Fund launched.

2013

AIIM becomes a first-mover and leading equity investor in renewable power plants in South Africa, with the construction of the Cookhouse Wind Farm, the first wind farm in South Africa, followed by the Umoya Wind Farm and the REISA Solar Farm. AIIM Nairobi office opened, furthering the in-region presence in East Africa. The Africa Fund of Funds launched.

2015

Old Mutual Retirement Accommodation Fund (OMRAF) launched, with a focus on investment in retirement accommodation aimed at the middle- to upper-income market. OMAI acquires 100% of AIIM. AIIM appoints first full-time internal ESG Advisor. OMPE Fund IV reached the final close.

2016

AIIM appoints second ESG Advisor. OMAI embarks on the development and implementation of fit-for-purpose ESMSs for each of the capabilities. An ESMS benchmarking exercise was undertaken to consider the best ESMSs globally within private market fund managers. From this benchmark, new fit-for-purpose ESMSs developed and implemented.

2017

AIIM Abidjan Office opened, allowing greater in-region presence in West and Francophone Africa. AIIM appoints third ESG Advisor.

2019

AIIM AIIF3 Fund launched. ESG practice across OMAI was established with four dedicated ESG specialists. OMAI's ESG and Impact Management Framework further built out and implemented. AIIM reaches 28 renewable power plants under management, Impact Funds 36 affordable schools and 17,110 affordable housing units transferred. OMAI funds shortlisted for five global awards for ESG, with AIIM winning SuperReturn Africa ESG Manager of the Year award and Investment Week Best Ethical Alternative Asset Fund award.

2020

Impact Investing launch EduFund, the second affordable school's fund. Across OMAI the Task Force on climate-related Financial Disclosures (TCFD) implementation begins to better measure and manage climate related risks. AIIM reaches 32 renewable power plants under management, while Impact Investing reaches 41 affordable schools and 18,426 affordable housing units transferred. OMAI ES Policy is updated and Modern Slavery Policy established.

Leadership Message

2020 will be remembered as an exceedingly difficult year: a sweeping pandemic creating fear across the globe, economic shutdowns resulting in financial stress and in some cases bankruptcy, protests centred around human rights, deep personal tragedy – a world turned upside down. Uncertainty the general theme.

Our investment managers worked relentlessly with portfolio company management teams, dealing with the stresses created by the pandemic. Employee health and welfare came to the fore, financial and operational systems were tested. I will always remember the tenacity of my colleagues supporting their respective portfolio company management teams toward greater resilience, ultimately striving to make their investments more sustainable. Perhaps we have all gained a deeper appreciation of the importance and all-encompassing concept that sustainability is.

Within this context there is also the rapid shifting of sustainability expectations and regulations. The Biden administration lost no time in reinstating climate change as a priority onto the United States agenda. Global heavy weights of asset management have made significant sustainability-related pledges and commitments. Furthermore, the Task Force for Climate-related Financial Disclosures (TCFD) is now well established in the financial sector, and on the back of the success of the TCFD, the Taskforce on Nature-related Financial Disclosures (TNFD) gains increased traction. There is also a relatively rapid global retreat from fossil fuel investment, resulting in energy transitions. Global ESG standard setters have come together to collaborate, including the IFRS Foundation, likely to entrench the sustainability lens into corporate reporting.

The real question is – are we acting fast enough? Enacting significant course direction? Changing business and investment decisions? Data on already locked-in and forecast climate change, on biodiversity loss and increasing social vulnerability of many gives us that answer. No, we are not. The next question then is – are we brave enough to step into this new space of uncertainty as business and investment professionals? Perhaps the external risks being crystalised into actual shocks through 2020 can serve to galvanise us, that collectively we can deal with such extreme shifts, and we must. We must create and navigate a new road ahead.

What are some of the possible implications of such a new road? Investment professionals will need to continually improve on the accurate identification and calibration of ESG-related risks, taking commensurate action to the risk faced.

- Consideration of new models of valuation, beyond traditional financial methodologies.
- Culture shifts away from exploitative gain to value creation.
- Setting of new investment strategies for investments that reach a new value creation outcome, standing firm on what is no longer acceptable to invest in, even if to forego lucrative short-term financial gains.
- Investment professionals will need to become more sustainability literate, being able to engage with and make decisions on sustainability information as much as they are comfortable with technical operations, legal and tax aspects of investments.
- Management remuneration and incentivisation will be aligned to broader value creation outcomes, meeting sustainability goals.
- The private sector cannot wait for regulators to formulate the perfect roadmap and solution. There is no perfect roadmap.
- The private sector needs to forge ahead, while working with government and regulators as much as possible, to play its part in creating the green and circular economies needed.
- ESG and sustainability reporting will take on new significance, on par with financial data and reporting.

In addition to the above implications, the most important will more than likely be the ability and willingness to identify and take advantage of new opportunities as economies experience transition. I have been asked which investment instruments I think are more important in achieving positive impact… private or listed equity? Private or listed debt? Green bonds? My response has always been that each part of the financial system needs to play its part as no single financial instrument is likely to solve the challenges we face. There will be an increasing need for managers of capital to deeply engage with capital providers as their clients on desired sustainability outcomes. I am particularly pleased with the increasing level of engagement with our clients on ESG, benefitting hugely from robust discussions, their view across a broad set of asset classes and ultimately collaborative solution planning. There will undoubtedly be new opportunities for investment managers and their clients through the transition.

Old Mutual Alternative Investments remains committed to ESG best practice, having implemented sustainable development for more than two decades.

Strategically Old Mutual Alternative Investments, through the challenges of 2020, continued to focus on four main themes: climate change, decent work, diversity, and governance. This approach aided in bringing clarity of what really matters in our investments, and delivering outcomes to our clients and the communities in which we invest.

Our portfolio offset 3.7 million tons of CO_2 equivalent, provided 3,520 GWh of renewable energy, employed 29,178 people as of December 2020 through direct investments (42% being female) and our investment professionals undertook best practice governance with 38% representation across our boards.

Through 2020 Old Mutual Alternative Investments progressed in the implementation of the TCFD framework, identifying data sets for climate risk assessments and embarking on a portfolio-wide climate risk materiality assessment. As a business we progressed our thinking on fossil fuels, having already implemented a no coal fire power policy a few years ago, to undertaking detailed energy mix modelling for key African jurisdictions. In furtherance to this, we worked with our clients on Paris Agreement aligned criteria and approaches. We also worked with our clients on the Decent Work agenda, unpacking key metrics including those eventually published by the Global Impact Investing Network metrics framework, IRIS+.

We know that the economic path we have come from is entirely unsustainable. Even though a new road holds more uncertainty, it also holds hope for a better future.

Given the extraordinary global events of 2020, the first-hand experience through the pandemic that environmental and social externalities can significantly, negatively impact global economies and communities, the continued acceleration of public sentiment on climate change – it feels like in 2021 we are at a tipping point. A tipping point beyond which there is going to be an absolute expectation that all businesses are on a dramatically new road to a sustainable future. I have hope in this.

Dean Alborough
Head of ESG

ESG Trends

Continued impacts of a Global Pandemic

The year 2020 will be remembered worldwide through the lens of the Covid-19 global pandemic. The virus has impacted all parts of our existence. Financial and economic systems, healthcare capability, work environment, movement of people, communities and personal lives to mention a few. The media has provided an avalanche of information on how the pandemic has impacted the globe. One aspect of interest from an investment perspective is consideration of an investment's resilience versus adaptive capability. Scott Nadler has provided an excellent analysis of this in his contribution to the Tomorrow publication and in this podcast. Investments' increased resilience and adaptive capability will be sought after outcomes from now on.

Capital flow into ESG and **Impact Investing**

The last few years have seen an increasing rate of capital flow into ESG-related investment products. 2020 saw a further acceleration of this on the back of resilient performance by ESG and Sustainability funds through the pandemic. In the public markets, the total assets in sustainable funds hit a record of almost USD 1.7tn in 2020, up 50% from 2019. In the private markets, we have seen a similar trend, under the banner of impact investing.

Impact investments, as defined by the Global Impact Investing Network (GIIN)2, are 'investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return'.

ESG investing assesses environmental, social and governance factors as a financial risk mitigation, whereas impact investing proactively targets a specific positive impact outcome.

The term impact investing was coined in 2007 and has in the last 13 years been one of the fastest growing areas in asset management. The below table indicates the impact investing growth according to the GIIN's Annual Investor Survey Reports.[3]

Reporting year	No. of respondents	Capital invested (USDbn)	No of deals	AUM (USDbn)	Increase in AUM
2014	146	10.6	5,404	60	
2015	158	15.2	7,551	77	28%
2016	209	22.1	7,951	114	48%
2017	226	35.5	11,136	228	100%
2018	266	35.0	13,358	239	5%
2019	294	47.0	9,807	404	69%

AUM: Assets Under Management

The annual surveys provide insights from the world's leading impact investors and include mostly asset managers, as well as Development Finance Institutions, family offices, foundations and pension funds. The bulk of the investments were in private debt, equity and real assets. Prominent growth sectors included energy, finance, technology, housing, water & sanitation, food & agriculture, and healthcare.

The GIIN estimates the total impact investing market size at USD 715 billion and more than 1,720 organisations (2019: USD 502 billion, 42% increase).

This growth is further evidenced by the rise of sustainable bonds. According to Bloomberg[4], the global sustainable debt market grew 29% to a record USD 732 billion in 2020, with the green bond market expected to reach USD 1 trillion in 2021. Social bond issuance in 2020 jumped 7-fold to USD 147.7 billion, helped by a substantial increase in bond issuance amid the Covid-19 fallout.

Impact investments can be made in several ways; through a traditional model aligned with the theory of change, the concept of additionality and purpose-driven companies, to a more mainstream approach that focuses on medium and large businesses that deliver products or services to benefit society and the environment.

The world faces enormous social and environmental challenges, and impact investing is critical in addressing these. According to the World Economic Forum5, there is a USD 2.5 trillion gap in achieving the United Nations Sustainable Development Goals (SDGs). If anything, the Covid-19 pandemic magnified the social inequalities and environmental crisis we are facing on a global scale. The pandemic is a catalyst for change and demonstrates the need for more impact investing to step up efforts to deliver on the SDGs.

"The size of the impact investment network and the scale of the market are real signs of the true potential of impact investing. There is a growing recognition that if we do want a world that is sustainable, just, and inclusive, we must invest differently. People are realising that issues like climate change and inequality are continuing to advance around the world. Even pre-COVID, there was a recognition that investors and businesses need to operate differently." - Amit Bouri, Co-founder and CEO of the GIIN

ESG Trends

Climate change and build-back-better

Climate change as arguably the greatest challenge facing our world has been well established for some time now, and continues to be the priority driving force behind the rise of ESG in capital markets. It will remain the key trend for the foreseeable future. Although through the pandemic there has been understandably other focuses on health, well-being and economic impacts and recovery, it is equally understood that we cannot delay in adequately addressing climate risks. It is also now well established that climate change is not a future event we are still waiting to happen, it has already occurred and continues to occur in real time. In other words, we are living it, and a certain level of negative impact is already locked in. Climate risk actions are therefore not about avoiding negative climate-related impact entirely, instead they are about reducing the negative impacts as much as possible.

Build-back-**better:**

Linked to the record capital inflows to ESG based investment products, is the drive by many governments to 'build-back-better' with the economic stimulus packages being rolled out globally as a response to the economic impacts of the pandemic. The key concept here is that future capital investments should be in line with a green economy outcome.

This approach sees green economy assets prioritised to receive funding, driving the transition to a low carbon and socially inclusive future economy. The question then arises, which assets and investments fall under the green economy? To answer this question governments and institutional investors are turning to green taxonomies, which establish criteria and certain asset classes that would be deemed to be green economy assets. The most globally recognised taxonomy at this stage being the European Union Taxonomy.

Source:
https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

'McKinsey research shows that if we fail to adapt and dramatically reduce emissions, hundreds of millions of lives, trillions of dollars of economic activity, and the world's physical and natural capital will be at risk. Importantly, a low-carbon economic recovery could not only initiate the significant emissions reductions needed to halt climate change but also create more jobs and economic growth than a high-carbon recovery would.'

Source:
https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/Sustainability/Our%20Insights/McKinsey%20on%20Climate%20Change/McKinsey-on-Climate-Change-Report-v2.pdf

The Intergovernmental Panel for Climate Change's (IPCC) Special Report on Global Warming of 1.5°C is now opined on alongside the Paris Agreement, as the world realises that limiting global temperature rise to below 2°C may not be enough, with less and less time to achieve this.

Our human and worker rights exposed

For many investors, the continued growth of ESG in financial services has been largely due to increased awareness of the urgency to address environmental and climate change risks. The 'S' in ESG remains arguably the most challenging to assess, analyse and embed in investment strategies, according to a 2019 Global ESG Survey by BNP Paribas6. The United Nations Principles for Responsible Investment shares this sentiment: 'the social element of ESG issues can be the most difficult for investors to assess. Unlike environmental and governance issues, which are more easily defined, have an established track record of market data, and are often accompanied by robust regulation, social issues are less tangible, with less mature data to show how they can impact a company's performance.

But issues such as human rights, labour standards and gender equality—and the risks and opportunities they present to investors—are starting to gain prominence'7. Due to their complex, qualitative nature, social 'S' aspects have tended to receive less attention than 'E' and 'G' aspects.

The Covid-19 pandemic thrust human and worker rights into the spotlight and exposed the inequalities and structural weaknesses of our economic-, social- and healthcare systems. While the pandemic is primarily a public health emergency, the consequences have shown that it is much more than that, threatening the livelihoods and well-being of millions. Poverty, lack of social safety nets, inadequate health care, income inequality, gender-based violence, lack of technology and inadequate worker rights protections were just some of the issues Covid-19 exposed. The most vulnerable in society have been the most negatively impacted – including women, children, the elderly, the disabled, migrant, and low skilled workers.

"A human crisis that is fast becoming a human rights crisis'" *– UN Secretary General Antonio Guterres, April 2020.* The United Nations estimated 2.2 billion people were unable to wash their hands regularly because of limited access to water in 2020. Furthermore, 1.8 billion people could not properly social distance due to living conditions in overcrowded housing or being homeless on the streets. Illness and death from Covid-19 has been higher among communities that contend with poverty, unfavourable living and working conditions, discrimination and social exclusion.

According to the World Bank, more than 100 million people were pushed into extreme poverty because of the pandemic and the International Labour Organization (ILO)10 estimated that the equivalent of 305 million jobs were lost during the second quarter of 2020. In South Africa, the unemployment rate hit an all-time high of 30.8% during the 3rd quarter of 202011. The United Nations Educational, Scientific and Cultural Organization (UNESCO)12 reported that over 1.5 billion learners in 165 countries were affected by school closures during the pandemic, with poor learners having inadequate access to data and internet to continue with distance learning.

The pandemic brought a harsh realisation that businesses are not only connected commercially to an economic system. They are also connected through humanity, from workers to their families and their communities. Business leadership realised that inadequate worker health protection not only endangered direct staff, but wider families and whole communities. As custodians of capital, we have a duty to ensure that our investee companies have sustainable business models and that human and worker rights (Of customers, employees, health & safety, data security and the communities in which they operate) are adequately assessed, managed, and reported on.

Specifically in terms of human and worker rights, OMAI applies the United Nations Guiding Principles on Business and Human Rights, ILO and the International Finance Corporation Performance Standard 2. We encourage all businesses to do the same.

ESG Data **Standardisation** (and consolidation?)

The year 2020 will be remembered worldwide through the lens of the Covid-19 global pandemic. The virus has impacted all parts of our existence; financial and economic systems, healthcare capability, work environment, movement of people, communities and personal lives to mention a few. The media has provided an avalanche of information on how the pandemic has impacted the globe. One aspect of interest from an investment perspective is consideration of an investment's resilience versus adaptive capability. Scott Nadler has provided an excellent analysis of this in his contribution to the Tomorrow publication and in this podcast. Investments' increased resilience and adaptive capability will be sought after outcomes from now on.

Last year's Sustainability Report covered the trend of ESG metric standardisation. We stated that what is needed is 'an International Financial Reporting Standard (IFRS) for ESG', naming standard setters that would be involved. Well, in the space of one year there have been significant movements in this direction and September 2020 was the month of announcements on the standardisation front. September saw five of the leading standard setters announce a shared vision for a comprehensive corporate reporting system, with a commitment to collaborate to achieve it. The five standard setters include:

- Formerly 'Carbon Disclosure Project' (CDP);
- Climate Disclosure Standards Board (CDSB);
- Global Reporting Initiative (GRI);
- International Integrated Reporting Council (IIRC);
- and Sustainability Accounting Standards Board (SASB).

This announcement was backed by a paper titled Statement of Intent to Work Together Towards Comprehensive Corporate Reporting. The stated intent of the collaboration is to provide:

- ***Joint market guidance*** on how our frameworks and standards can be applied in a complementary and additive way;
- ***A joint vision*** of how these elements could complement financially accepted accounting principles (Financial GAAP) and serve as a natural starting point for progress towards a more coherent, comprehensive corporate reporting system; and
- ***A joint commitment*** to drive toward this goal, through an ongoing programme of deeper collaboration between us, and a stated willingness to engage closely with other interested stakeholders.

The collaboration indicates how these currently separate frameworks could overlap and interlink to form a single reporting framework. The five standards setters also committed to engaging with 'International Organization of Securities Commissions and the IFRS Foundation, including on how to connect sustainability disclosure standards focused on enterprise value creation to Financial GAAP.

The IFRS Foundation published the Consultation Paper on Sustainability Reporting in September 2020, proposing the establishment of a new Sustainability Standards Board (SSB) to sit alongside the IASB under the IFRS Foundation. The objective of the SSB would be to develop and maintain a global set of sustainability reporting standards (initially focused on climate change risks), making use of existing sustainability frameworks and standards (such as CDP, CDSB, GRI, IIRC and SASB). Together, the five already collaborating standard setters with the Task Force on Climate-related Financial Disclosures (TCFD), guide the majority of global sustainability and integrated reporting.

ESG Data Standardisation (and consolidation?)

September 2020 also saw the World Economic Forum (WEF) alongside the big four accounting firms (Deloitte, KPMG, EY and PwC) publish the white paper Measuring Stakeholder Capitalism Towards: Common Metrics and Consistent Reporting of Sustainable Value Creation proposing 21 standard core metrics for ESG disclosure, with additional metrics as extensions.

In March 2021, the World Economic Forum endorsed the IFRS Foundation's SSB, with members of the WEF supporting the idea of using the existing frameworks as building blocks for a new ESG reporting standard. The IFRS Foundation has subsequently established a working group to accelerate convergence in global sustainability reporting standards and to undertake technical preparation for the proposed SSB.

The working group is intended to provide structured engagement with initiatives focused on enterprise value reporting, facilitating consolidation and reducing fragmentation in sustainability reporting standards. Members of the working group include the Financial Stability Board's TCFD, the Value Reporting Foundation representing the intended merger of the IIRC and SASB, the CDSB, and the WEF. Interestingly, while not announced as members of the working group, the group states it will engage closely with the GRI and CDP.

Source: https://www.weforum.org/agenda/2021/03/yes-esg-is-complicated-together-we-can-simplify-it/

So whereto from here? The most influential player in the space, the IFRS Foundation, has stepped up into a leadership position on the standardisation of ESG reporting. This position has been given further credibility by the backing of the WEF. While still likely a few years off, there is now a real possibility that we may reach a global reporting standard for ESG. Standardisation is therefore clearly being driven forward. But what of 'consolidation'? Noting the intention of the IFRS Foundation working group to 'facilitate consolidation and reduce fragmentation of sustainability reporting standards', the question remains, to what extent will the established standard setters continue to exist? Could the conflicting agenda of Organization self-preservation hinder the market need for an IFRS for ESG. Time will tell.

Source:
https://www.ft.com/content/8e9f8204-83bf-4217-bc9e-d89396279c5b
https://thegiin.org/impact-investing
GIIN Annual Impact Investor Survey Reports 2015 – 2020. https://thegiin.org/research-and-opinions/
https://www.bloomberg.com/news/articles/2021-01-11/social-bonds-propel-esg-issuance-to-record-732-billion-in-2020
https://www.weforum.org/agenda/2020/01/unlocking-sdg-financing-decade-delivery/
https://static1.squarespace.com/static/59a87cd5f43b55f0179df0a5/t/5cb78f6915fcc07cd40eacc3/1555533682428/esg-global-survey-en-2019.pdf
https://corpgov.law.harvard.edu/2020/06/28/time-to-rethink-the-s-in-esg/
https://www.un.org/sites/un2.un.org/files/un_policy_brief_on_human_rights_and_covid_23_april_2020.pdf
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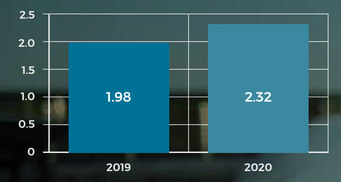
Energy Overview

OMAI continues to focus on the provision of energy as a key driver to economic development on the African continent, with an installed capacity of 2.3 GW and providing electricity to over 2 million households in 2020.

Installed capacity (GW)

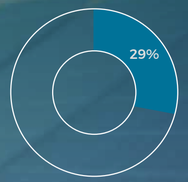


32

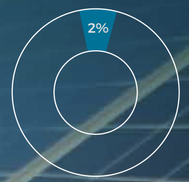
Renewable energy facilities

- 11 Wind facilities (1,265 MW)
- 20 Solar facilities (895 MW)
- 1 Hydro facilities (10 MW)

Installed % of total South African power capacity



Installed % of total South African renewables



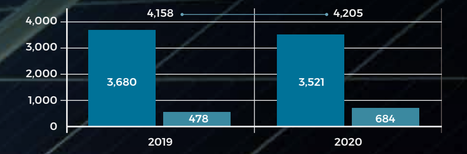
2,121,666

equivalent households powered by total energy production

1,071,901

equivalent households powered by total energy production

Energy produced (GW)



Energy Overview

AIIF2

The decrease in energy production in 2020 is attributed to exiting two renewable energy facilities (REISA solar PV plant and the Cookhouse wind farm). The increase in non-renewable energy production from 356 GWh in 2019 to 582 GWh is associated with increased production by Cenpower, a multi-fuel power station in Ghana.

1,046,347

equivalent households powered by total energy production

33,737

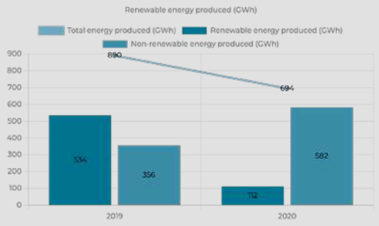
equivalent households powered by total energy production

2

Renewable energy facilities

1 Wind facilities (139 MW)

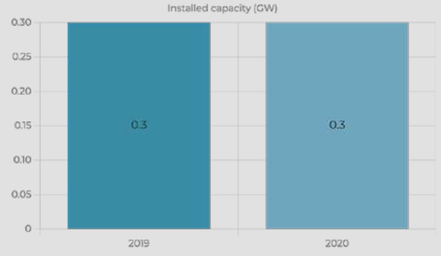
1 Solar facilities (75 MW)



Energy Overview

AIIF3

Installed capacity has remained consistent across the two years although total energy production decreased slightly due to operational constraints at Albatros. The increase in households powered in 2020 compared to 2019 is due to the availability of more accurate grid factors for middle-income household consumption in the countries in which we operate (South Africa was used as a proxy in 2019).



50,579

equivalent households powered by total energy production

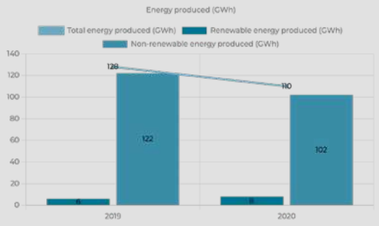
13,424

equivalent households powered by total energy production

2

Renewable energy facilities

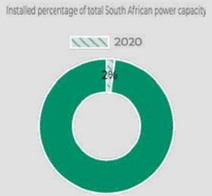
2 Solar facilities (41 MW)

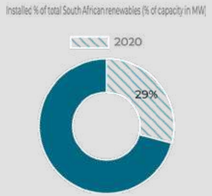


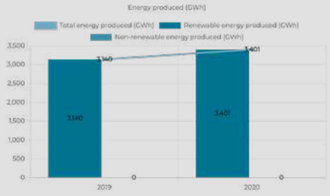
Energy Overview

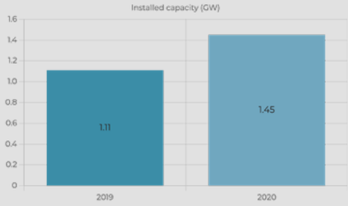
IDEAS

Installed capacity has increased to 1.45 GW in 2020 as additional renewable energy projects in the IDEAS fund reached commercial operations. IDEAS contributed almost a third of the renewable power produced in South Africa in 2020.









28
Renewable energy facilities

- 10 Wind facilities (1126 MW)
- 17 Solar facilities (779 MW)
- 1 Hydro facilities (10 MW)

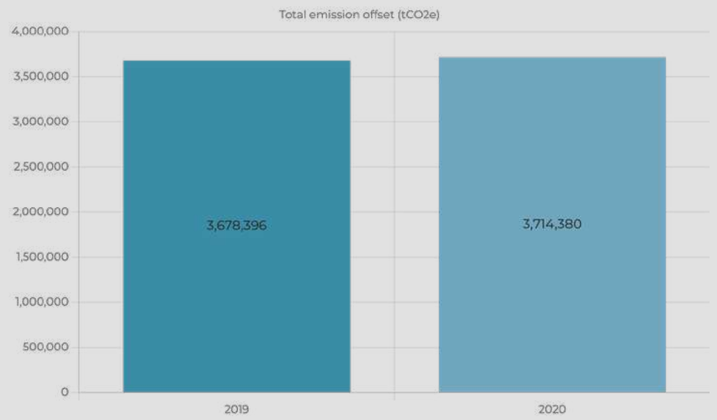
1,024,740
equivalent households powered by total energy production

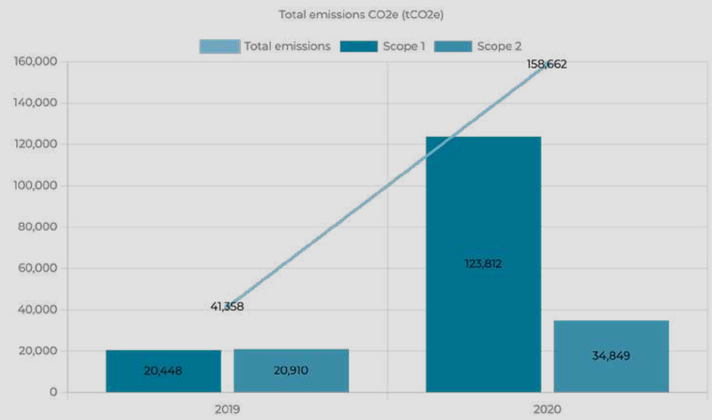
1,024,740
equivalent households powered by total energy production

Carbon Overview

AIIM **Overview**

The emissions offset of 3.7 million tons of CO2 equivalent as a result of the renewable power investments is an outstanding achievement, driven mainly by the IDEAS fund in 2020, with an increase in this offset from 2019. The increase in Scope 1 direct emissions in 2020 is due to the increased power production of the Albatros and Cenpower thermal power plants.

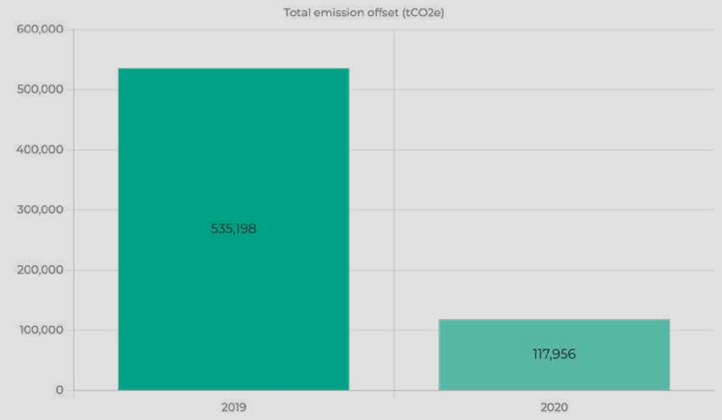


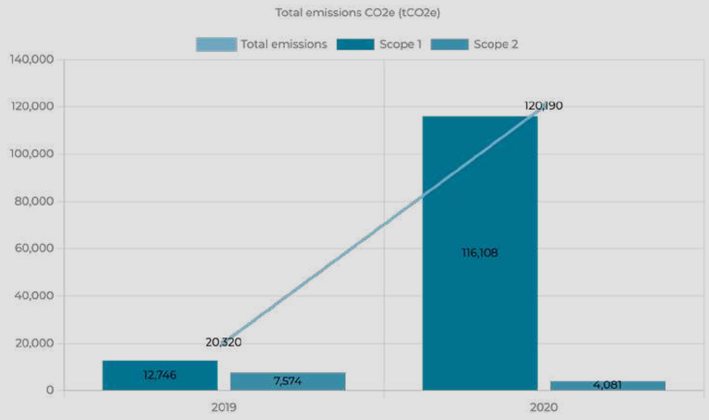


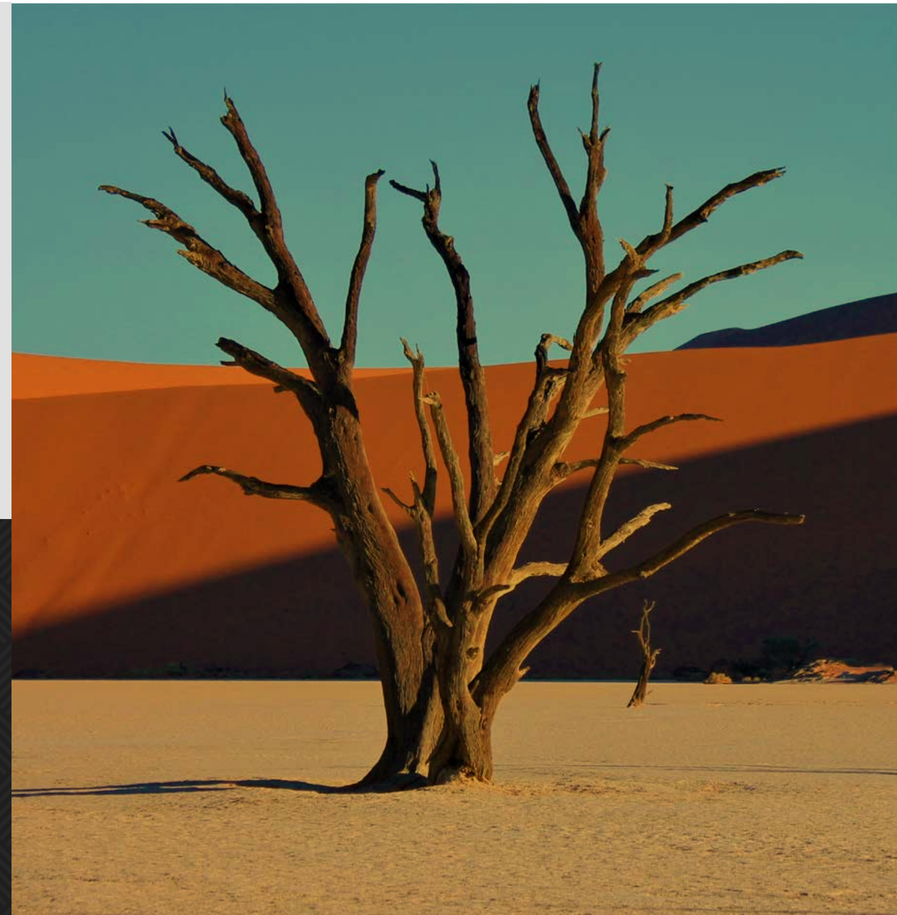
Carbon Overview

AIIF2

The increase in total CO2 equivalent emissions in the fund in 2020 is attributable to an increase in power production by the Cenpower thermal power plant (Scope 1). The decrease in emissions offset is due to the exit of the REISA solar PV plant and the Cookhouse wind farm from the fund.



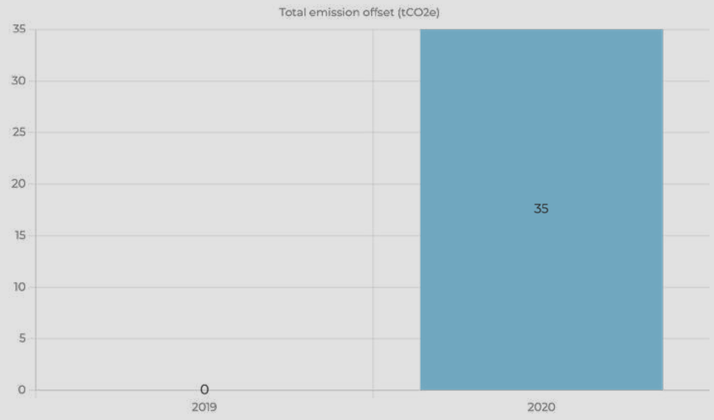


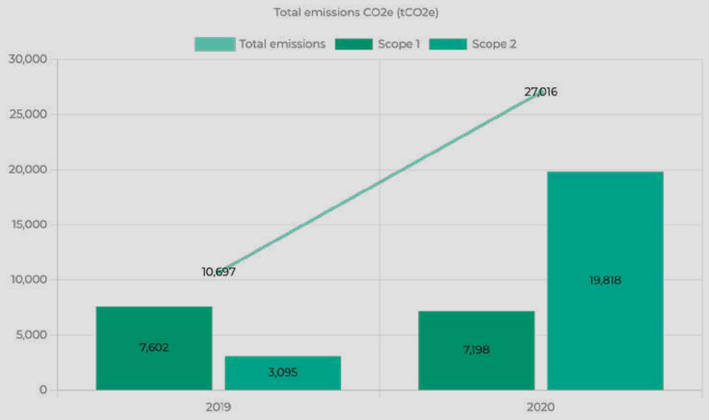


Carbon Overview

AIIF3

The increase in total CO2 equivalent emissions in the fund in 2020 is attributable to better reporting coverage across the airport infrastructure investments. Carbon emissions from the rest of the investments have remained constant.

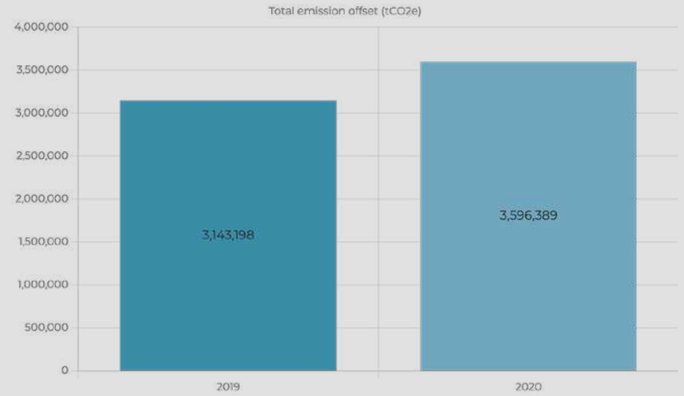


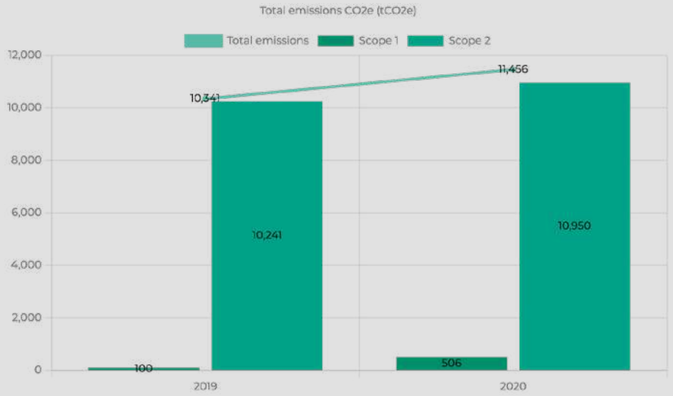


Carbon Overview

IDEAS

The net emissions offset of 3.6 million tons of CO2 equivalent as a result of the renewable power investments is an outstanding achievement by the IDEAS fund in 2020, with an increase in this offset from 2019. Electricity usage (Scope 2) remains the major carbon emissions contributor in the fund.

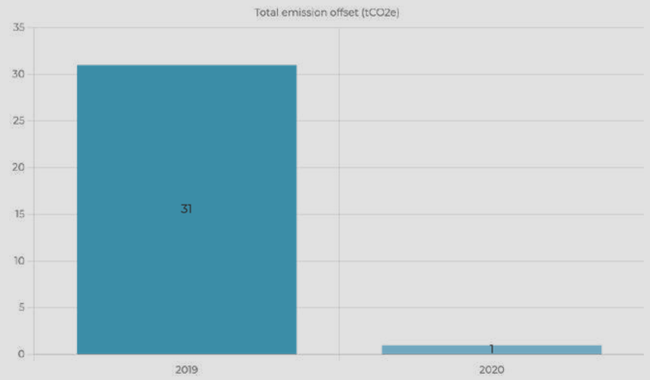


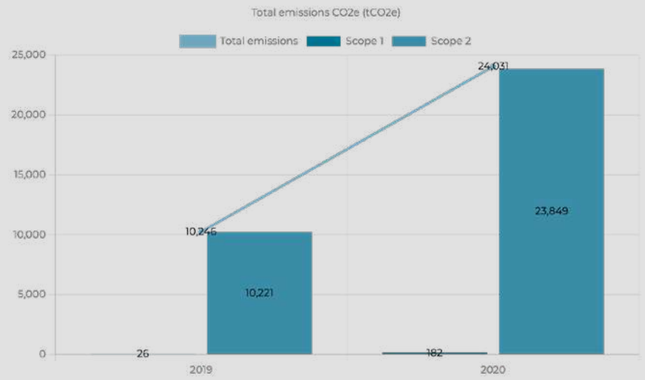


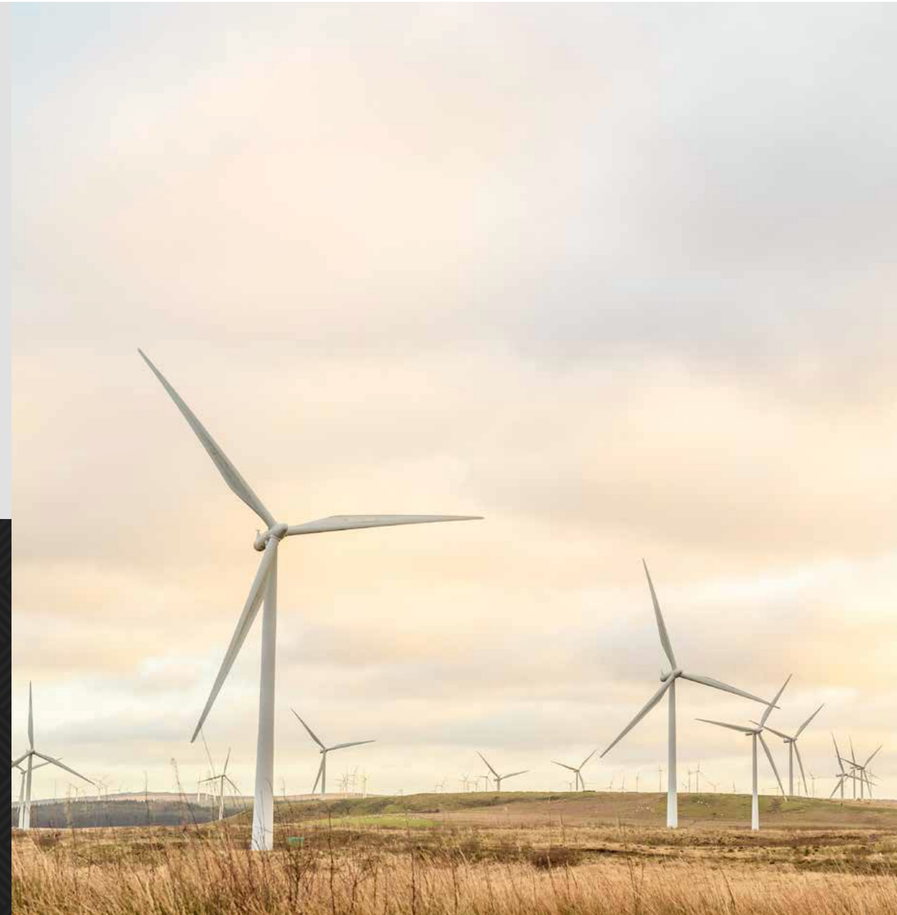
Carbon Overview

IMPACT INVESTING OVERVIEW

The increase in total emissions numbers across the Impact Investing funds is due to better reporting coverage. On a per investment basis, emissions have remained constant. The dominant CO2 equivalent emissions contributor remains electricity usage (Scope 2).



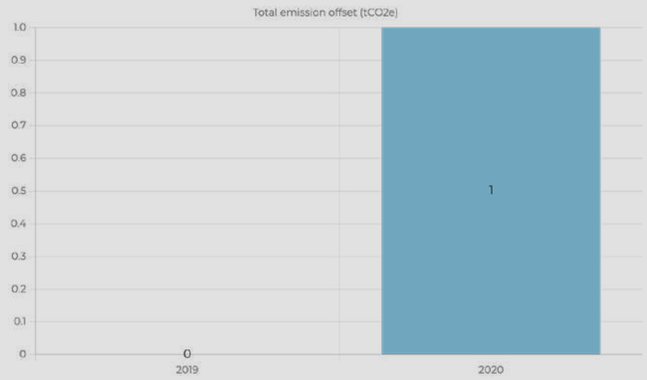


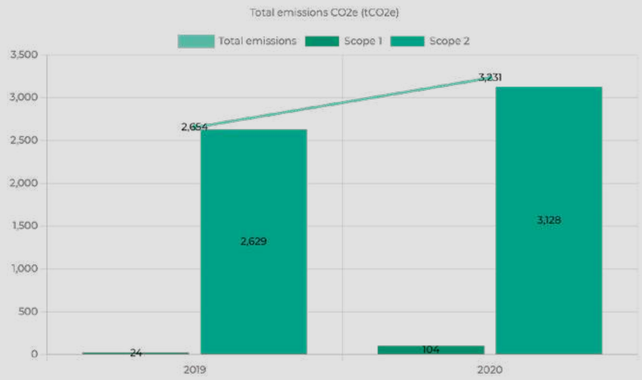


Carbon Overview

SEIIFSA

The increase in greenhouse gas emissions across the SEIIFSA fund is due to better reporting coverage through 2020. On a per school basis, emissions have remained constant. The dominant CO2 equivalent emissions contributor remains electricity usage (Scope 2).

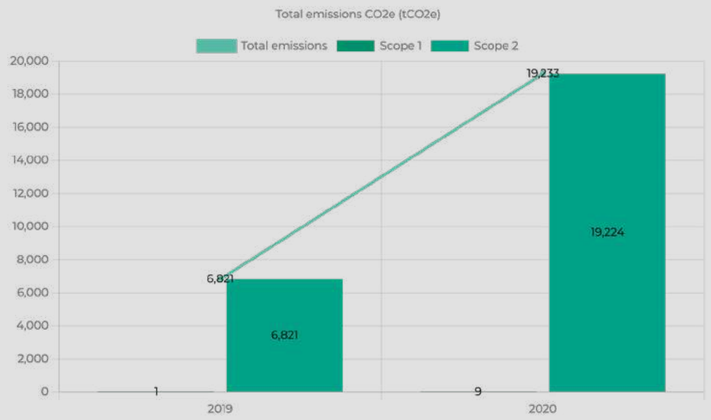




Carbon Overview

HIFSA

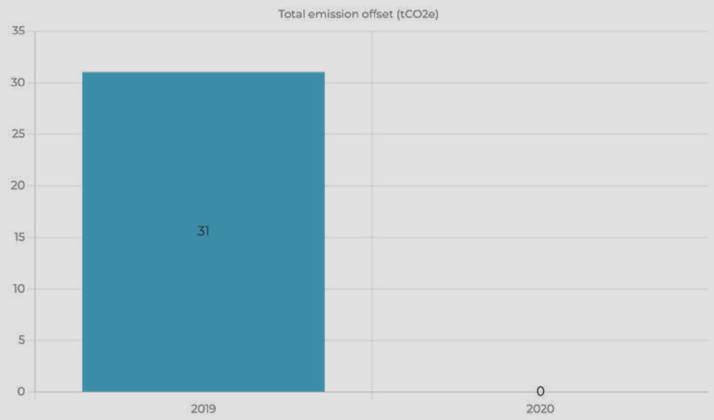
The increase in total greenhouse gas emissions numbers in the HIFSA fund is due to better reporting coverage across the fund. On a per investment basis, emissions have remained constant. The dominant CO2 equivalent emissions contributor remains electricity usage (Scope 2).

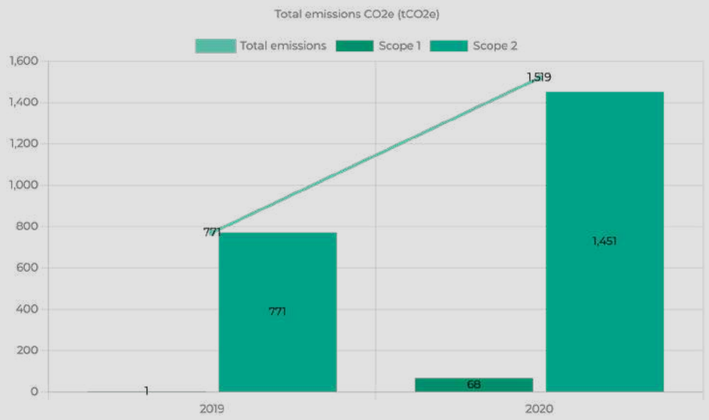


Carbon Overview

OMRAF

There were no material greenhouse gas emissions offset from renewable energy production in 2020. Total emissions recorded for the fund increased significantly for the fund, mostly due to better reporting coverage in the fund.

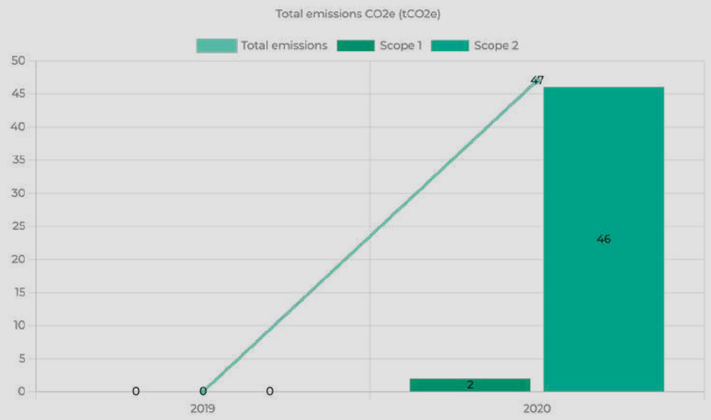




Carbon Overview

EDUFUND

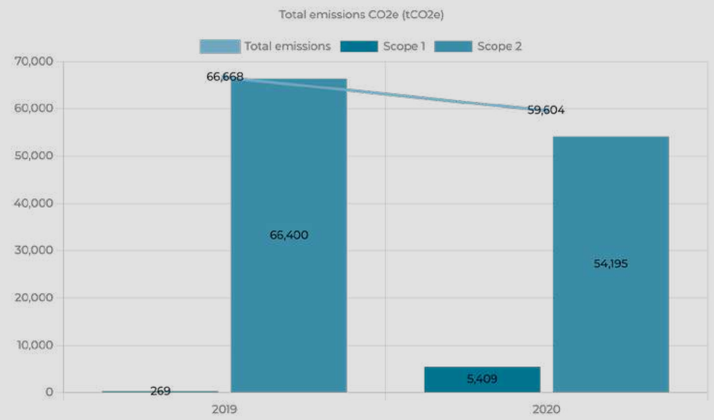
As a recently launched fund currently holding a single school investment, the 2020 carbon footprint is the start of the carbon baseline for the fund.



Carbon Overview

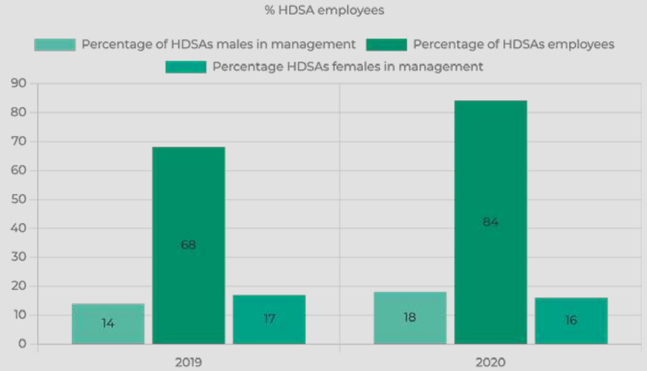
OMPE OVERVIEW

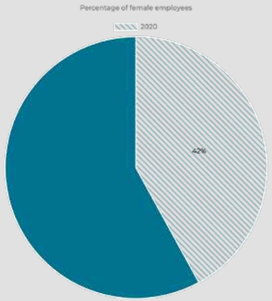
None of Fund IV's portfolio companies produce significant off-grid renewable power. Therefore, there is no recordable CO^2 equivalent emissions offset. The overall CO^2 equivalent emissions dropped in 2020, likely as a result of Covid-19 economic constraints. By far the dominant contributor to emissions remains electricity usage (Scope 2).

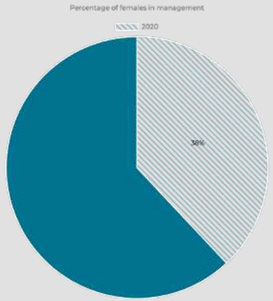


Social Overview

Provision of decent work and diversity are two key themes for OMAI. While 2020 was an especially challenging year, OMAI's investments still supported 29,178 jobs. Historically disadvantaged South Africans (HDSAs) represented 84% of employees. Overall female representation is still under the 50% mark at 42%, while female representation in management was 38%, indicating continued work on this front is needed.







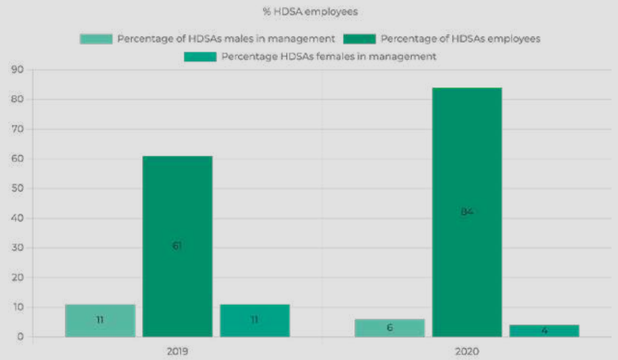
29,178

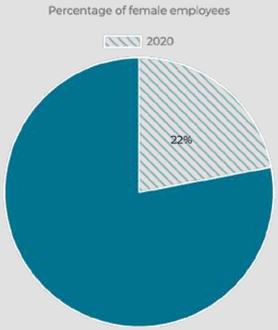
Total employees as at Dec 2020

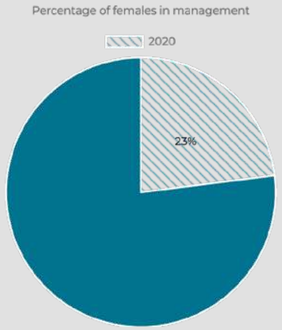
Social Overview

AIIM OVERVIEW

Total employment numbers have increased despite the Covid-19 pandemic to 11,729 in 2020. Historically disadvantaged South Africans (HDSAs) constituted over 55% of the workforce, an increase of 9%. However, representation in management has decreased. The percentage of females in the workforce and in management has decreased slightly from 2019 but remain above 20% across the funds.







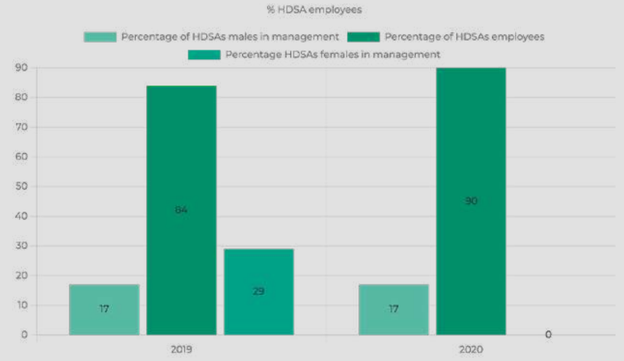
11,729

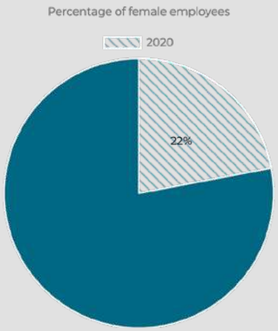
Total employees as at Dec 2020

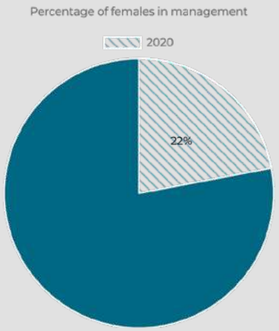
Social Overview

AIIF2

The increase in the number of employees in the fund despite exits is attributed to better reporting across the fund. Two South African (SA) assets have been exited, leaving only one SA asset in the fund and this has resulted in the number of historically disadvantaged South African (HDSA) females in management representation dropping to 0% in 2020.

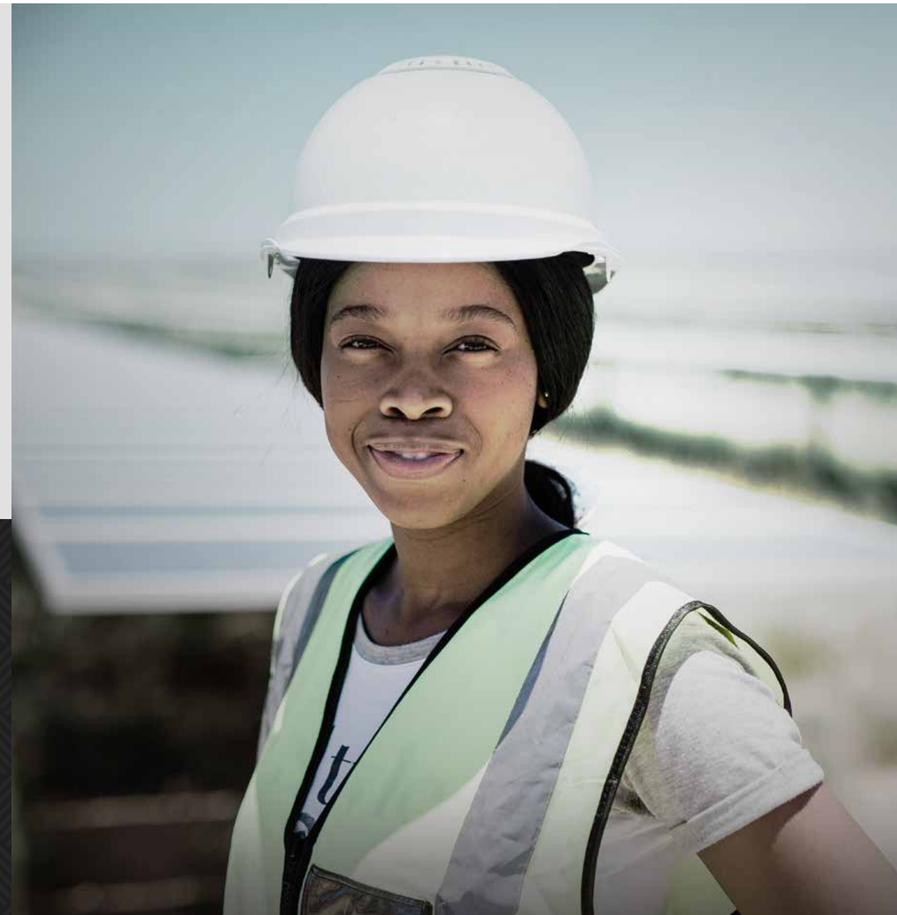






2,251

Total employees as at Dec 2020

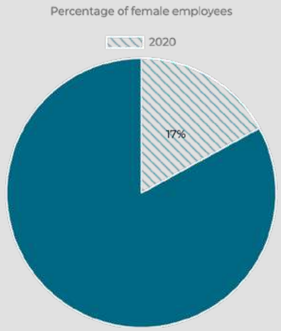


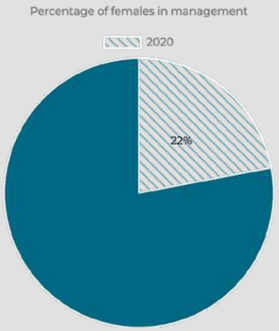
Social Overview

AIIF3

AIIF3 supported 5,426 jobs by the end of December 2020. From a gender perspective, overall female representation was 17% and female representation in management was 22%. AIIM continues to look for opportunities to drive greater gender equality.

**Note: AERCO Ollombo and Amandi are not included and because there are no South African assets, data related to historically disadvantaged South Africans is not applicable for this fund.*





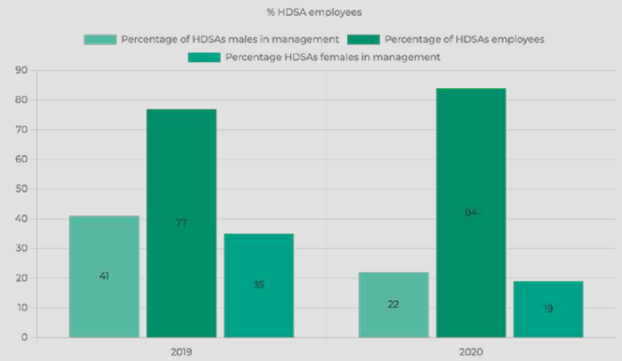
5,426

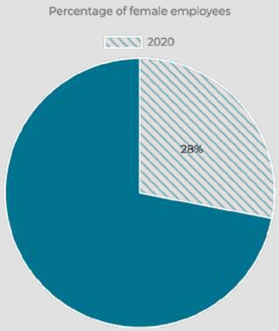
Total employees as at Dec 2020

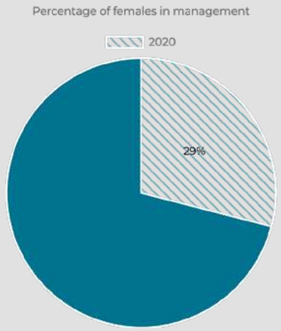
Social Overview

IDEAS

The decrease in employment numbers in 2020 is a result of construction schedules (projects reaching commercial operations and others in the preliminary stages of construction). The increase in the total percentages of historically disadvantaged South African (HDSAs) and female employees in 2020 is encouraging. However, representation in management has decreased compared to 2019.







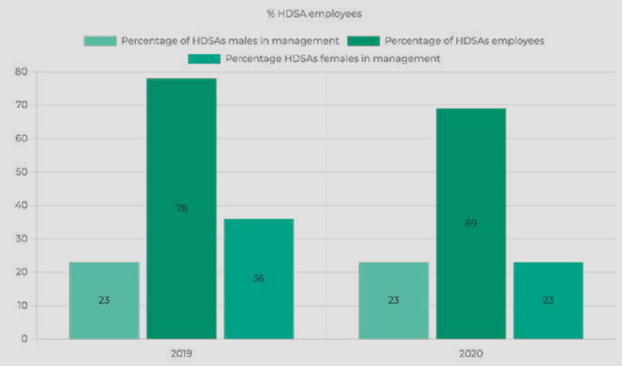
4,052

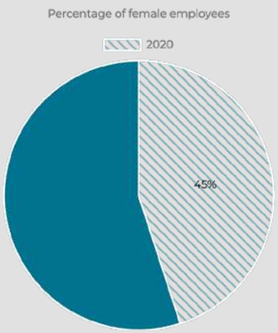
Total employees as at Dec 2020

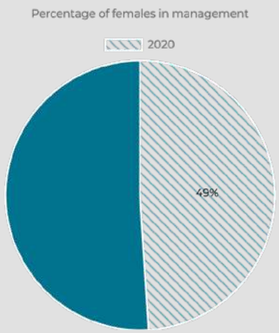
Social Overview

IMPACT INVESTING OVERVIEW

Total employment decreased by 3% across the funds, this is due to the decrease in HIFSA. Historically disadvantaged South Africans (HDSAs) still constituted over 68% of the workforce. However, overall female management representation has decreased.

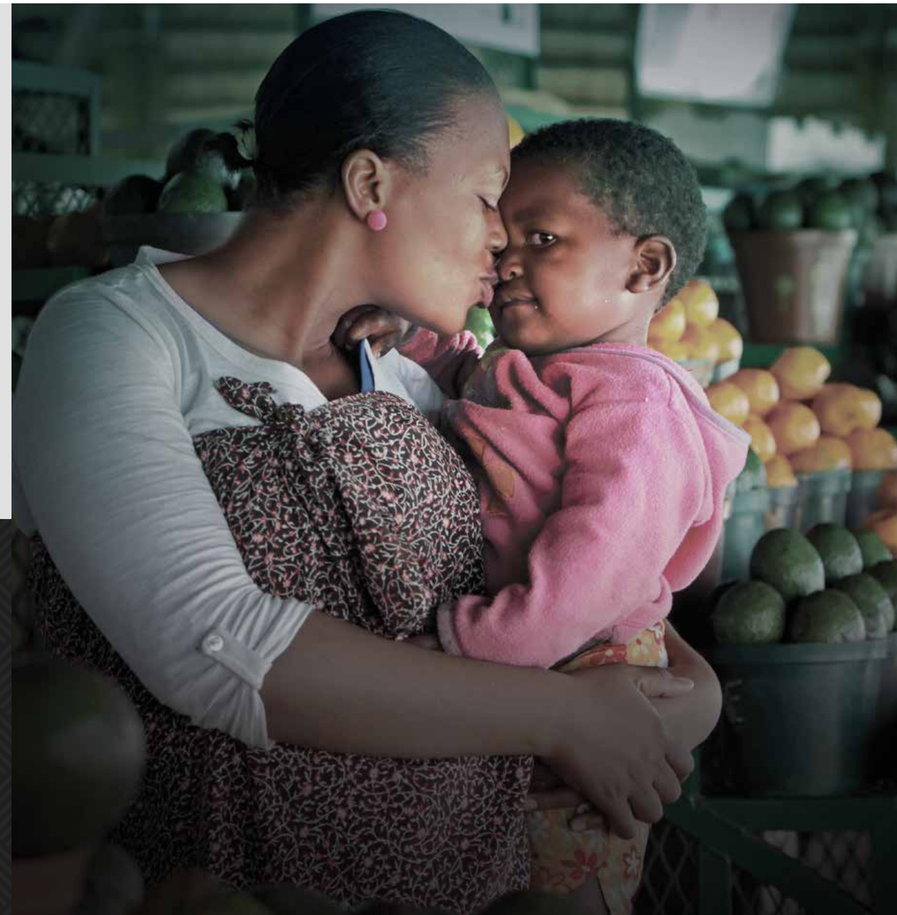






3,797

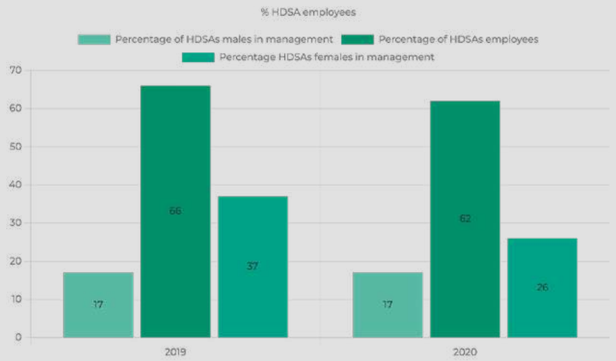
Total employees as at Dec 2020

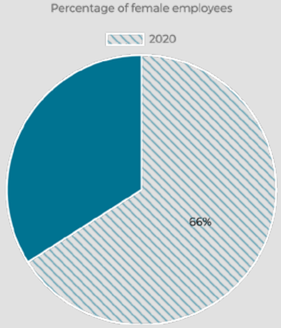


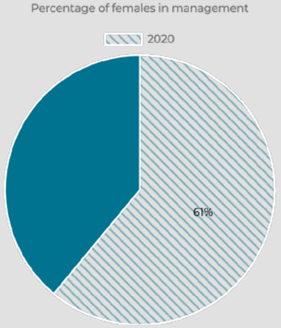
Social Overview

SEIIFSA

Total employment numbers increased by 17% to 1,596, despite the Covid-19 pandemic.
Female managers account for 61% of management, with half being historically disadvantaged South African (HDSA) female management.







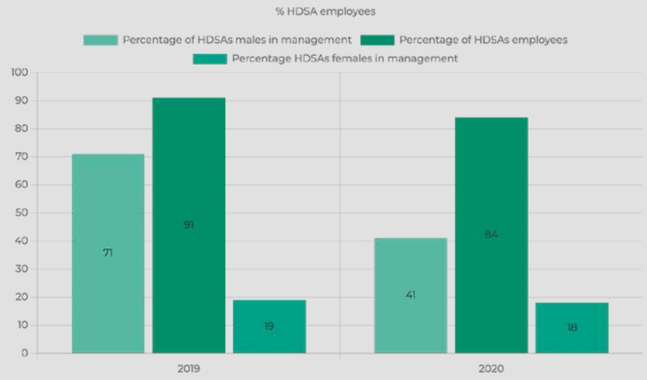
1,596

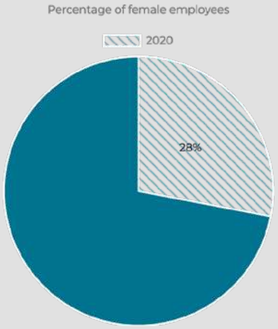
Total employees as at Dec 2020

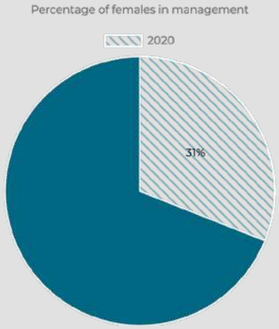
Social Overview

HIFSA

The decrease of 26% in employment numbers in 2020 is a result of reduced construction activity on the Greenfields projects. The increase in management numbers is as a result of improved reporting by portfolio companies.







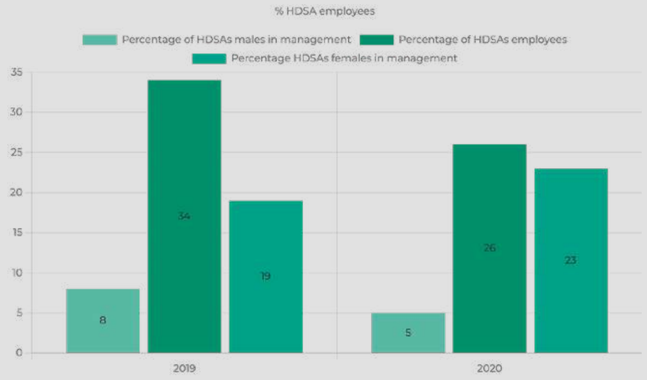
1,812

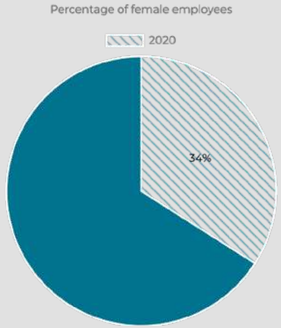
Total employees as at Dec 2020

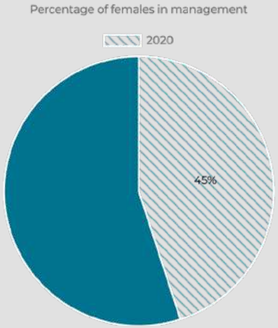
Social Overview

OMRAF

The increase of 46% in employment is a result of increased construction activity on one of the projects, and increased reporting coverage in 2020.

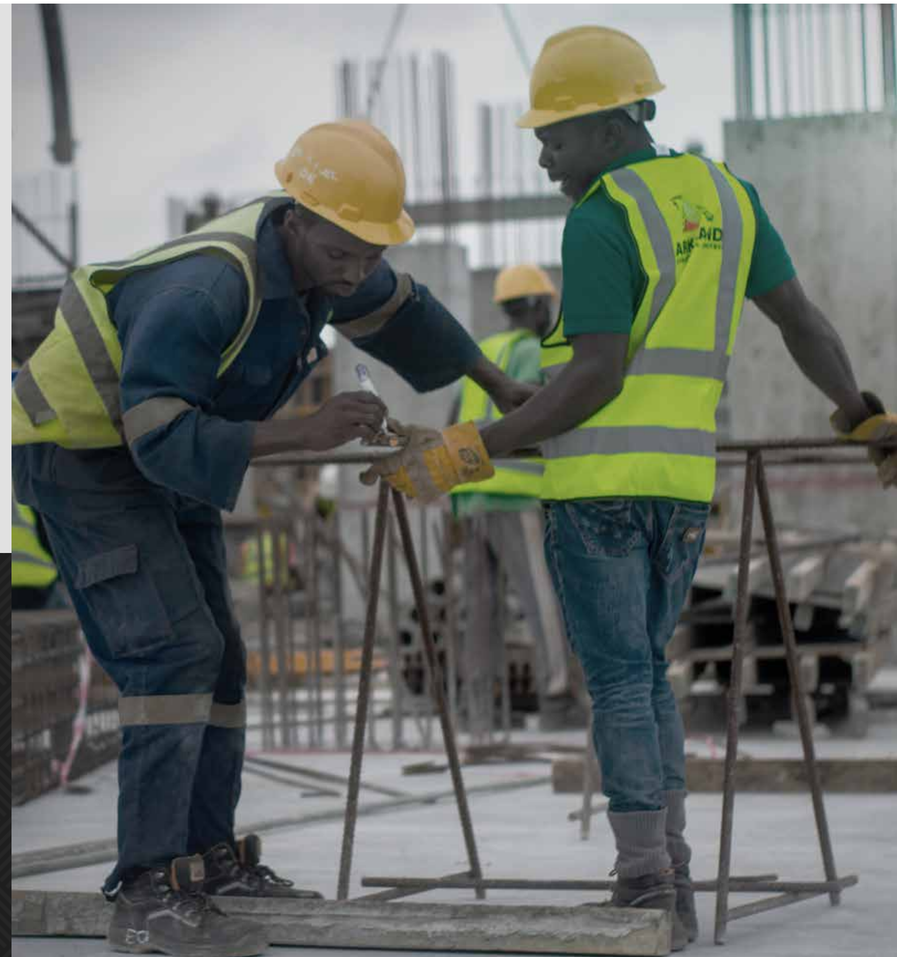






389

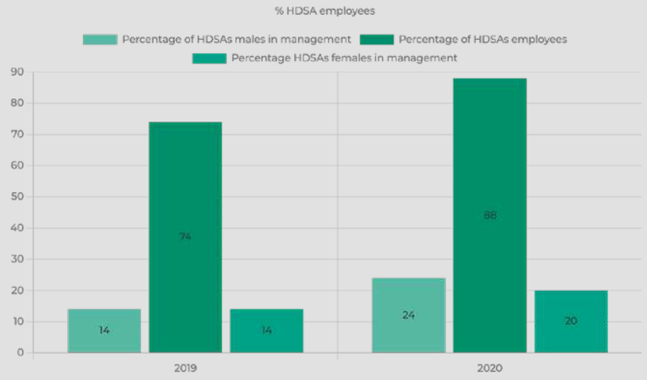
Total employees as at Dec 2020

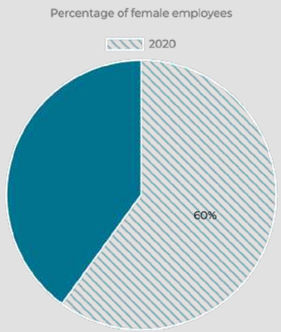


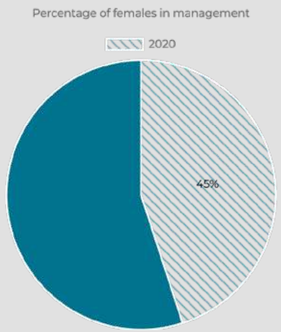
Social Overview

OMPE OVERVIEW

The impact Covid-19 has had on the portfolio companies is evident in the significant drop in overall employees. From a gender equality perspective the fund has held steady at 60% overall female representation in 2020 (61% in 2019). The female representation in management is heading in the right direction with 34% in 2019 and 45% in 2020. Transformation continues to be a focus area with increases in overall historically disadvantaged South African (HDSA) representation and HDSA representation in management in 2020. Corporate social investment (CSI) has continued to be held as a critical undertaking by portfolio companies. In 2019 combined CSI spend in Fund IV portfolio companies (including socioeconomic development and enterprise development) was just over R61 million. In 2020, through commercially challenging times, this spend was c. R70.96 million.





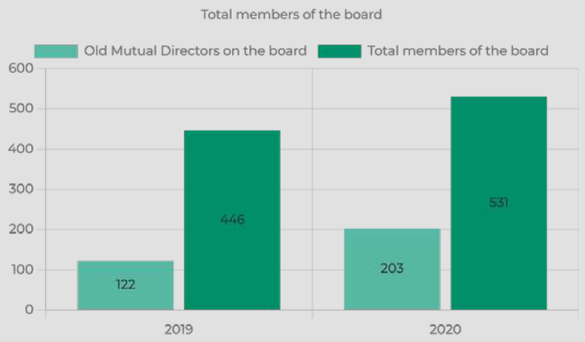


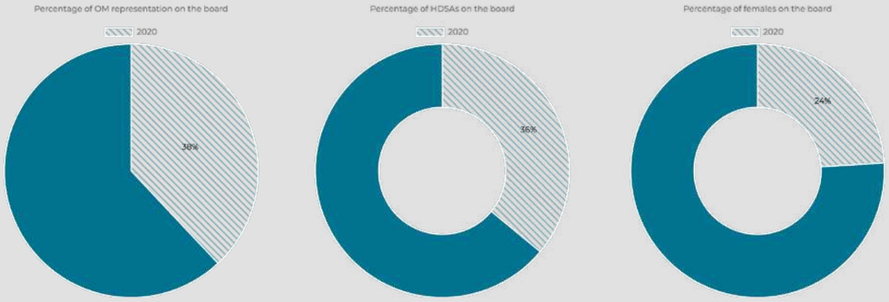
13,652

Total employees as at Dec 2020

Governance Overview

Good governance lies at the heart of a sustainable business that delivers returns for all stakeholders, including shareholders, lenders, employees, suppliers and the communities in which we invest. OMAI seeks to apply good governance practices in all portfolio companies, across various African jurisdictions, with adherence to local governance-related laws and a reference to the King IV Report on good corporate governance. In our goal of driving governance performance, our investment professionals are active at the Boards and Subcommittees of portfolio companies. In 2020 we increased our Board representation to 38%, exercising our board seat rights and further aiding active engagement. In our continued effort to achieve gender equality, female Board representation increased slightly to 24%, indicating there is still a way to go on this critical matter. For South African portfolio companies, in our actions to reduce inequalities, we have started to track historically disadvantaged South African (HDSA) Board representation. HDSA Board representation in 2020 was 36%.

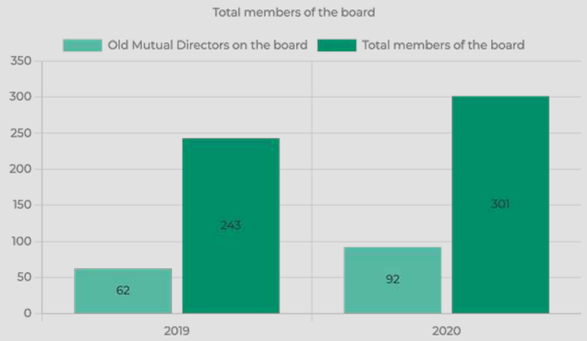


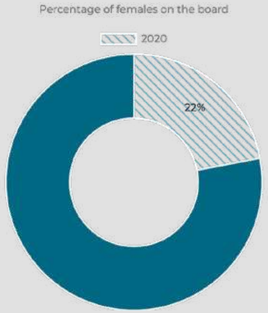


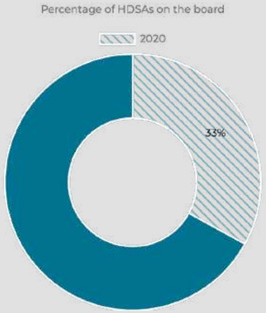
Governance Overview

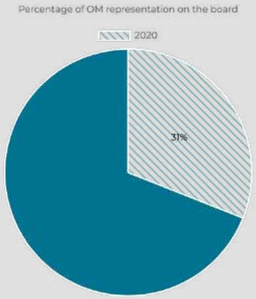
AIIM OVERVIEW

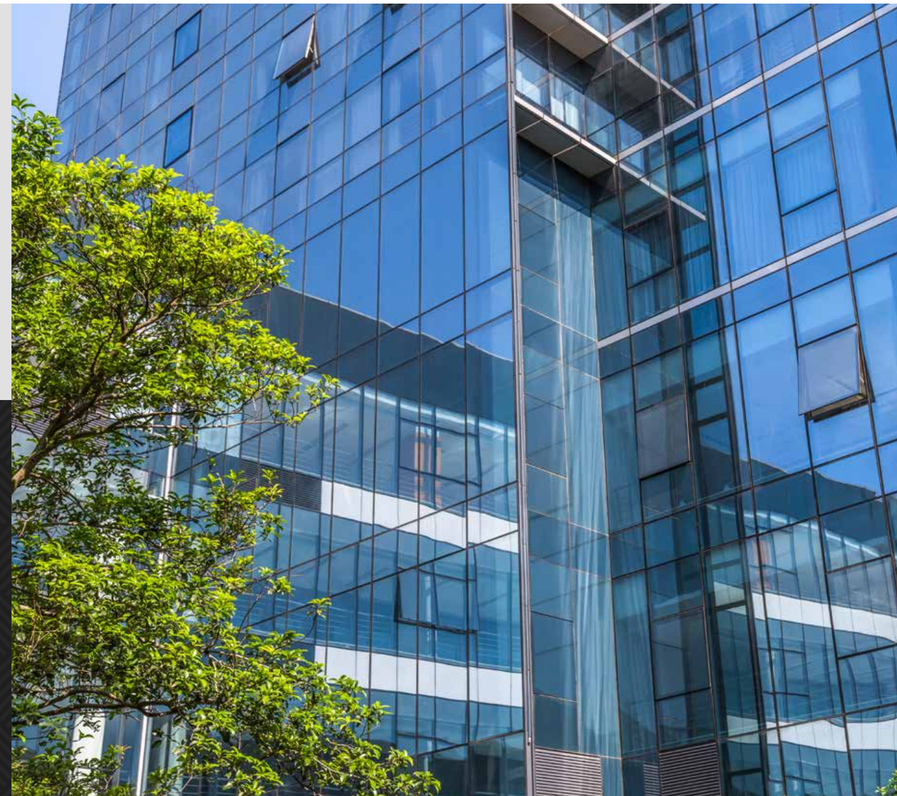
In 2020 we increased our Board representation to 31%, exercising our board seat rights and further aiding active engagement. In our continued effort to achieve gender equality, female Board representation increased slightly to 22%, indicating there is still a way to go on gender equality at the Board level. AIIM continues to work with Boardroom Africa and to develop internal talent by appointing females to alternate director seats in order to mentor them to take up Board seats in the future. For South African portfolio companies, in our actions to reduce inequalities, we have started to track historically disadvantaged South African (HDSA) Board representation. HDSA Board representation in 2020 was 33%.







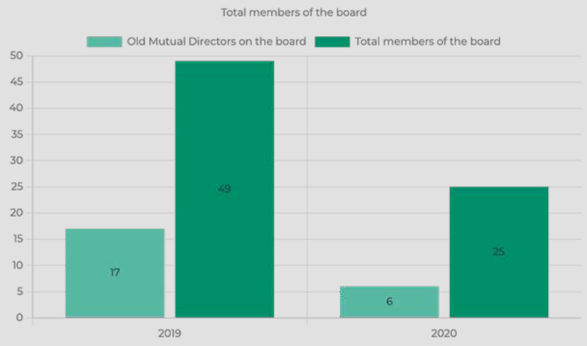


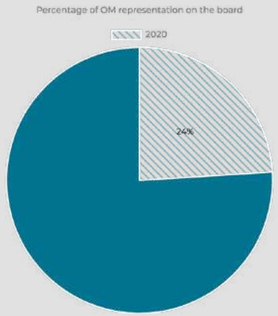


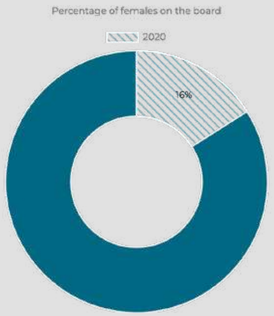
Governance Overview

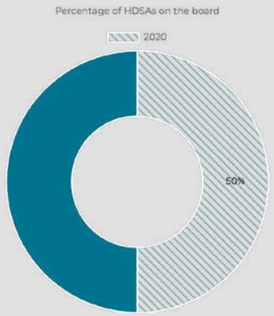
AIIF2

The main driver behind the shift in governance metrics from 2019 to 2020 is the exit of the fund from key investments.





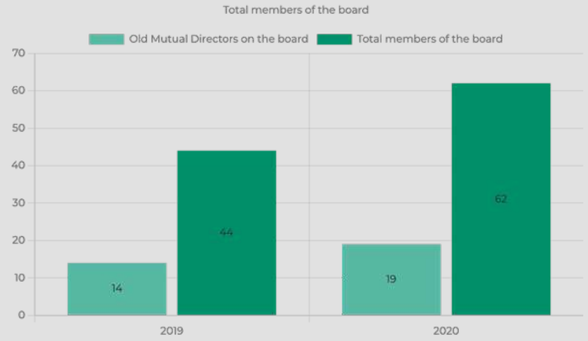


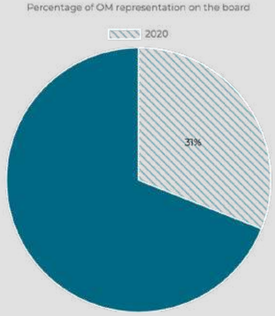


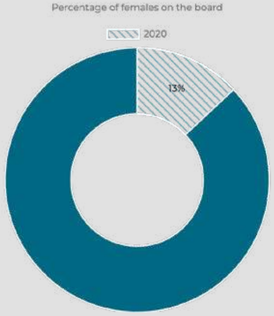
Governance Overview

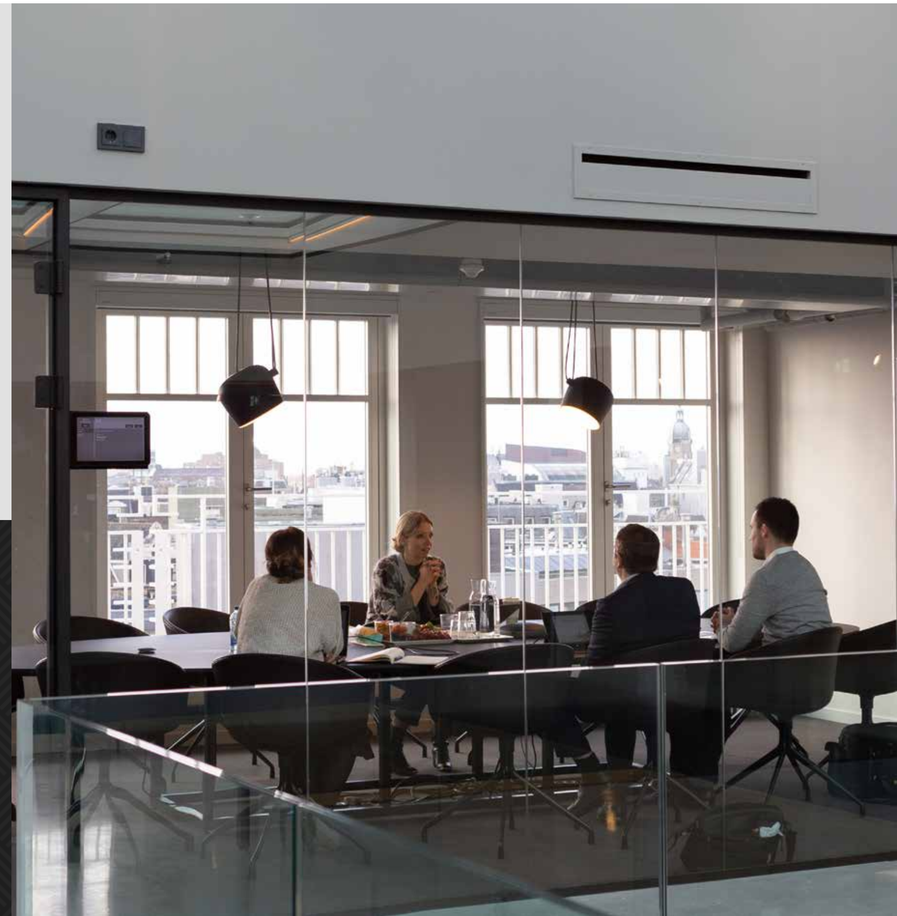
AIIF3

Through 2020 the AIIF3 fund increased the number of portfolio companies under management, while holding OMAI Board representation steady with 31% active management representation. Due to these further investments the overall female representation at the Board level dropped slightly to 13%, indicating an opportunity for further improvement going forward.





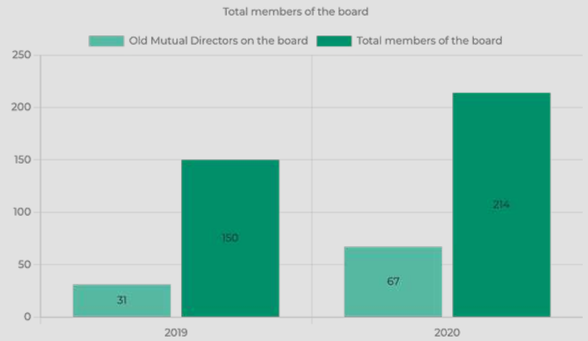


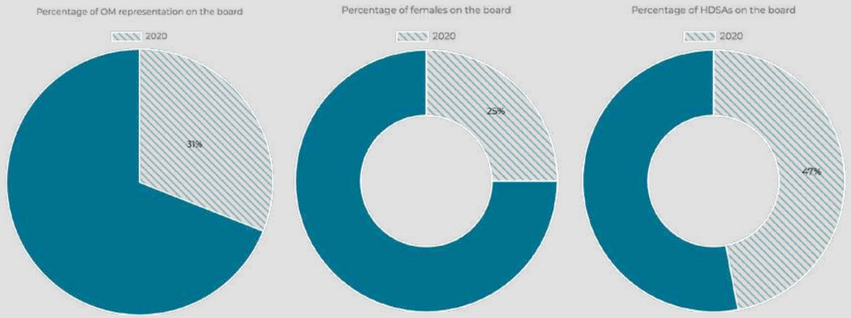


Governance Overview

IDEAS

Through 2020 the IDEAS fund continued to increase the number of portfolio companies under management, while delivering on active Board engagement with 31% OMAI representation at the Boards. The fund was also able to increase female Board representation to 25%, showing progress but indicating there is still work to be done on this issue. The fund has started to track historically disadvantaged South African (HDSA) representation at the Boards, with a 47% representation as at the end of 2020.

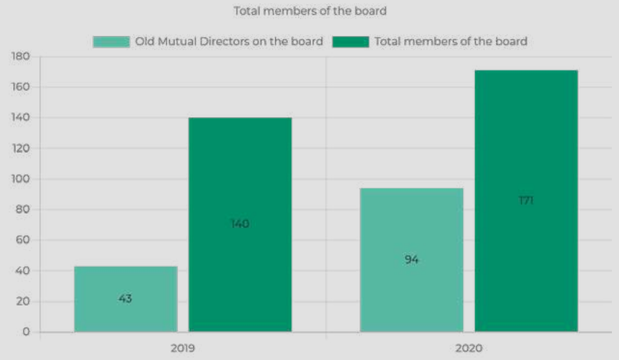


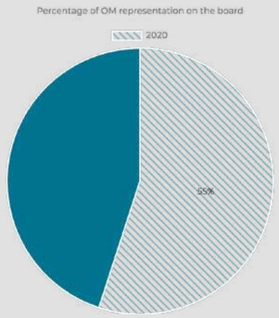


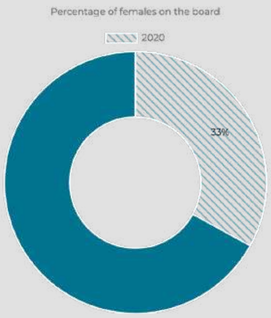
Governance Overview

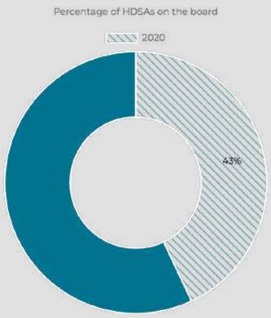
IMPACT INVESTING OVERVIEW

In 2020 we increased our Board representation to 38%, exercising our Board seat rights and further aiding active engagement. In our continued effort to achieve gender equality, female Board representation increased slightly to 24%, indicating there is still a way to go on gender equality at the Board level. For South African portfolio companies, in our actions to reduce inequalities, we have started to track historically disadvantaged South African (HDSA) Board representation. HDSA Board representation in 2020 was 36%.





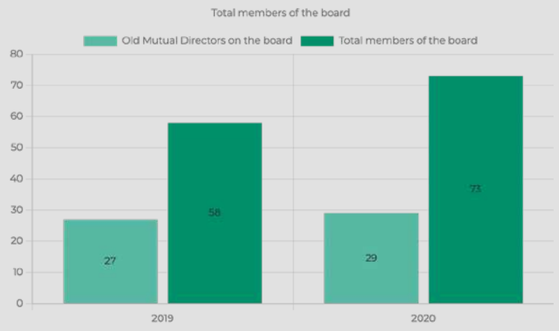


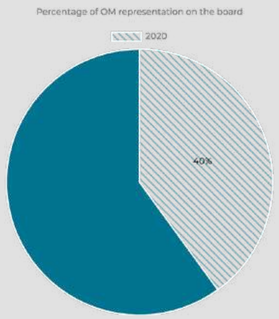


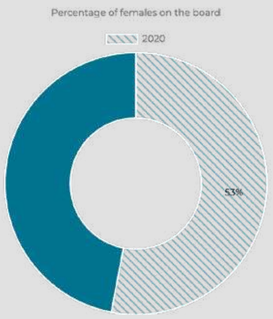
Governance Overview

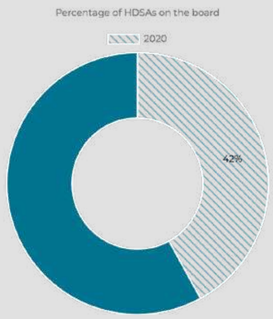
SEIIFSA

At the end of 2020 there was an increase in the overall number of Board members relative to OMAI directors, resulting in a slight drop to 40% in relative Board representation. The fund ended 2020 holding a positive outcome of female Board representation at 53%. In 2020 the fund began to track historically disadvantaged South African (HDSA) representation at Board level, with 42% being represented.





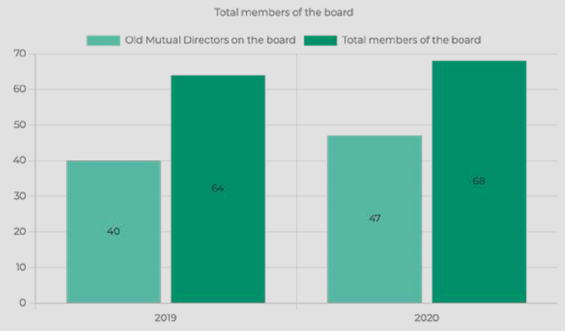


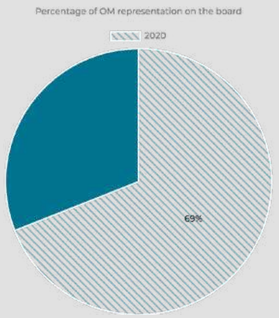


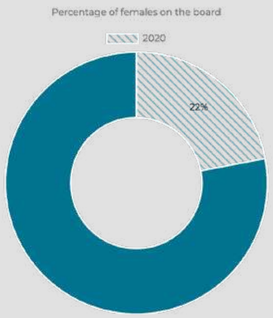
Governance Overview

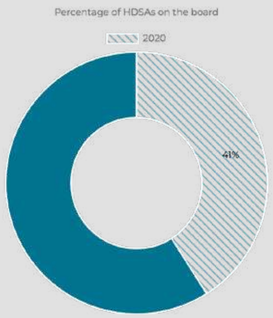
HIFSA

Through 2020 the HIFSA fund increased its relative Board representation to 69%. There was also a slight increase in female Board representation to 22%, indicating that there is still further improvement required on this critical aspect. In 2020 the fund began to track historically disadvantaged South African (HDSA) representation at Board level, with 41% being represented.





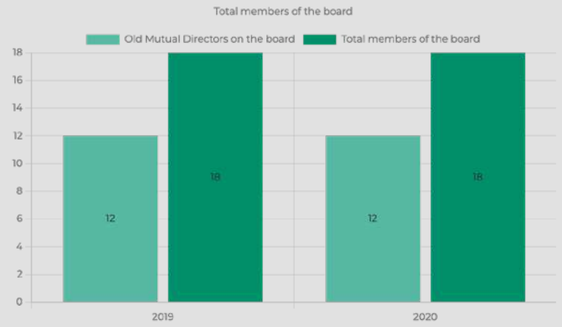


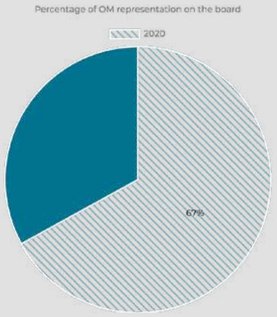


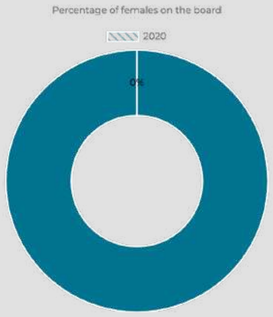
Governance Overview

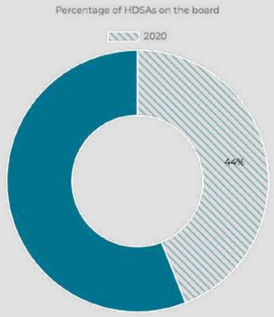
OMRAF

There have been no changes in the OMRAF fund from a governance perspective between 2019 and 2020. OMAI continues to have a relatively high Board representation at 67%. An area for future focus is the absence of female Board representation. The fund began to track historically disadvantaged South African (HDSA) Board representation in 2020, which was recorded at 44%.





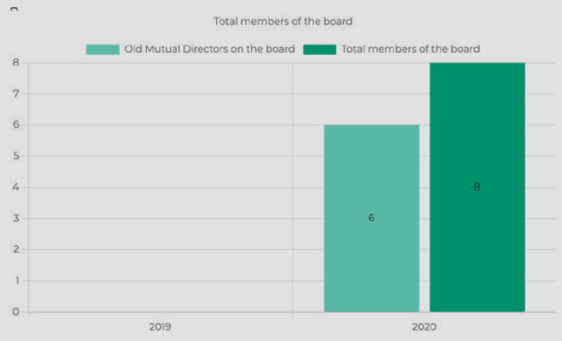


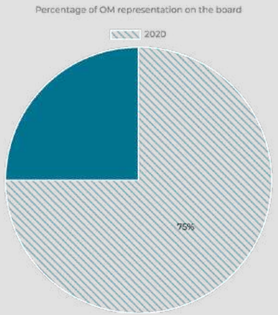


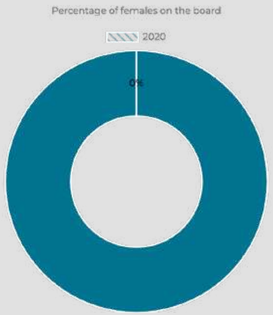
Governance Overview

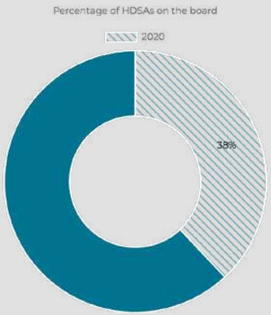
OMRENT

The OMRENT fund began to track governance data from 2020. Therefore, the data presented forms the baseline against which future performance will be compared. The fund has a relatively high OMAI director Board representation at 75%. However, with no female Board representation, work is needed to address this aspect. Historically disadvantaged South Africans (HDSAs) Board representation was recorded at 38%.





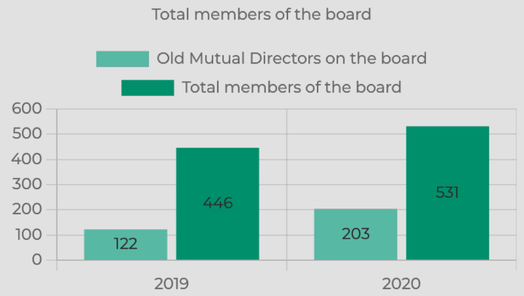


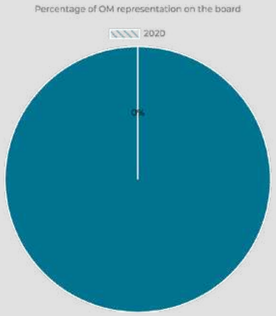


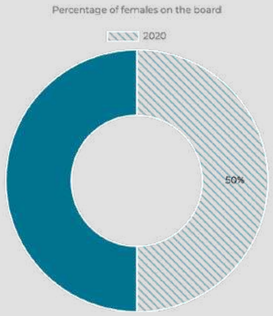
Governance Overview

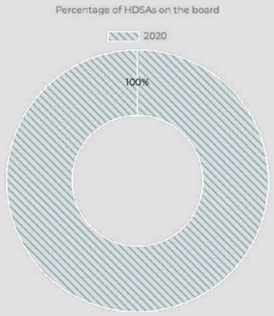
EDUFUND

EduFund is recently launched and currently has one investment.
From the outset we are looking to drive gender equality and historically disadvantaged South African (HDSA) representation.





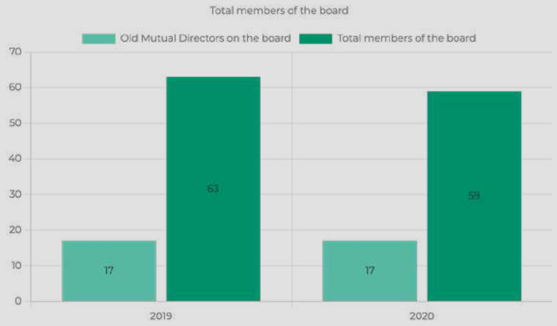


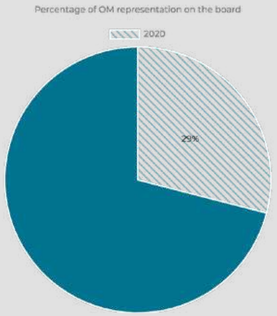


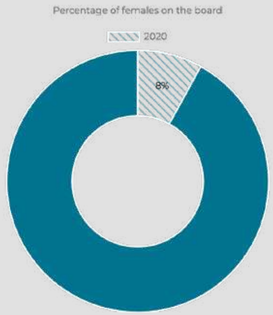
Governance Overview

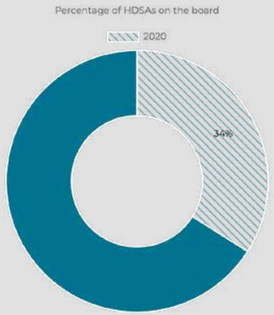
OMPE OVERVIEW

The overall Board members across the fund dropped between 2019 to 2020, resulting in a relative increase in OMPE representation and female representation at the Board. The actual number of OMPE and female directors has remained constant. OMPE continues to focus on improving female and historically disadvantaged South African (HDSA) representation at the board level.









Infrastructure Overview

The infrastructure portfolio has demonstrated resilience through the Covid-19 pandemic, yielding strong returns while continuing to achieve positive outcomes. The portfolio was not untouched by Covid-19 with challenges faced by portfolio companies managing road networks, air transport, and operations in all sectors affected to some degree. Fortunately, many of the portfolio companies were able to manage the risks effectively and keep employees safe.

39,899

Airport number of flights (2019)

3,380,091

Number of passengers (2019)

1,370

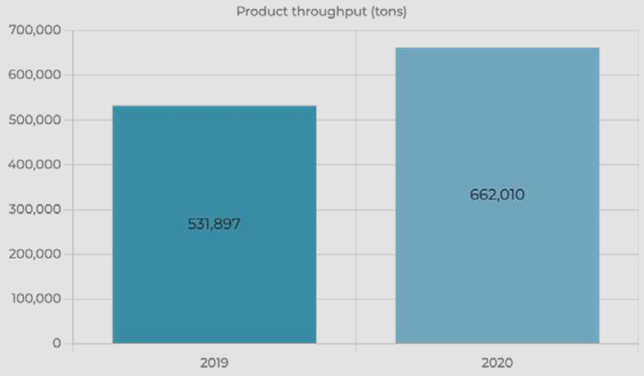
Total kilometres of road transport route

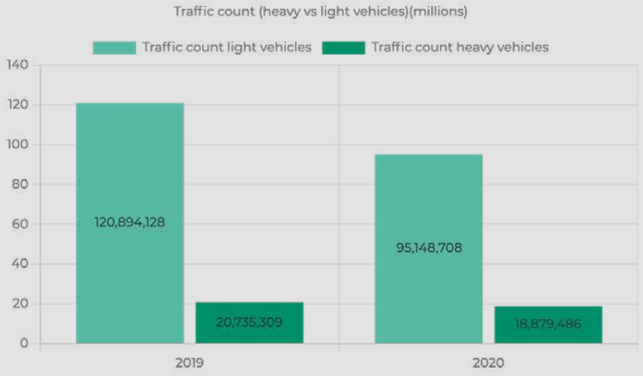
25,894

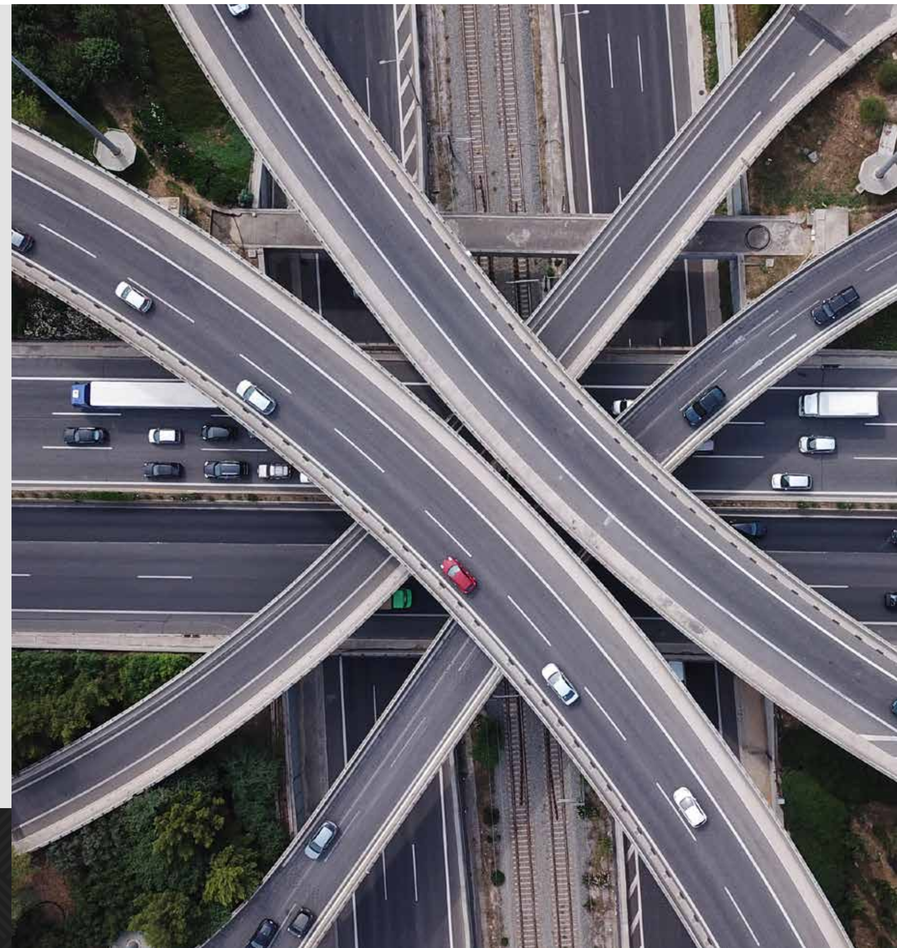
Telecommunication towers owned

1,913

Telecommunication towers MLL







Infrastructure Overview

AIIM OVERVIEW

The OMAI Infrastructure portfolio is managed through AIIM. The portfolio proved resilient through the Covid-19 pandemic with operations continuing at the portfolio company level because they were classified as essential services. The strong performance and positive outcomes achieved highlight the robustness of this asset class.

39,899

Airport number of flights (2019)

3,380,091

Number of passengers (2019)

1,370

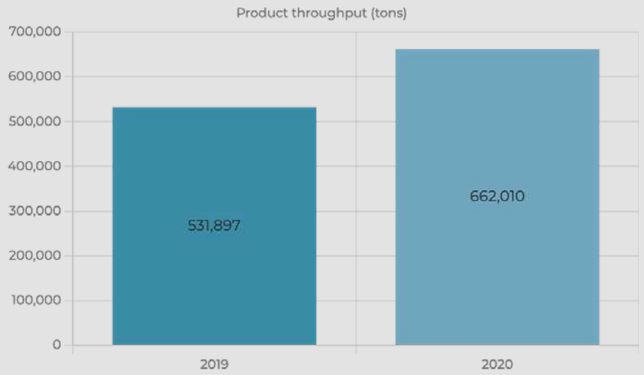
Total kilometres of road transport route

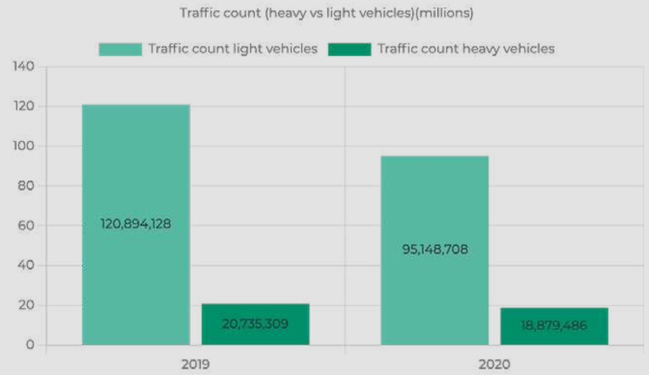
25,894

Telecommunication towers owned

1,913

Telecommunication towers MLL





Infrastructure Overview

AIIF2

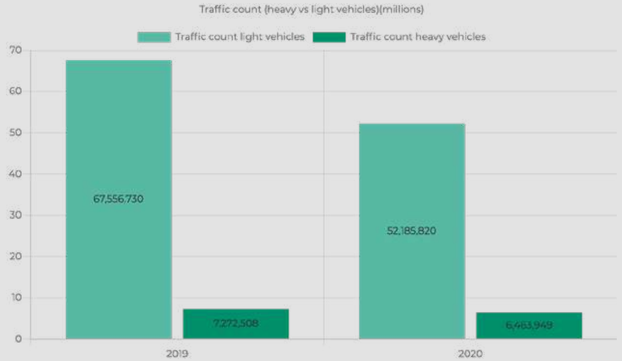
The total number of vehicles using the road network decreased by 22% as a result of the lockdown regulations in response to Covid-19. In contrast, the digital infrastructure business saw a 15% increase.

25,894

Telecommunication towers owned

1,913

Telecommunication towers MLL



385

Total kilometres of road transport route

Infrastructure Overview

AIIF3

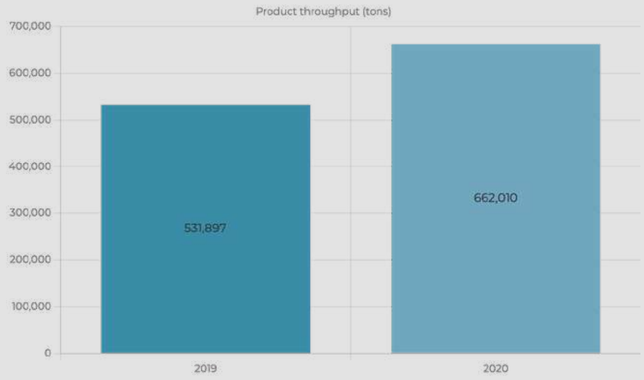
Globally, the air transport industry was severely impacted by the Covid-19 pandemic. This is reflected in severe decreases in the number of flights and passenger numbers for AIIF3, with the 2019 numbers still available. Fortunately, African Ports and Corridor Holdings saw a 24% increase in throughput tonnage in 2020.

39,899

Airport number of flights (2019)

3,380,091

Number of passengers (2019)



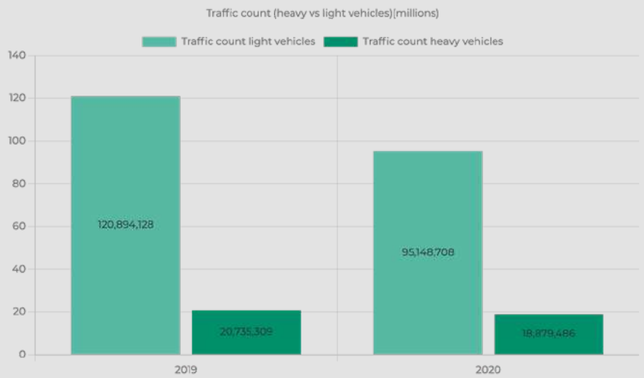
Infrastructure Overview

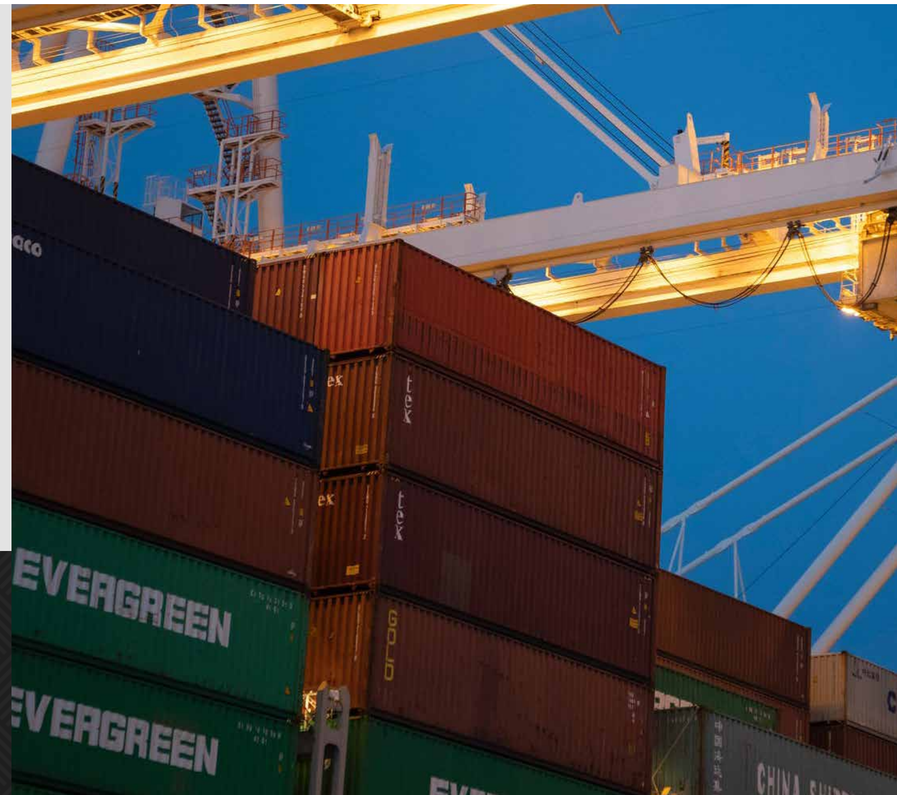
IDEAS

The renewable energy infrastructure contribution by IDEAS is significant, with 26 utility-scale renewable energy facilities and 2 off-grid solar portfolio companies. This is evidenced in the Energy section of this report. However, this fund also includes a gas-fired power station, 100km of gas pipeline, 1,370km of road network, 108,143m² of social infrastructure building area, and over 50,500 active fibre connections in its growing digital infrastructure footprint. The road network was impacted by Covid-19 with hard lockdown measures resulting in an initial 70% drop in traffic volumes, but they were able to recover as restrictions were limited, ending the year with a 20% decrease compared to the previous year.

1,370

Total kilometres of road transport route

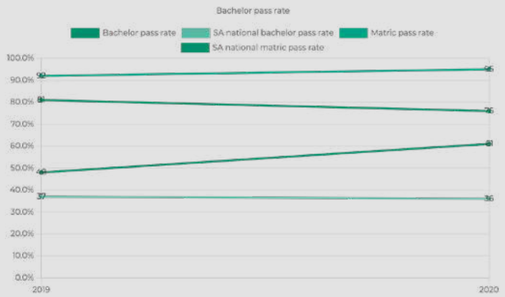


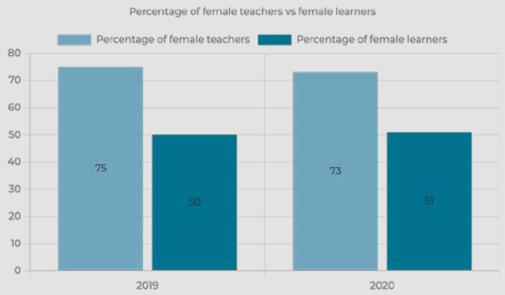


Education Overview

IMPACT INVESTING OVERVIEW

Education has the power to transform individuals, communities, and societies. OMAI has been investing in quality affordable schools since 2011 through the Schools and Education Investment Impact Fund of South Africa (Schools Fund), and then launched Edufund in 2020. Through investments in the education sector, OMAI aims to improve the level of education in the country, while providing investors with an attractive risk-adjusted return. Despite the difficult pandemic year, the learner numbers in the school's portfolio increased by 11%, and teachers employed by 7%. 58% of teachers are historically disadvantaged South Africans (HDSAs).





41

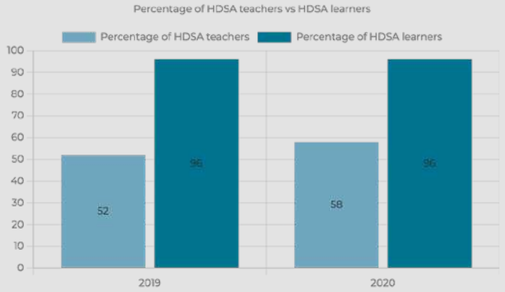
Number of schools

23,123

Total learners enrolled

1,030

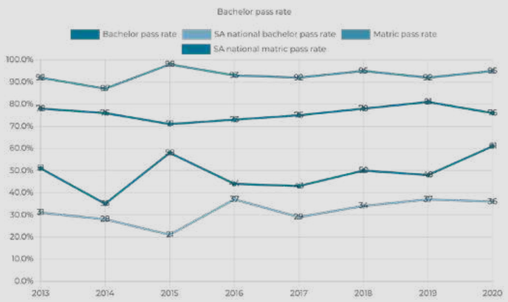
Total teachers



Education Overview

SEIIFSA

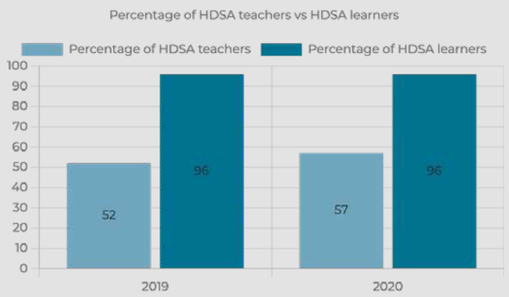
The Schools and Education Investment Impact Fund (Schools Fund) provides quality education by creating access to affordable independent schools. Launched at the end of 2011, it is the first and largest education impact fund in South Africa. The 39 schools in the fund are providing quality education to more than 22,000 learners, employing just short of 1,000 teachers. The quality of education is evident in the fund's excellent matric pass rates since inception, far outperforming the national pass rates. 96% of all learners are from historically disadvantaged groups. Impact Investing has been instrumental in changing the affordable, independent education landscape through its investments into the small, medium and micro enterprises (SMME) segment by assisting smaller school operators to expand through investment capital and hands-on support. As of December 2020, 63% of deals in SEIIFSA are into SMMEs based on turnover and number of employees.

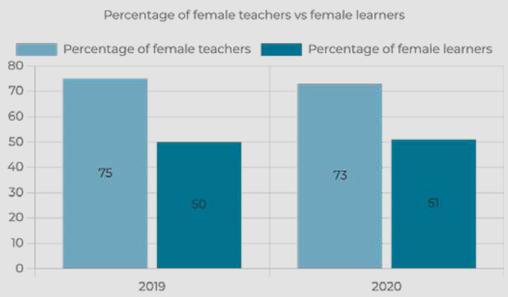


39
Number of schools

22,335
Total learners enrolled

972
Total teachers

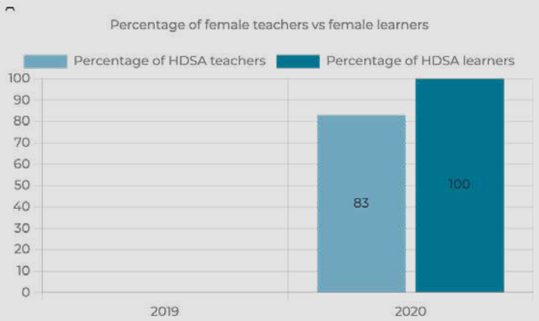




Education Overview

EDUFUND

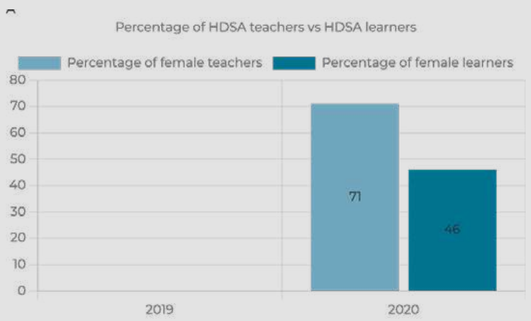
Edufund is the latest education investment offering by OMAI Impact Investing, with a mandate to invest in all forms of education and education-related investments, including tertiary education and ancillary education services. The fund was launched in mid-2020 with the first close of R300 million. As of 2020, there was one investment in the fund, comprising two schools (primary and secondary), with a total of 768 learners. A further two investments have been approved by the Edufund Investment Committee since.



2
Number of schools

768
Total learners enrolled

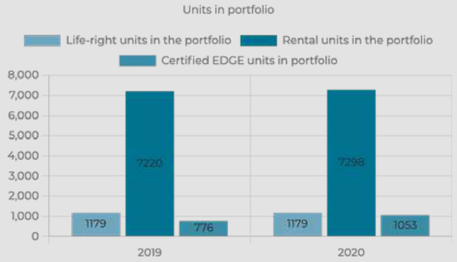
58
Total teachers



Housing Overview

IMPACT INVESTING OVERVIEW

Access to safe, adequate, and affordable housing is one important part of transforming cities to be sustainable. OMAI aims to contribute positively to the housing backlog through its three housing funds. The Housing Impact Fund South Africa (HIFSA) and Old Mutual Rental Housing Investment Fund Two Ltd (OMRENT) focus on providing affordable residential accommodation and student beds, while the Old Mutual Retirement Accommodation Fund (OMRAF) focuses on the retirement accommodation market. Across the portfolios, there was an increase of 36% in EDGE-certified housing units. EDGE is a green building certification. This equates to operational savings in carbon emissions of 366 tCO_2 equivalents per annum. Both HIFSA and OMRENT achieved more than 80% affordability in 2020, providing housing units in terms of the Financial Sector Charter (FSC) to people earning less than R25,400 per month.

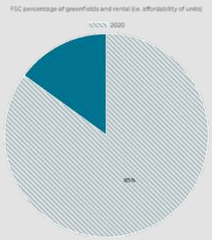


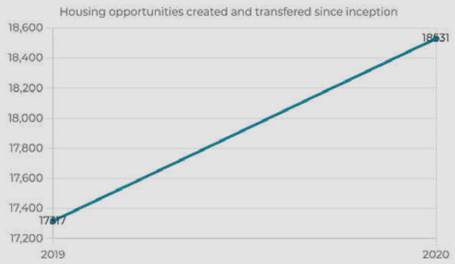
7,669

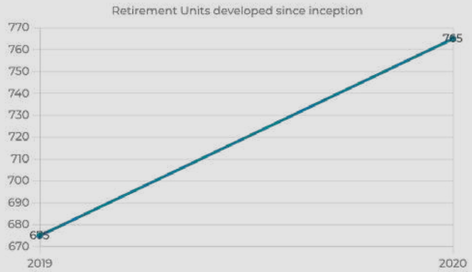
Student beds

91

Frail care beds







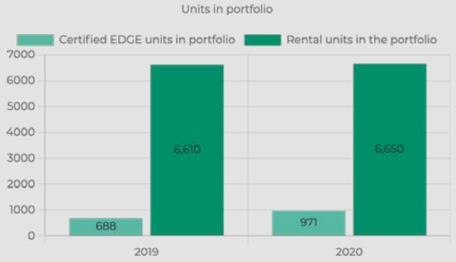
Housing Overview

HIFSA

The Housing Impact Fund South Africa (HIFSA) was established in 2010 to make commercially viable investments into the affordable housing sector to achieve large-scale housing impact.

The portfolio consists of:

- 24 Greenfields projects containing 42,000 potential housing opportunities, including two retirement villages. A total of 1,214 housing units were transferred in 2020, bringing the total since inception to 18,500.
- 13 rental portfolios, including specialised student accommodation.
- End-user mortgage book with 1,713 loans, 81% of which are in the affordable market.

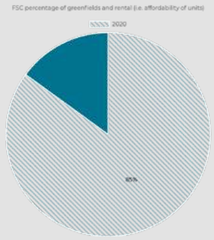


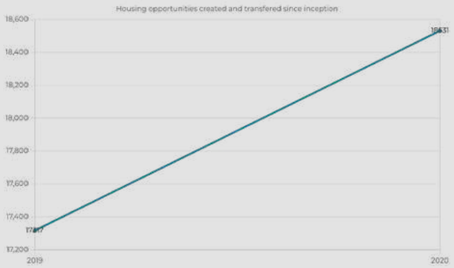
7,669

Student beds

6,650

Rental units in the portfolio

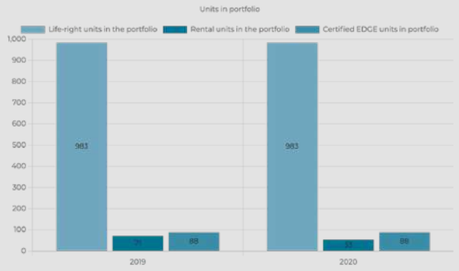




Housing Overview

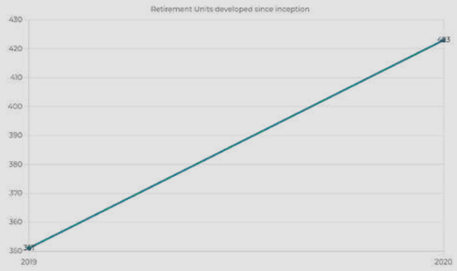
OMRAF

The Old Mutual Retirement Accommodation Fund (OMRAF) aims to address the unique accommodation needs in the South African retirement market by investing in retirement accommodation development and acquisitions. As of December 2020, the fund had six investments which included life-right, sectional title, rental, and freehold assets. Retirement units developed increased by 20% in 2020, while rental units decreased by 34% due to a change in offering at one of the projects.



45

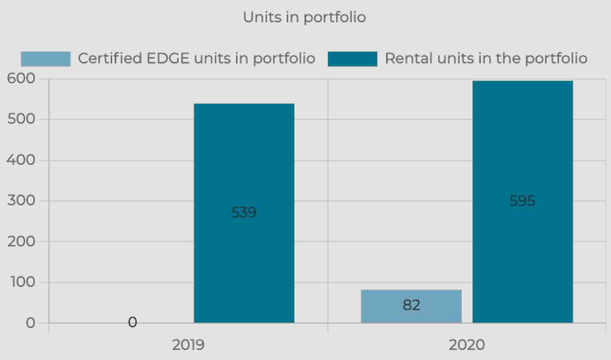
Frail care beds

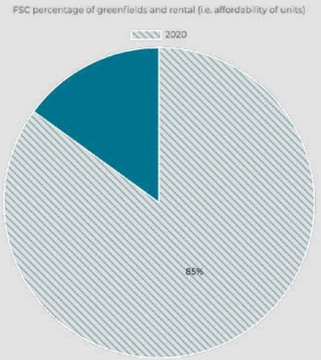


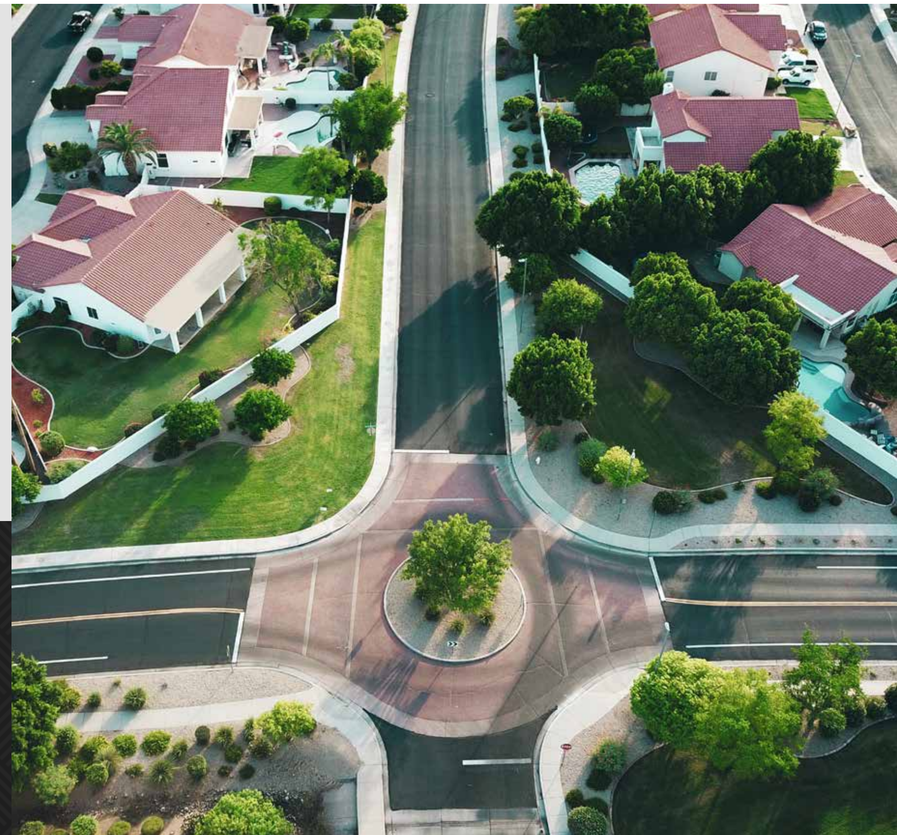
Housing Overview

OMRENT

Old Mutual Rental Housing Investment Fund Two Ltd (OMRENT) aims to acquire and hold the residential property for the purpose of letting, to focus on the affordable market. As of December 2020, the fund had four investments comprising of 595 rental units. During the year, 57 new units were acquired. The affordability of the units increased by 27%. OMRENT also achieved EDGE green building certification on a portfolio of 82 units during 2020. On an operational level, this translates into a saving in carbon emissions of 75 tCO_2 equivalents per annum.







Health and Safety Overview

Sadly, OMAI had an increase of fatalities to 15 in 2020, with all occurrences being in infrastructure investments. OMAI ESG Advisers are actively engaging the portfolio companies where these risks materialised. While there has been an overall increase in the number of portfolio companies across the group, the increase in the lost time injury rate is a point for focused improvement. Notable are the actual days lost to injury have remained relatively constant. Occupational health and safety training saw a steep increase in 2020, partly driven by heightened awareness of employee safety from Covid-19. *Note: Fatality incidence rate = (fatalities x 200,000)/Total hours worked and Lost time injury incidence rate = (LTIs x 200,000)/Total hours worked

128,844,993

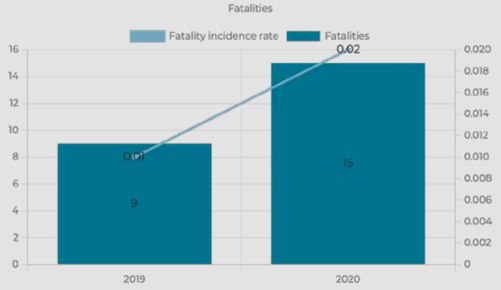
Total hours worked

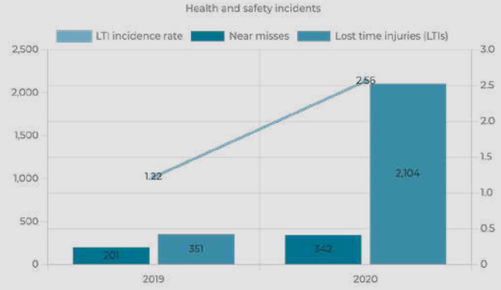
1,378

Total days lost due to injury

70,950

Total OHS training hours





Health and Safety Overview

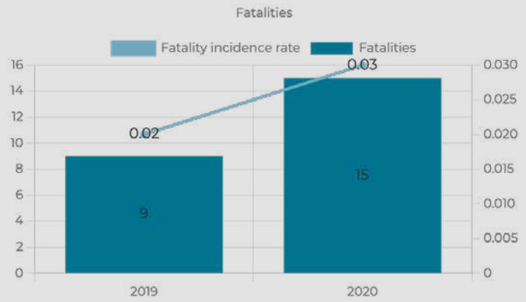
AIIM OVERVIEW

Sadly, the AIIM funds had 15 fatalities in 2020. The lost-time injury rate and days lost due to injury have increased in 2020, which is a focus point for improvement. Notable are the overall occupational health and safety training hours which significantly increased in 2020, partly driven by heightened awareness of employee safety from Covid-19.

99,754,774
Total hours worked

134
Total days lost due to injury

62,168
Total OHS training hours



Health and Safety Overview

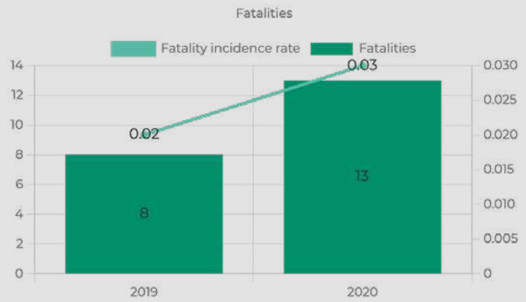
AIIM OVERVIEW

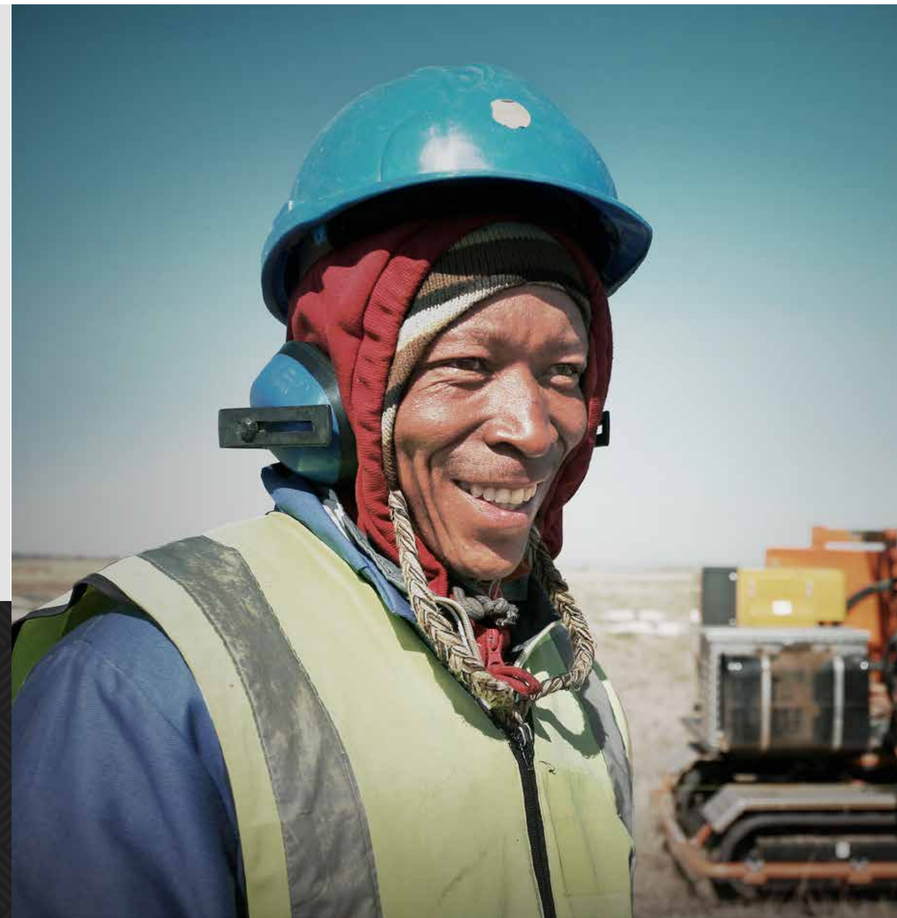
Sadly, the AIIF2 fund had 13 fatalities in 2020. AIIM ESG Advisers are undertaking direct engagement with the portfolio companies where these risks have materialised. The lost time injuries and lost time injury rate has remained relatively constant from 2019 to 2020. Note that the near misses, days lost to injury and occupational health and safety training hours exclude IHS.

89,826,727
Total hours worked

5
Total days lost due to injury

430
Total OHS training hours





Health and Safety Overview

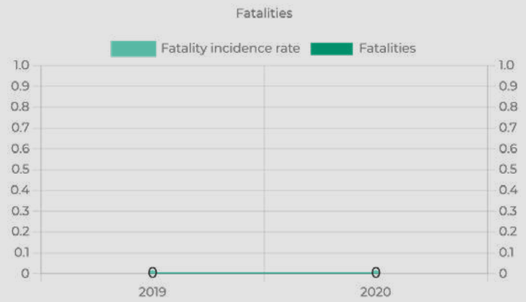
AIIF3

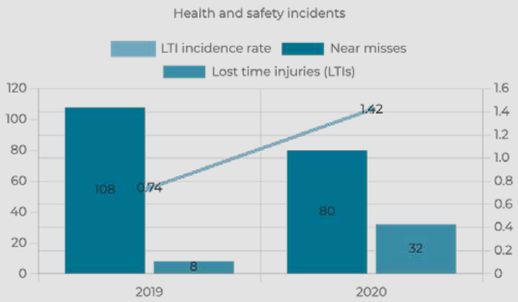
The AIIF3 fund increase in lost time injuries and resulting days lost due to injuries is in part due to an increase in the investments by the fund. However, we also note the increase in the lost time injury rate, which is a focus for improvement. Note that Amandi and AERCO Ollombo airport are not included in this analysis.

4,505,792
Total hours worked

98
Total days lost due to injury

4,214
Total OHS training hours





Health and Safety Overview

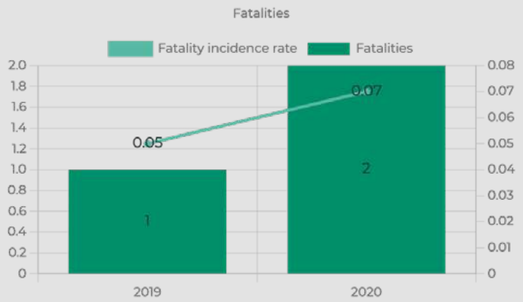
IDEAS

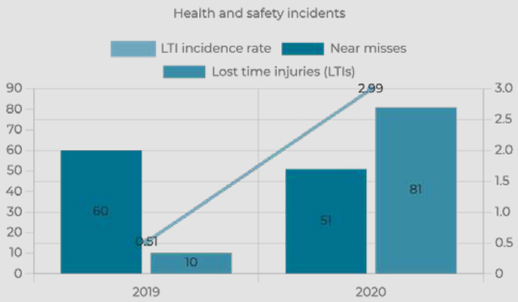
Sadly, the IDEAS fund had two fatalities in 2020. The fund also showed a marked increase in the lost time injury rate, which is a focus for improvement. The increase in hours worked is due to the addition of investments into the fund. However, the actual days lost due to injury have remained relatively constant.

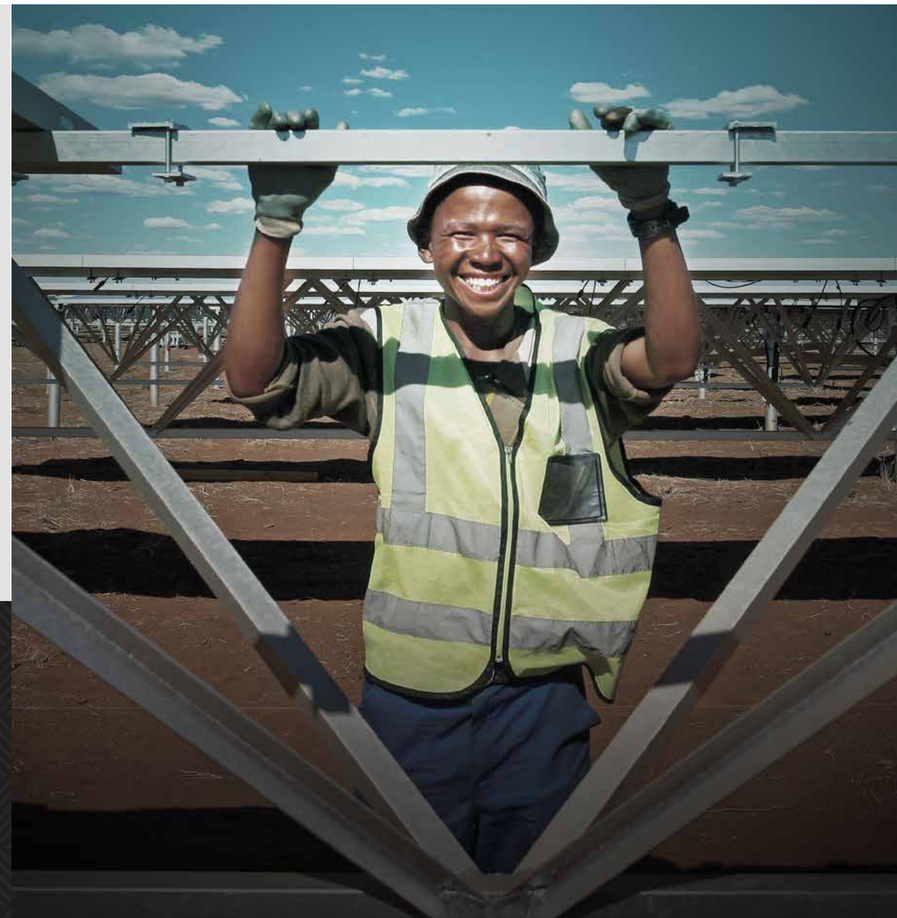
5,442,225
Total hours worked

31
Total days lost due to injury

57,524
Total OHS training hours







Health and Safety Overview

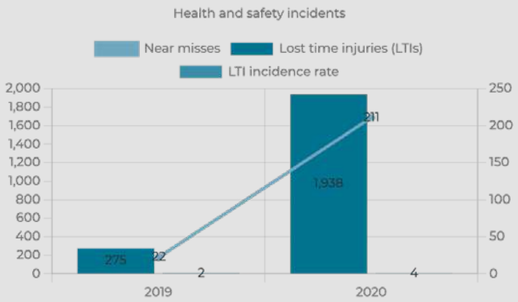
OMPE OVERVIEW

The increase in lost-time injuries and near misses is primarily due to better reporting coverage across the portfolio companies. The actual days lost due to injuries have remained relatively constant from 2019 to 2020. Notably, there was an increase in the occupational health and safety training provided through 2020 to employees.

29,090,220
Total hours worked

1,245
Total days lost due to injury

8,782
Total OHS training hours



Health and Safety Overview

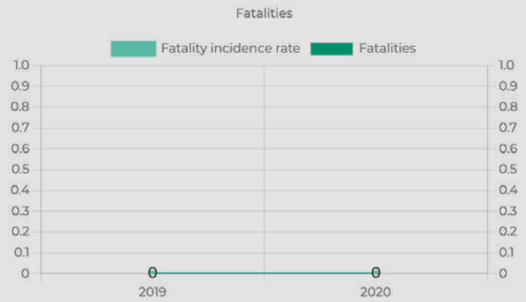
FUND IV

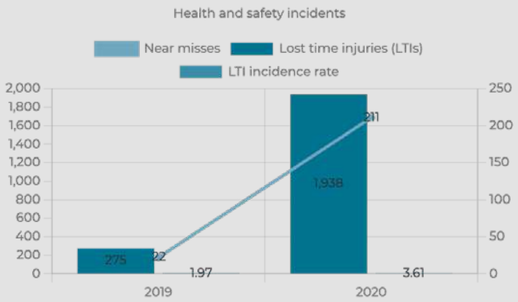
The increase in lost-time injuries and near misses is primarily due to better reporting coverage across the portfolio companies. The actual days lost due to injuries have remained relatively constant from 2019 to 2020. Notably, there was an increase in the occupational health and safety training provided through 2020 to employees.

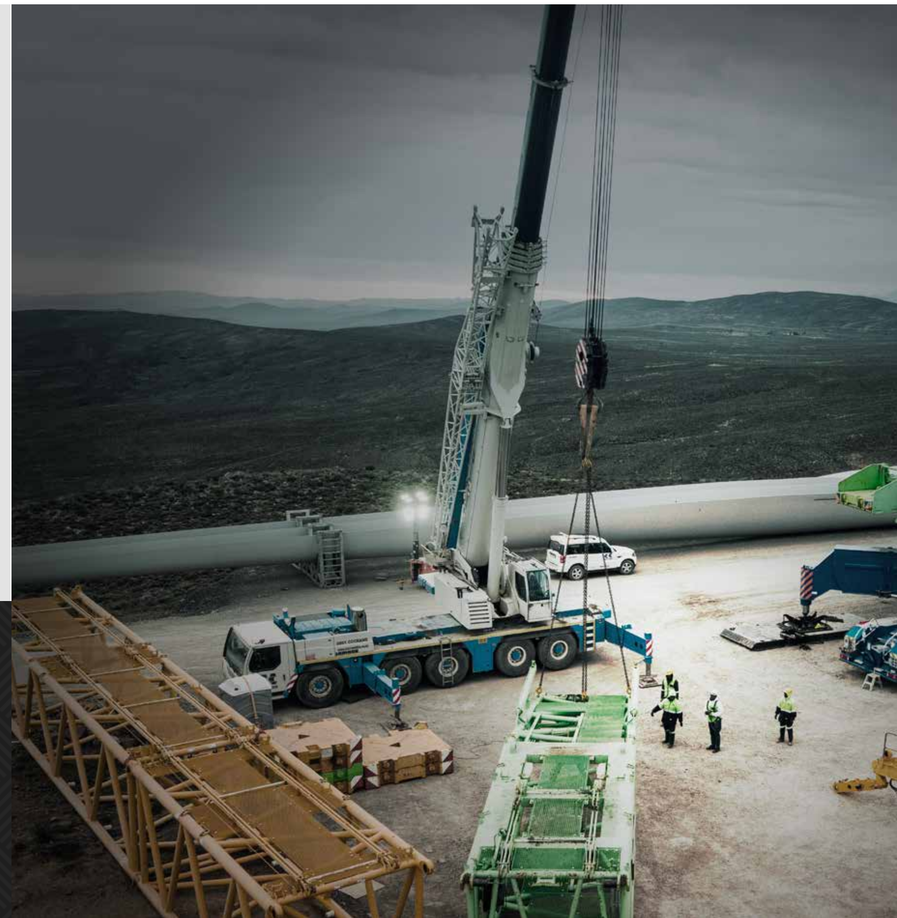
29,090,220
Total hours worked

1,245
Total days lost due to injury

87,812
Total OHS training hours







OLDMUTUAL

INVESTING WITH SIGNIFICANCE

OMAI Sustainability Report

ALTERNATIVE INVESTMENTS

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