

OLDMUTUAL

SUSTAINABILITY REPORT 2023

INVESTING WITH SIGNIFICANCE



ALTERNATIVE INVESTMENTS





CONTENTS

EXECUTIVE SUMMARY	04
MESSAGE FROM THE HEAD OF ESG	07
COMPANY OVERVIEW	08
SUSTAINABLE INVESTMENT STRATEGIES	12
PERFORMANCE	16
GOVERNANCE AND ETHICS	37
LOOKING FORWARD	38

EXECUTIVE SUMMARY

LONG BEFORE ESG BECAME AN INVESTMENT IMPERATIVE, OLD MUTUAL ALTERNATIVE INVESTMENTS (OMAI) WAS PUTTING ENVIRONMENTAL, SOCIETAL AND GOVERNANCE CONSIDERATIONS AT THE HEART OF THE INVESTMENT CYCLE. THIS HAS MEANT THAT AS THE ESG REQUIREMENTS OF CLIENTS AND STAKEHOLDERS HAS GROWN OVER THE LAST DECADE, OMAI HAS BEEN WELL PLACED TO MEET THESE NEEDS.

Thanks to this proactive approach, OMAI has been able to embed ESG into operations as it has grown exponentially. This has taken leadership commitment, dedicated resources and the placement of systems, processes and measures, along with a mind-shift in how we approach each transaction, to not only manage risk but also drive impact.

Gathering accurate data to assess material ESG risks and impact across the investment life cycles and asset classes of a R135-billion portfolio has its challenges. However, over time we have improved our processes to ensure accurate reporting of ESG performance over extended periods.

For us, ESG is not cursory but an on-going priority which goes together with our commitment to growth and successful financial outcomes.

KEY ACHIEVEMENTS AND MILESTONES

NOTES ON KEY ACHIEVEMENTS:



Continue to invest in renewable energy
3.3GW
equivalent of over 3 stages of loadshedding



Avoided emissions
6.15M
tCO₂e



Increased % females in management across the portfolio to
40%



Increased AUM
ZAR
135 bn

As various countries grapple with large-scale geopolitical tensions, conflict, and costly climate change events, OMAI is clear on its commitment. For us, it is vital to assess the material ESG risks and potential positive impact of every transaction, alongside fundamental financial analysis, to generate sustainable, risk-adjusted returns.

Source: Old Mutual Alternative Investments as at 31 December 2023



MESSAGE FROM THE HEAD OF ESG

OMAI'S INVESTMENT DECISIONS HAVE LONG BEEN DRIVEN BY THE BELIEF THAT ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PRINCIPLES ARE KEY TO LONG-TERM SUSTAINABLE OUTCOMES FOR ALL STAKEHOLDERS.

Long before we took the first steps towards formalising an operational commitment to ensuring responsible investment decision making in 2016, we had a deep understanding and respect for the interconnectedness of financial success and positive societal and environmental outcomes.

We recognised that by integrating ESG factors into our investment decisions, we not only managed risks effectively, but also harnessed opportunities to contribute to long-term, sustainable returns. Our investments had the power to influence change, create jobs, foster innovation, and address critical global challenges.

It is an approach that not only positions us as leaders in a financial landscape that increasingly demands accountability, transparency, and social responsibility, but also aligns with the expectations of our increasingly conscientious investors.

To this end, I am confident that together we will continue to build a legacy of success that extends beyond financial returns to positive impact for people and planet, something that has long been a priority.

Tania Swanepoel, Head: Environmental, Social and Governance (ESG)

COMPANY OVERVIEW

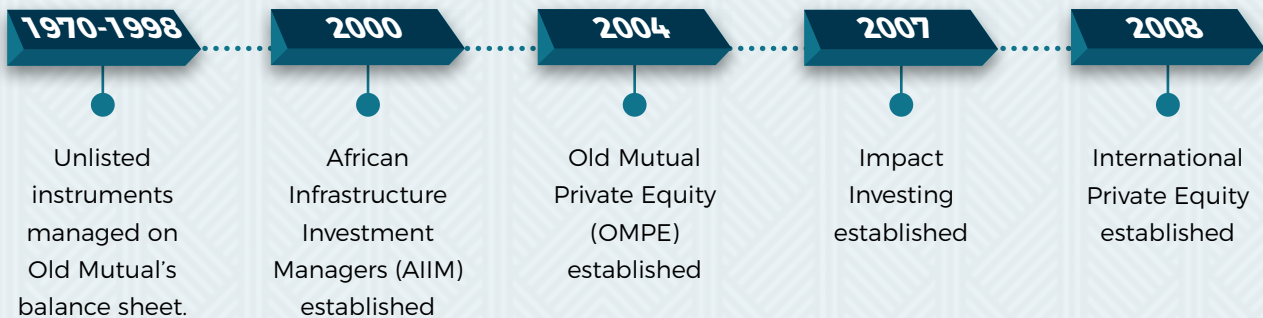
INTRODUCTION TO THE INVESTMENT COMPANY

OLD MUTUAL ALTERNATIVE INVESTMENTS (OMAI) IS ONE OF AFRICA'S LEADING PRIVATE ALTERNATIVE INVESTMENT MANAGERS, WITH OVER *ZAR 135.4 BILLION (USD 7.4 BILLION) IN ASSETS UNDER MANAGEMENT (AUM) IN PRIVATE EQUITY, MULTI-ASSET, MEZZANINE DEBT, CORPORATE AND PRIVATE DEBT.

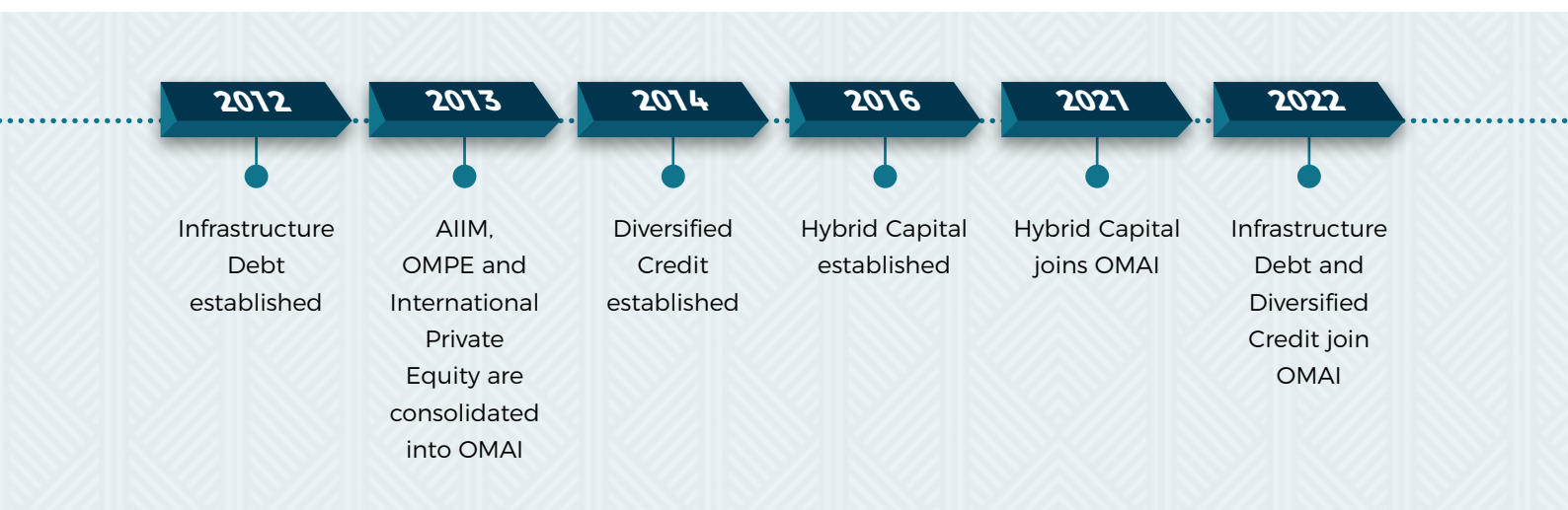
Established in South Africa in 2000, OMAI was one of the first alternative investment managers. Our legacy in the African investment space, however, dates back more than 175 years as a member of the Old Mutual Group.

We aim to deliver consistent, competitive returns to investors, while creating positive, long-term impact in the communities and environments in which we live and invest.

OMAI consists of seven Investment Business Units (IBUs)



*As at 31 December 2023.



OMAI INVESTMENT BUSINESS UNITS

African Infrastructure Investment Managers

AIIM has 24 years' experience in actively developing and managing private equity infrastructure funds and investments across the continent. With *ZAR 37.45 billion (USD 2.6 billion) in assets under management across seven African infrastructure funds, AIIM invests long-term institutional equity in African infrastructure projects.

Through offices in South Africa, Nigeria, Côte d'Ivoire, and Kenya, AIIM invests in such infrastructure projects as renewable energy, base-load power generation, toll roads, ports and logistics, digital infrastructure, and Public-Private Partnership (PPP) assets.

Diversified Credit

Diversified Credit specialises in investment opportunities in structured, corporate credit assets. With *ZAR 21 billion in AUM, core asset classes include secured property finance, investment-grade corporate, leveraged finance, state owned enterprises and Africa sovereigns. The IBU's strategy allows for diversification benefits to fixed income portfolios with a low correlation to market risk.

Old Mutual Private Equity

OMPE is one of South Africa's most established private equity managers, collectively deploying over ZAR 18 billion across 37 transactions in two and half decades. Founded in 2000 to source, invest, manage, and exit private equity opportunities, OMPE looks to deliver superior investment returns by building a diversified portfolio of private equity investments in medium-to-large companies operating predominantly in South Africa.

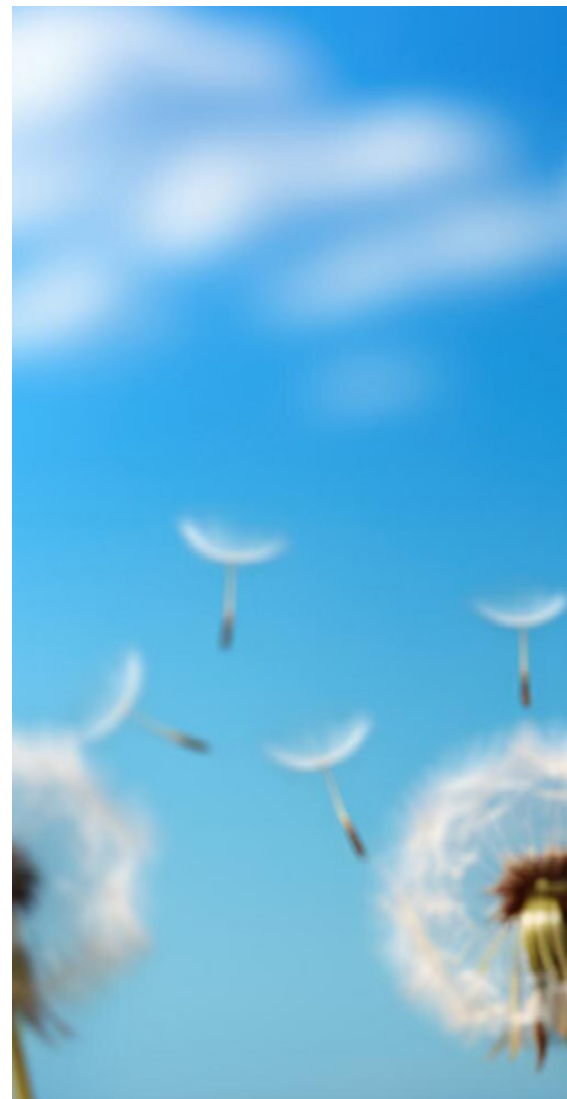
Infrastructure Debt

Infrastructure Debt is one of South Africa's leading institutional infrastructure debt providers, with a current ZAR 14.7 billion portfolio across 32 geographically, technologically, and structurally diverse projects. With a strong track record of investment selection, management and performance, Infrastructure Debt has successfully concluded 48 transactions and advanced ZAR 16.4 billion in funds to date. Infrastructure Debt offers a valuable component in a fixed-income portfolio for investors able to implement a medium-to-long term (seven to 20+ year) buy-and-hold strategy.

Impact Investing

With over ZAR 7.7 billion (USD 406.8 million) under management, Impact Investing invests in assets and regions where gaps or backlogs in social infrastructure have been identified. Here it seeks to provide large-scale positive impact through commercially sustainable investments, with a particular focus on housing, education, and financial inclusion opportunities.

A forerunner in the industry, Impact Investing optimises on partnerships in order to invest at scale, and aims to have a large-scale impact with positive developmental outcomes.



*As at 31 December 2023.

Hybrid Capital

Hybrid Capital has over 30 years' experience in deal origination, execution and exit strategy, making it one of South Africa's most established alternative fund managers in mezzanine debt, preference shares and mezzanine debt.

Hybrid Capital has sourced, structured, invested, managed and exited transactions across multiple sectors and capital structures, deploying more than ZAR 5.5 billion (USD 323.2 million) across 28 transactions for Old Mutual on a principal basis.

International Private Equity

International Private Equity (IPE) is a global alternatives programme, making primary and secondary private equity investments in buyout, growth, and venture capital funds. The IBU focuses on all areas and stages of private equity to formulate a well-diversified portfolio that will mitigate risk while creating alpha. IPE invest through funds that provide capital solutions, business building, networks and know-how to their underlying companies.





SUSTAINABLE INVESTMENT STRATEGIES

APPROACH

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) THINKING IS CRITICAL TO OUR INVESTMENT DECISION-MAKING, AS WE STRIVE TO CREATE POSITIVE FUTURE OUTCOMES WHILE ENSURING SUSTAINABLE, SUPERIOR, RISK-ADJUSTED RETURNS FOR OUR CLIENTS. OUR COMMITMENT TO RESPONSIBLE INVESTMENT IS CORE TO ALL OUR INVESTMENT OBJECTIVES AND THE FULFILMENT OF FIDUCIARY DUTIES TOWARDS OUR SHAREHOLDERS AND BENEFICIARIES.

We have adopted an ESG and Impact Management Framework to achieve our vision of continual improvement in ESG performance, with risk management and positive impact outcomes bearing equal weight. We seek to deeply understand the trade-offs posed by investments, being cognisant in our investment decisions and actively striving to be part of a solution to global ESG challenges.

Given the broad range of asset classes in which we invest, investment strategies and opportunities for stewardship differ. Across the board, OMAI IBUs range from Responsible Investors, to Sustainable and Impact Investors. Our asset classes provide the opportunity for positive impact through energy, carbon emissions, social aspects, infrastructure, housing, education, and governance.

We align our ESG themes to specific United Nations Sustainable Development Goals (SDGs).

ASSET CLASS

	PRIVATE DEBT	CORPORATE AND PRIVATE DEBT	MEZZANINE DEBT
IBU	Infrastructure Debt	Diversified Credit	Hybrid Capital
Investment Approach	Responsible Investor	Responsible Investor	Responsible Investor
Investment Focus	Mitigate risky ESG practices to protect value	Mitigate risky ESG practices to protect value	Mitigate risky ESG practices to protect value
SDGs	6, 7, 8, 9, 11, 13	8, 12	8, 10, 16
AUM ZAR billion	14,622	21,793	4,449

As at 31 December 2023.

ASSET CLASS

	PRIVATE EQUITY			MULTI-ASSET
IBU	International PE	OMPE	AIIM	Impact Investing
Investment Approach	Responsible Investor	Sustainable Investor	Impact Investor	Impact Investor
Investment Focus	Mitigate risky ESG practices to protect value	Adopt progressive ESG practices that may enhance value	Address societal challenges that generate competitive financial returns	Address societal challenges that generate competitive financial returns
SDGs	16	5, 8, 9, 10, 12, 16	5, 7, 8, 9, 10, 11, 13, 16	1, 4, 5, 8, 10, 11, 16
AUM ZAR billion	20,757	15,271	50,864	7,689

As at 31 December 2023.

OMAI ESG JOURNEY

SINCE INCEPTION, OMAI HAS BEEN COMMITTED TO INVESTING RESPONSIBLY AND HAS BEEN ON A STEADY AND FOCUSED RESPONSIBLE INVESTMENT JOURNEY. OVER TIME, THIS JOURNEY HAS EVOLVED AND FORMALISED. HIGHLIGHTS OF THIS PROCESS INCLUDE:

2000-2015

Focus on Responsible Investment by investment professionals

2015

AIIM appoints first full-time ESG Advisor

2016

AIIM appoints second full-time ESG Advisor

OMAI develops and implements an Environmental and Social Management System (ESMS) for each IBU

2019

Standalone ESG practice across OMAI established with four dedicated ESG professionals

OMAI Impact Management framework developed and implemented

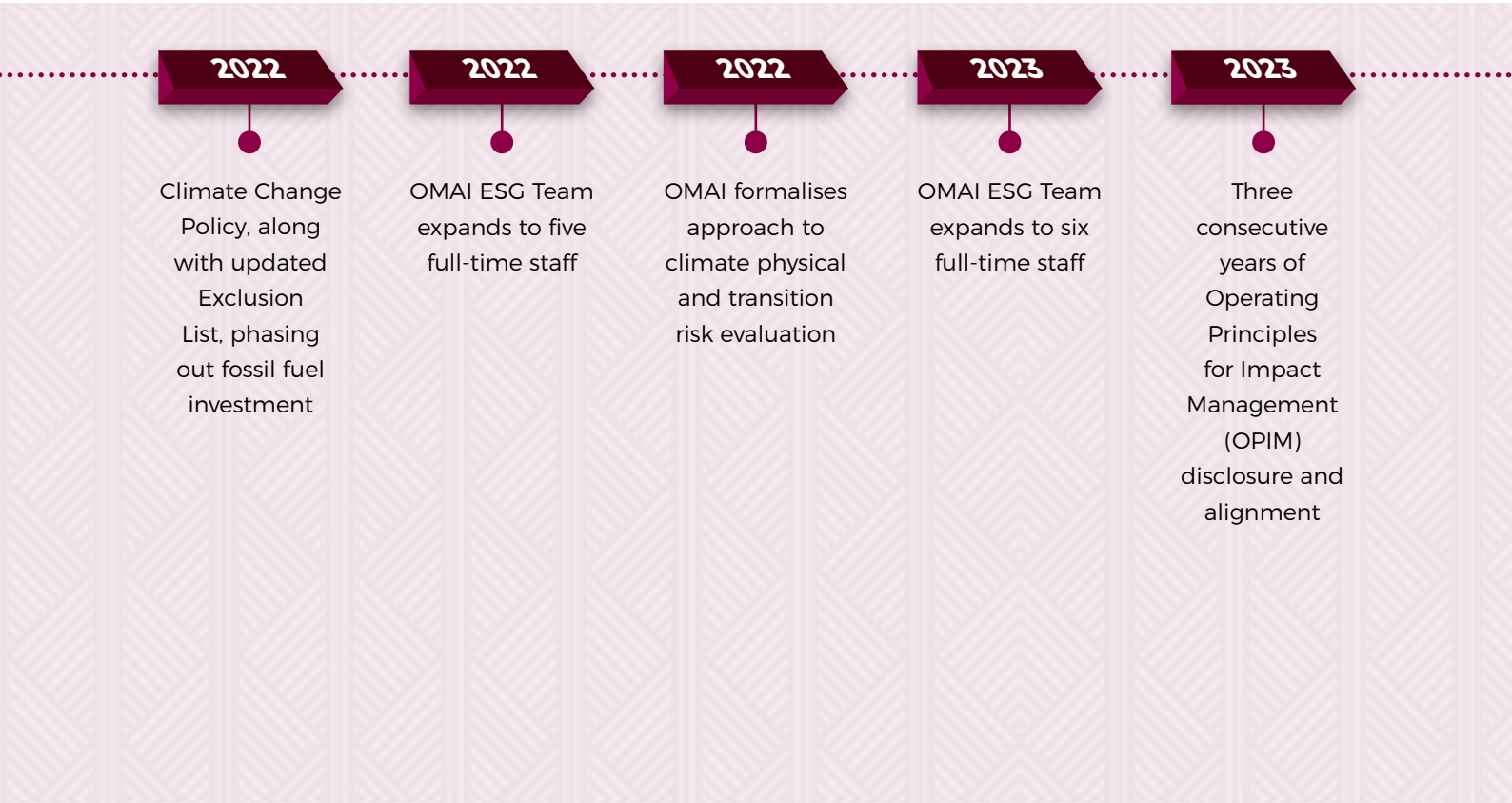
OMAI issues first Sustainability Report

2021

Formulation of an ESG Policy, along with an Exclusion List and Modern Slavery Policy



Because OMAI has embedded ESG into its operations as it has grown exponentially, OMAI has been well positioned to respond to clients' and stakeholders' requisites as ESG requirements have grown over the last decade.



AIIM was one of the first alternative investment managers in South Africa to appoint a dedicated ESG professional. Today, ESG Advisors work with investment teams in including ESG/Impact considerations into the investment process from inception, concurrent with conventional fundamental analysis, allowing for a holistic, balanced view of each investment.

This integration has not been without challenges. It required a mind-shift in how investment professionals approach a transaction. However, thanks to leadership commitment and dedicated resources, OMAI has been able to overcome these challenges, to assess material ESG risks and Impact across investment life cycles.

To assess investee performance, OMAI requires material ESG data. Gathering accurate data across asset classes to be synthesised across a ZAR 135 billion portfolio has its challenges. However, over time, we have improved our processes to ensure accurate reporting of ESG performance over extended periods. We anticipate further improvement going forward.

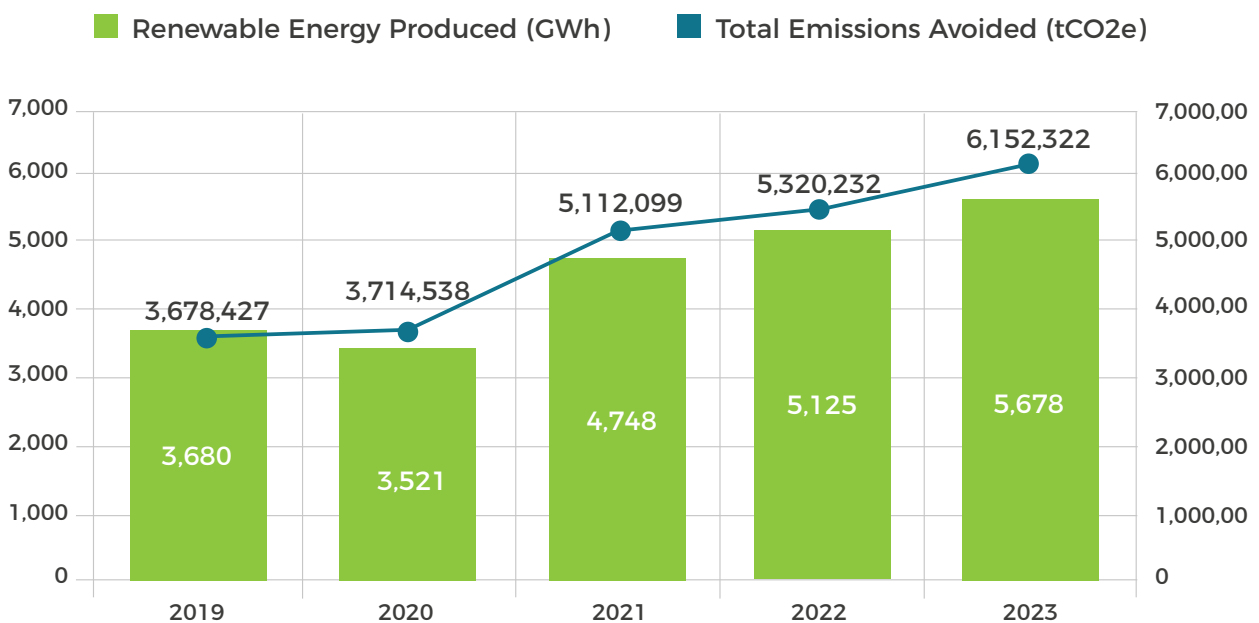
PERFORMANCE

OMAI

ESG Performance against material ESG Risks and Impact

OMAI has an opportunity, through the investments of various business units, to achieve positive outcomes at various levels but from a broad, cross-cutting perspective we continue to focus on climate action, decent work, diversity (gender and transformation) and these are supported by effective structural and functional governance at an OMAI level and at portfolio company level.

Climate change: Generation of renewable energy has increased year-on-year as additional renewable energy facilities are constructed and come into operation across our portfolio.



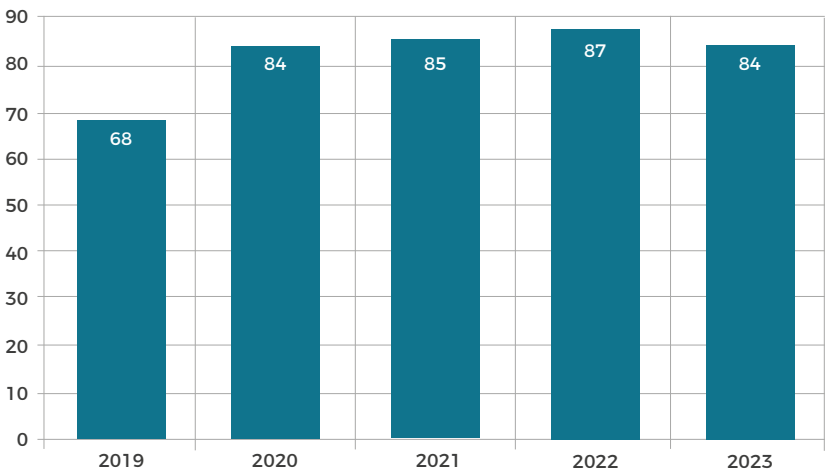
Source: Portfolio companies as at 31 December 2023



Decent work: Number of employees across our portfolio has increased as the portfolio expands with an increase in 2950 full-time equivalent jobs in 2023 compared to 2022. While employment numbers are an important metric to track, in some of the private equity businesses where we are able to obtain data directly from our portfolio companies we are gathering data on the gender pay gap and decent work metrics. We have realised that aggregating this data across our portfolio may be challenging and perhaps less useful than using the data to inform discussions and engage with our portfolio companies on this important topic which is what we are currently focused on. Once we have sufficient data across our portfolio we would be interested to assess trends across sectors and compare this with industry benchmarks, where these are available.

Diversity and governance: In the South African context, over the past two years the portion of employees who were previously historically disadvantaged individuals was an average of 83% which we consider to be a good outcome however there is room for improvement when it comes to female representation in the work force which averages around 40%. A positive indicator is the fact that the percentage of females in management has increased and so has the percentage of females on Boards which has increased from 22% in 2022 to 25% in 2023.

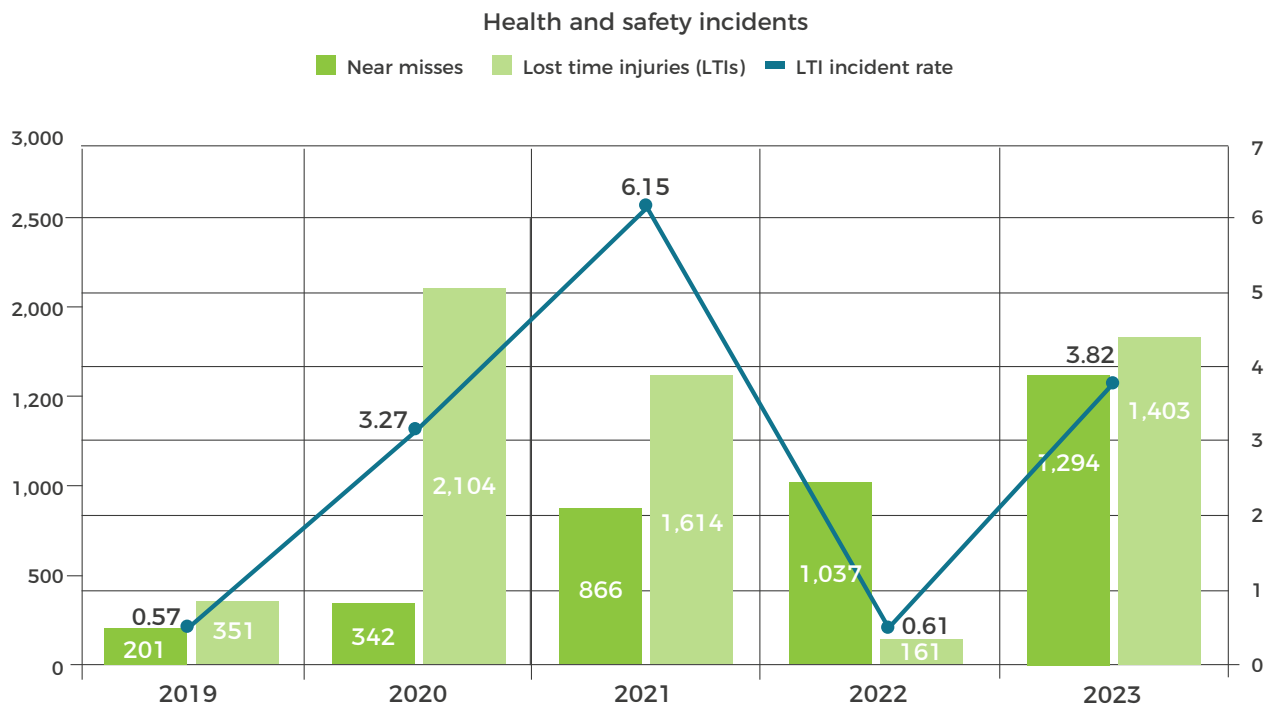
% Historically disadvantaged South African (HDSA) employees



Source: Portfolio companies as at 31 December 2023



Risks: We consider our risks associated with managing health and safety considerations along with physical and transition risks related to climate change to be the major cross-cutting risks at an OMAI level.



Source: Portfolio companies as at 31 December 2023



CLIMATE ACTION

5,678 GWh
of renewable
energy produced,
the equivalent of
over 1,900,000
households powered



DECENT WORK

**45,503
JOBS**



DIVERSITY

84%
SA employees
are historically
disadvantaged



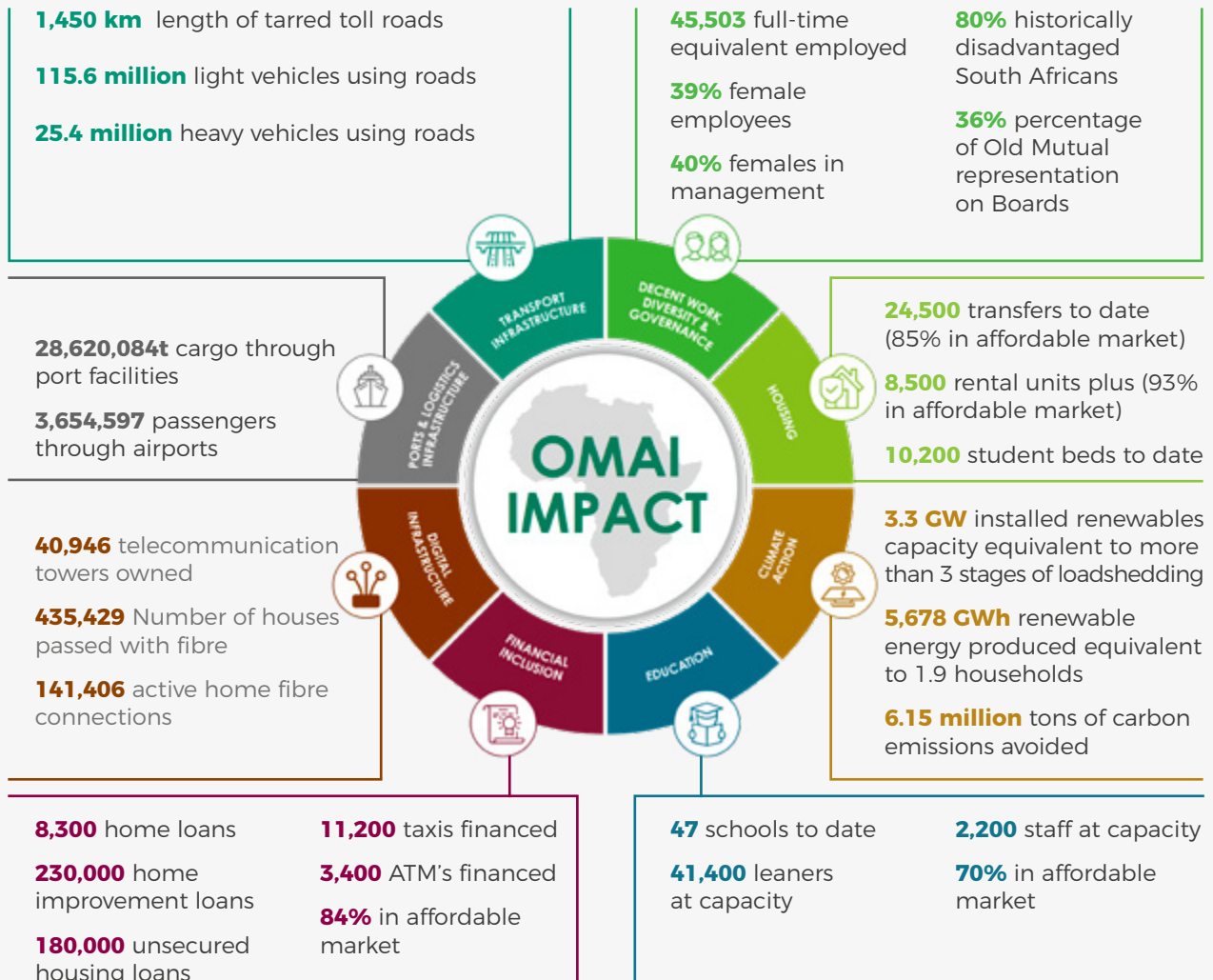
GOVERNANCE

208
Active Board seats
held by OMAI
representatives

Unfortunately we had one fatality this year associated with a road accident. The graph above shows the sharp increase in the lost time injury rate which was associated with an increase in total days lost to injury compared to previous years. We remain committed to instilling a vigilant health and safety culture across our portfolio and recognise that this requires continuous reinforcement.

We evaluate our exposure to physical climate change risks at a high-level using open source data and are evaluating ways to maintain a portfolio wide view as well as encouraging portfolio companies with operations in areas prone to higher risks to quantify these risks.

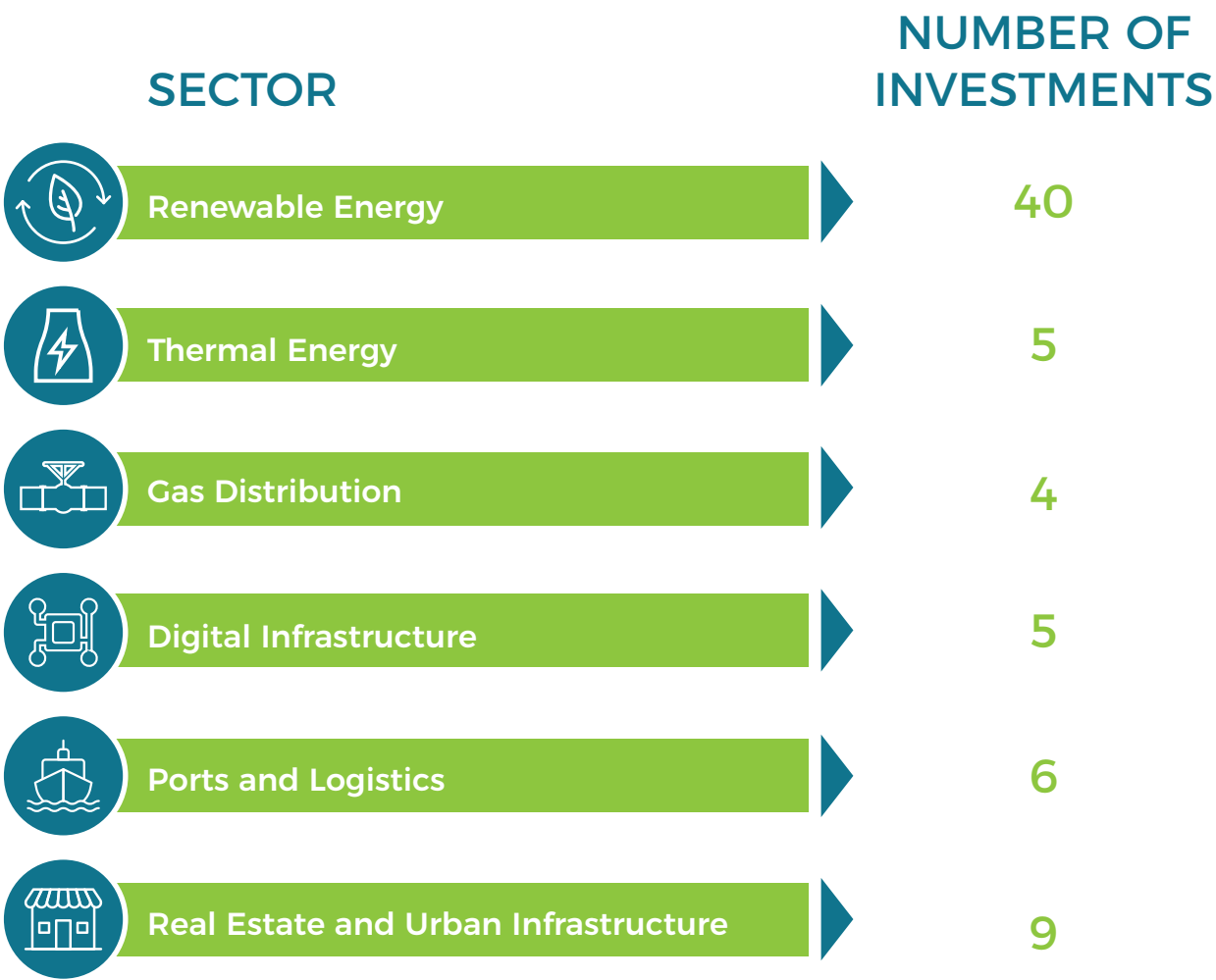
Our Significant Impact Figure below for 2023.



Source: Old Mutual Alternative Investments as at 31 December 2023

African Infrastructure Investment Managers (AIIM)

Portfolio Breakdown



ESG Performance against material ESG Risks and Impact

AIIM manages six active infrastructure funds with assets in 20 countries on the African continent and is therefore able to achieve significant impact across a number of sectors but also takes on the responsibility to identify and manage environmental and social risks to ensure sustainable growth of the businesses under management. The team has, over time, developed a strategy that focuses on the energy transition, digital infrastructure and ports and logistics.

The key ESG risks are associated with climate change, health and safety and opportunities are associated with increasing and deployment of renewable energy, assisting businesses in developing decarbonisation plans, creating more diverse teams and intentionally identifying ways to enhance positive impacts.

TOTAL INSTALLED
CAPACITY =
2.8 GW

RENEWABLES =
73%

OVER
31,900,000
HOURS WORKED

Source: Old Mutual Alternative Investments as at 31 December 2023





40,946
telecom towers
across 12 countries

.....

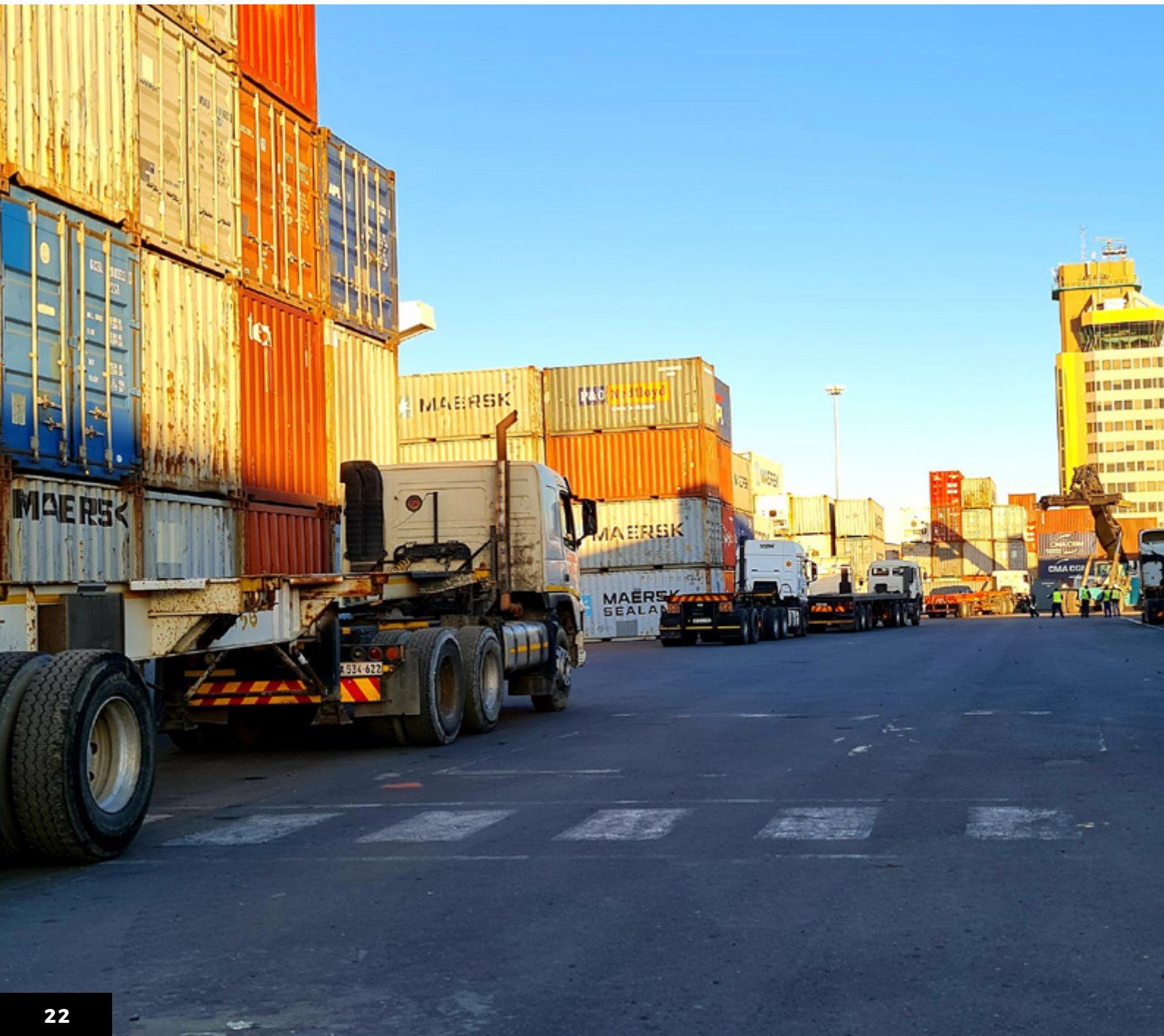


28,620,084
tons of product
through ports; over
5 million tons more than 2022



22,069
employees
across the portfolio and
31% females in management

Source: Old Mutual Alternative Investments as at 31 December 2023



Commercial Cold Holdings

Through the acquisition of South African market leaders with proven track records, AIIM launched Commercial Cold Holdings (CCH), a pan-African temperature-controlled logistics platform. AIIM-managed funds have a 72% stake in CCH, which currently owns some 160 000 pallet positions across 10 facilities in South Africa and Namibia.

This followed the acquisitions of CCS Logistics, Sequence Logistics and SGH. CCS is an established leader in South Africa's temperature-controlled logistics market with over 50 years' operational experience and 99 000 pallet positions, offering storage services from ambient to minus 60°C. Sequence is a provider of integrated logistics services, with 46 000 pallet positions, offering fine-picking, supply chain management and last mile distribution to retailers. Lastly, SGH is a greenfield storage facility in Eastern Cape set to deliver a key freezer position in the region, with 15 000 pallet capacity to support citrus exporters.

AIIM intends using this strong foundation to build a pan-African platform through bolt-on acquisitions and organic growth over the next five years. Sub-Saharan Africa's cold chain logistical infrastructure sector is underdeveloped, and in some places non-existent. Demand for temperature-controlled logistics in Africa is expected to increase due to growing populations, higher rates of urbanisation and increased supply chain volatility due to climate change. This infrastructure is critical for improving the region's food security, and allows domestic producers to meet the standards required to participate in global trade, while creating higher value jobs through more formal food retail and wholesale models. Efficient cold chain (cold storage and logistics) is fundamental for a more equitable economy, particularly in developing countries.

The foundation of the sector impact thesis includes improving the availability of, and access to, efficient cold storage, which has a significant impact on the reduction of food loss and waste, while supporting the safe, hygienic, and efficient distribution of food stuffs, frozen goods, and medicine. CCH has developed a sustainability strategy which focuses on driving energy efficiency and the use of renewable energy, with 10MW capacity already deployed, along with waste reduction (with a goal of zero food waste to landfill by 2024) and effective water management. CCS is the recipient of the City of Cape Town Water Certification Award (2 June 2022), with a 4-star rating.



Diversified Credit

Portfolio Breakdown

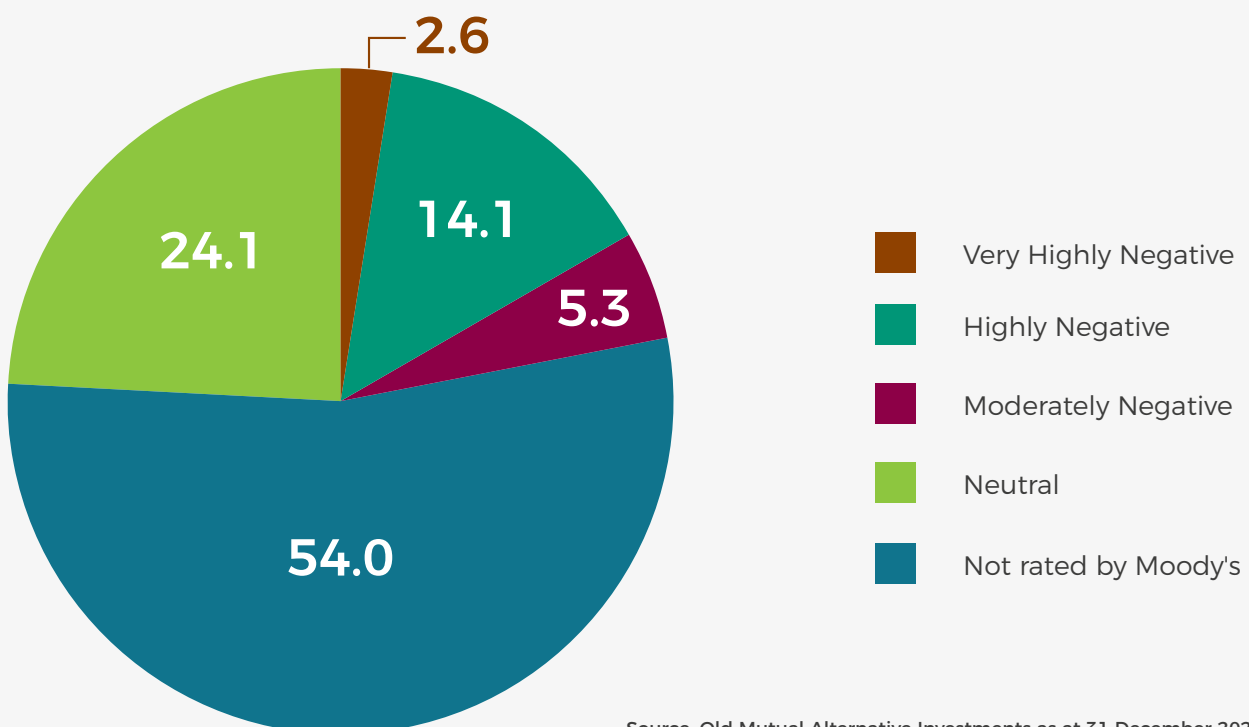


ESG Performance against material ESG Risks and Impact

The Diversified Credit IBU invests across multiple sectors as well as jurisdictions. As such there are no common themes in terms of ESG risks across the portfolio. Moreover, given the asset class (private and listed debt), the IBU has limited control to influence the counterparty throughout the investment period. Therefore, the IBU takes a Responsible Investment approach to each investment where ESG risks and opportunities are assessed prior to finalising a deal whilst acknowledging that the IBU has limited opportunity to effect change throughout the investment period.

Given the type of investment the IBU makes, counterparties are predominately listed corporate companies and state-owned enterprises (75% of AUM). A key tool to analyse each counterparty is a Credit Rating Report (i.e. assessment of a counterparty's ability to repay outstanding debt by a third party). The IBU uses different third-party credit agency reports including Moody's. As part of the Moody's Credit Rating Report there is a subsection on ESG which includes a Credit Impact Score (CIS) which is an output of the rating process that indicates the extent, if any, to which ESG factors impact the rating of an issuer or transaction. I.e. Reflects the impact of ESG on the credit rating and indicates the extent to which the credit rating would have been different in the absence of ESG issues. This is used by the IBU to help assess the impact of material ESG factors on the ability of a counterparty to repay a loan issued by the IBU. The table below breaks down the AUM and its Moody's Credit Impact Score.

Summary



As noted previously, given the diversification of the IBU's investment activities there are no overarching Impact themes. In 2023, the IBU participated in two sovereign debt deals in Tanzania and Senegal, with debt prescribed to defined infrastructure such as roads, hospitals and schools, having the potential for material impact. This was also the first full year in which the IBU integrated its ESMS along with multiple investment professional trainings.

ESG Financing

Diversified Credit invested into a sustainability-linked loan for a South African telecommunication corporate against their Sustainability-Linked Financing Framework. The Framework is aligned to international best practice, and guidance published by the Loan Market Association. The team assessed the Framework as part of our Due Diligence process, and found that the KPIs were material, ambitious, and require external verification across the loan period. As such, Diversified Credit has enabled the company's sustainability ambitions by investing ZAR 1 billion over a seven-year period.



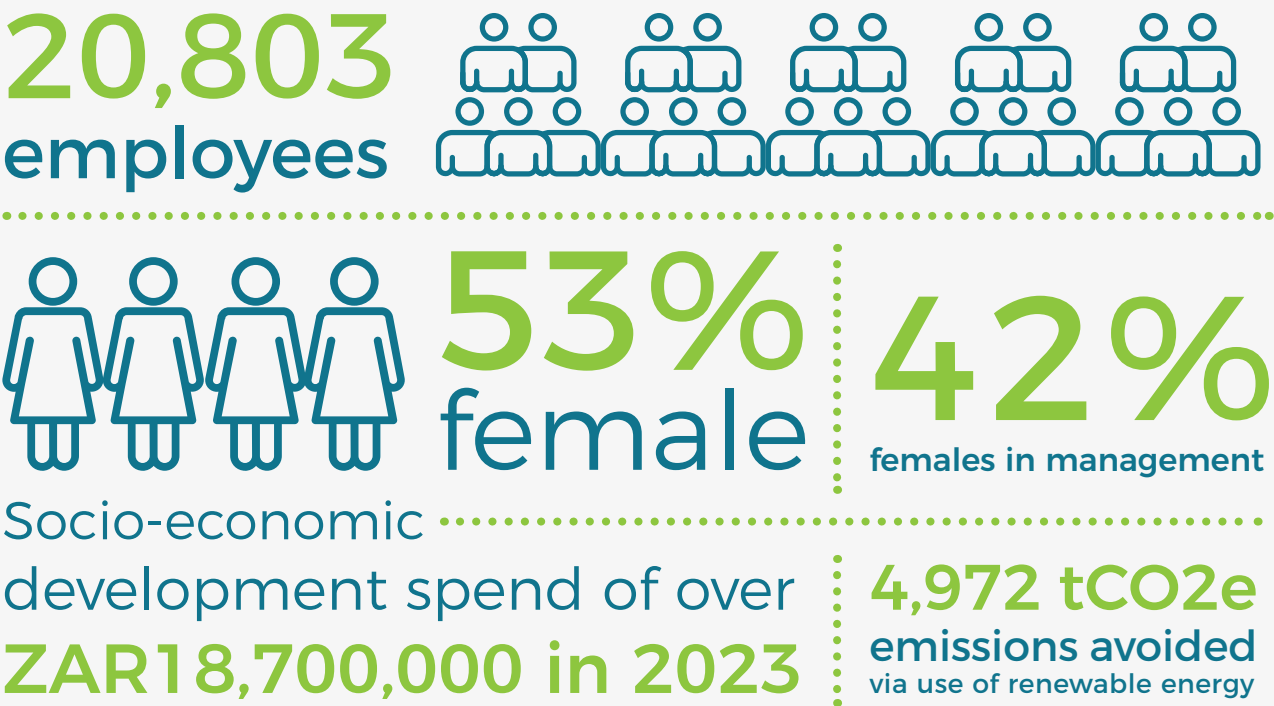
Old Mutual Private Equity

Portfolio Breakdown



ESG Performance against material ESG Risks and Impact

The Private Equity IBU invests in high potential businesses within South Africa and therefore the ESG risks and opportunities revolve around improving business and governance structures and practices, building diverse and inclusive workforces and management teams and growing these businesses in a sustainable way.



Source: Old Mutual Alternative Investments as at 31 December 2023

Holdsport

Holdsport is an established retailer selling sport, leisure and recreational merchandise through a national network of 80 outlets comprising Sportsmans Warehouse, Outdoor Warehouse and Shelflife. The business is also vertically integrated through its Performance Brands division, which manufactures its own-brand sports apparel. Additionally, Holdsport exclusively distributes sports brands such as Gilbert, Grays and Spalding. Holdsport has exhibited strong performance since acquisition, with growth and store rollout exceeding expectations.

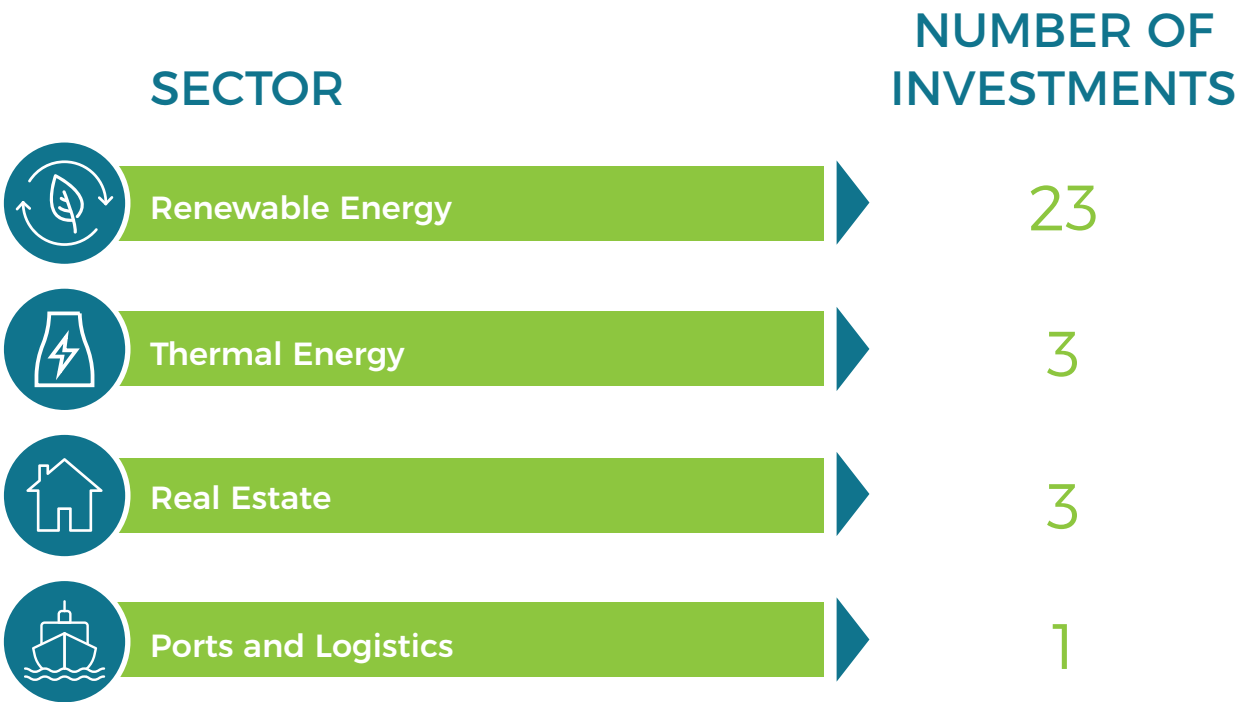
OMPE has worked with the business to build the corporate culture and increase the effectiveness of the management and organisational structure, including appointing a new CFO, developing detailed succession plans, and introducing Board subcommittees to enhance governance structures and processes. The business has boosted their BEE credentials, and their focus on transformation and diversity is evidenced by a workforce that comprises 57% women and 90% historically disadvantaged South Africans.

Via the Social, Ethics and Transformation Committee, OMPE assisted management with ESG strategy, including enterprise and supplier development. We continue to evaluate local suppliers and service providers. We also provided interest-free loans to Performance Brand's CMT network, primarily black-women-owned SMME businesses, to purchase generators to protect their businesses during load shedding. OMPE also installed a 150-kWH solar PV system at the Holdsport Distribution Centre. The panels generate 80% to 90% of the electricity required under optimal daylight conditions to power the centre's operations, reducing dependence on traditional energy sources. Alternative power solutions were also installed across the entire store footprint and OMPE worked with Performance Brands and the retail stores to incorporate energy-saving LED lights with remote access control. The digitising of reports, reconciliations and workbooks, and the increased use of digital advertising has reduced paper usage on a large scale.



Infrastructure Debt

Portfolio Breakdown



ESG Performance against material ESG Risks and Impact

Over 90% of the IBU's AUM is in the Power Sector with the majority renewable energy (86%). Of the 32 investments, 90% percent are currently operational. Key risks across the portfolio include climate change (physical and transition), health and safety, as well as labour. The portfolio's performance across these key areas is illustrated below.

Climate change and physical and transition risks:

- As all the IBU assets are singularly located and investments are long-dated (approximately 20 years), physical climate change risk is important. Initial assessment of the portfolio based on various scenarios (2030, 2050, 2100) specify that the portfolio has a minimal flood risk, low to medium precipitation stress, high fire weather stress, and negligible exposure to sea level rise.
- The Team assesses physical climate change as part of each transaction, and it is expected that the use of this data will evolve as climate change tools evolve.
- The portfolio has a low transition risk as 86% of the portfolio is renewable energy. However, the remaining portfolio consists of thermal (one gas and two OCGT assets) and a coal terminal. The two OCGT assets present the bulk of the IBU's emissions. The IBU provided loan funding in 2013 to two peaking power projects, developed, and owned by an independent power producer. The power plants consist of open cycle gas turbines (OCGTs) that currently run on diesel fuel. The nature of the power plants allows them to be switched on and off as required by the grid during peak times and grid emergencies. Hence, while the emissions are high relative to the rest of the portfolio, these power projects are highly strategic and provide critical services to the national grid, especially during the heightened load shedding as experienced during 2022 and 2023. As these represent amortising loan investments with regular capital redemptions, the investments will be fully exited by 2023, aligned with a gradual transition away from fossil fuels.

Impact: As an Institutional Investor, the IBU plays an important role in providing private credit in large infrastructure projects alongside banks to derisk projects. As noted above, 86% of the portfolio is invested in renewable energy projects in South Africa. Given that approximately 1 in 3 people in South Africa are unemployed, the construction of large infrastructure projects play an important role in employment in South Africa. In 2023, the Team's Projects under construction created 1,273 temporary jobs and the portfolio currently has 761 permanent jobs (see below). The portfolio also spent *ZAR 233,571,004 million in SED/END in the year.

*As at 31 December 2023.

CLIMATE



GHG Emissions avoided
(grid equivalent avoided)
via operational assets:

4,711,457
tCO₂e

Installed renewable
energy generation:

2.2 GW

JOB



CONSTRUCTION:



1,273

OPERATION:

761

SED/END spend:

ZAR233,571,004

Source: Old Mutual Alternative Investments as at 31 December 2023

Scatec Kenhardt Solar PV and BESS Projects

Infrastructure Debt invested in three greenfield renewable energy projects in the Northern Cape. Developed by Scatec ASA, all three projects incorporate both Solar PV technology and a large scale Battery Energy Storage System (BESS). Infrastructure Debt is managing total loan commitments of approximately ZAR 1,761 billion across the three projects.

The three projects will have a combined installed solar capacity of 540MW and battery storage of 225MW/1140MWh, providing 150 MW of dispatchable power to the South African grid. With total CapEx estimated at ZAR 16.4 billion, the projects together represent one of the world's largest solar and BESS installations and the largest on the African continent.

The projects represent a significant step towards addressing South Africa's energy crisis by providing clean, dispatchable energy during peak periods. This is particularly relevant when there are rolling blackouts and given the heavy reliance on coal. The projects reduce the country's reliance on coal-based power, create job opportunities and support the country's energy transition, contributing to long-term economic growth.

Impact Investing

Portfolio Breakdown



ESG Performance against material ESG Risks and Impact

Resource efficiency is pursued through the following interventions:

EDGE certification: Excellence in Design for Greater Efficiencies (EDGE) is a free software, a green building standard, and an international green building certification system. It focuses on energy, water, and embodied energy in materials used in the construction of buildings. It was developed by the International Finance Corporation (IFC). Certification in South Africa is done by the Green Building Council of South Africa (GBCSA). To date, 43% of rental units and 9% of retirement units developed by Impact Investing are EDGE certified. This translates into more than 2,000 tCO₂e saving per annum.

Solar installations in the education portfolio are encouraged, as it lowers utility costs, saves CO₂ emissions and ensures continuity of education during loadshedding.

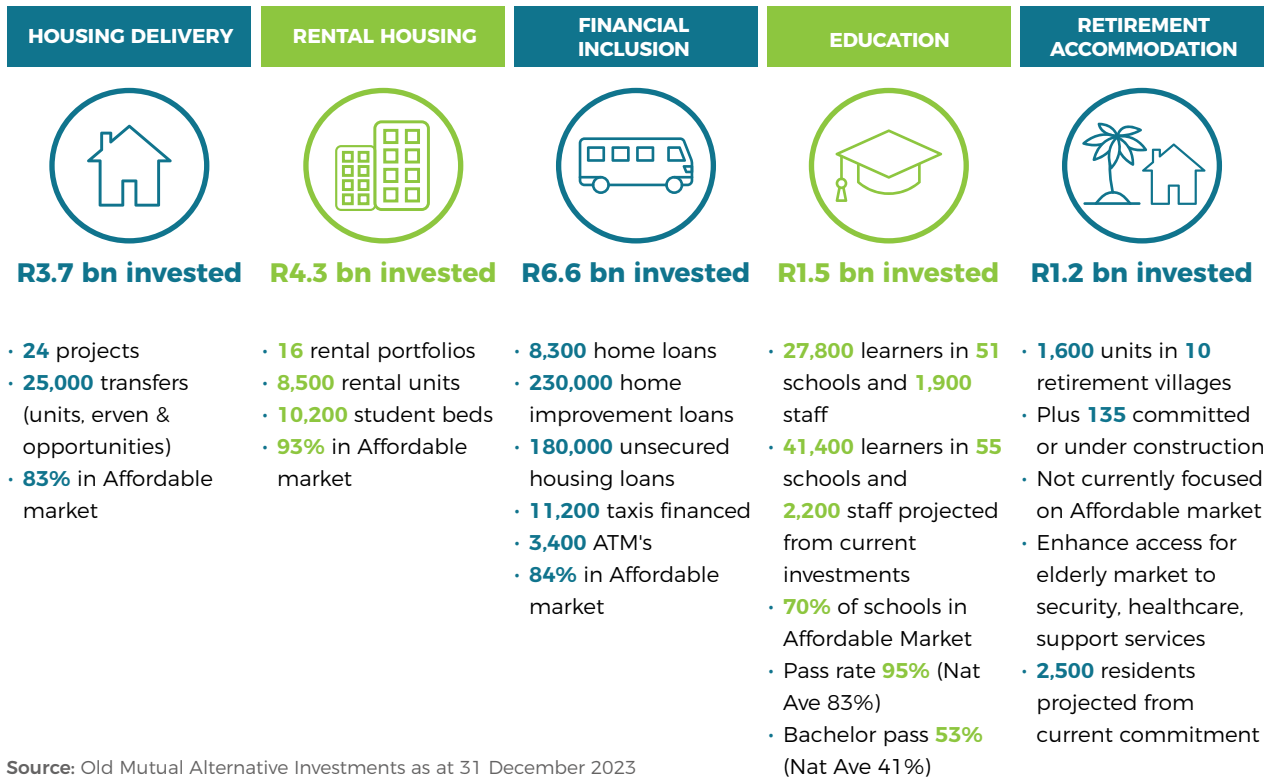
To date

4 SCHOOLS

in the current portfolio have installed a solar PV system.

Quality of Education provided by the education funds' school operators is evident in the matric results achieved by the schools. The Schools Education Investment Impact Fund (SEIIFSA) achieved an average annual pass rate of 93% since 2013, and Edufund achieved 100% annual pass rate since 2021. Focus is on Mathematics and English.

Our impact to date



Royal Schools

In 2012 Royal Schools, who provides affordable quality education to underprivileged learners, approached OMAI for strategic advice and finance to develop the business. OMAI, through the Schools Education Investment Impact Fund (SEIIFSA), partnered with Royal, which had opened its first two campuses in inner city Pretoria in 1993. Today, Royal Schools include 10 schools across five campuses, catering to over 6,300 learners and employing over 400 staff. There are eight affordable-income schools and two middle-income schools.

In 2023 the top three performing schools in the SEIIFSA portfolio were managed by Royal, which since 2018 has an average matric pass rate across their schools of 97.6%.

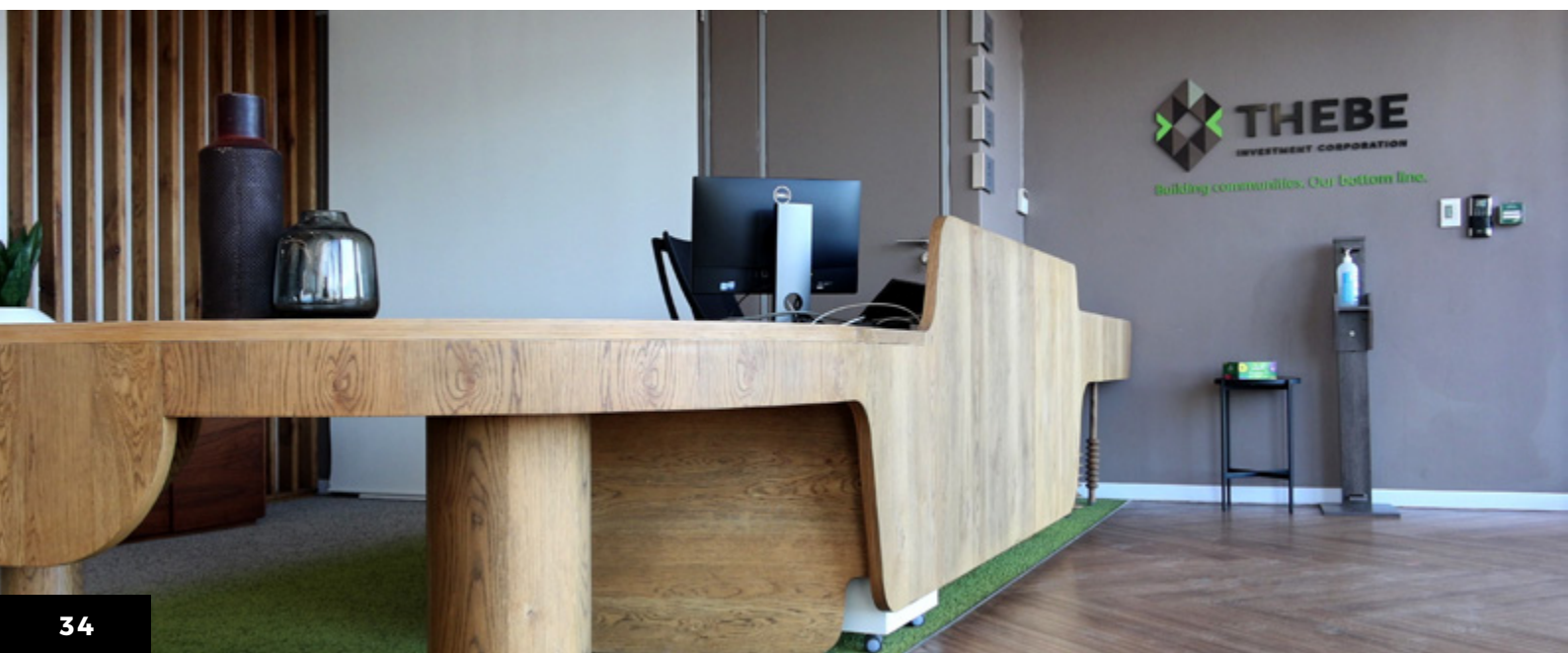
Each SEIIFSA investment has a transformation scorecard with targets to achieve over a period of time to ensure positive outcomes. These track progress on metrics which include black teaching staff, training spend, bursaries offered to black learners and expenditure on BEE contributors. Royal met the required scorecard points for 2023 and black teaching staff increased from 40% in 2019 to 61% in 2023.

With climate change one of OMAI's focus areas, the greening of investee schools is vital. In 2022 Amberfield College installed a 0.112 MW solar system. In 2023 the system produced 111 MWh of renewable energy. This is equivalent to 62 trees planted, 112 tonnes of CO2 emissions and 45 tonnes of coal saved. Alberton and Sky City's solar systems will be installed in 2024.

Hybrid Capital

Portfolio Breakdown

SECTOR		NUMBER OF INVESTMENTS
	Investment Holding Company	3
	Financial Services	2
	Construction Materials	1
	Telecommunication	2
	Food Manufacturing	2
	Transport and Logistics	1
	Renewable Energy	1



ESG Performance against material ESG Risks and Impact

Risk:

- Given the broad sector diversification across the IBU and the asset class the key area of risk for the portfolio is health and safety. The portfolio generally performed well in this regard, however one investment across the whole portfolio in the transport and logistics sector experienced five fatalities.

Impact:

- The IBU is committed to financing transformation in South Africa and provides financing to broad-based black economic empowerment (BBBEE) shareholders as direct investments, who take up shareholding in portfolio companies. This enables a transformation of the economy and increases the participation of previously disadvantaged individuals and business in the economy. Of the investments in the portfolio, eight are of this nature. This has also facilitated the growth of multiple black owned investment holding companies in South Africa.
- As noted above, given the diversification of the IBU's investment activities there are no overarching Impact themes (other than transformation). As an example, in 2023 the Team invested in Enable Capital. Enable is a specialist supply chain financial solutions business to small, medium, and micro enterprises (SMMEs) who lay fibre optic cables (i.e. provide access to finance where access remains an inhibitor). An ESG due diligence was undertaken of Enable and all identified ESG risks are suitably mitigated. In addition, areas of Impact were also identified. E&S reporting requirements (risks and impact) were included in the legal agreements to ensure alignment with the ESG investment thesis overtime.

Hydra Storage

Hybrid Capital provided R165 million in preference-share funding to Hydra Storage HoldCo to purchase 35% equity in the TotalEnergies Hydra Storage Project, a clean energy initiative. Hydra Storage HoldCo has entered a Joint Development Agreement with TotalEnergies Renewables Southern Africa for the development, financing, construction, operation, and maintenance of a facility which will supply dispatchable renewable electricity to the South African national grid. The project comprises a hybrid 216 MWp solar photovoltaic (PV) facility with a 497 MWh-battery energy storage system (BESS).

The 35% shareholding makes Hydra HoldCo a meaningful shareholder in the project, which comprises three co-located sites in the Northern Cape with a contracted capacity of 75MW.

The project represents a significant step towards addressing South Africa's energy crisis by providing clean, dispatchable energy during peak periods. It will also reduce the country's reliance on coal-based power generation, create job opportunities and support the country's energy transition, contributing to long-term economic growth.

International Private Equity

The International Private Equity (IPE) programme commits capital to General Partners (GPs) and is not a direct investor in the underlying portfolio companies. However, the IBU takes a proactive approach to ensure that the GPs have appropriate ESG standards in place. The programme commits capital to high quality, institutionalised GPs who are well versed on ESG matters and have mature responsible investment practises.

ESG is also a core pillar of the IPE investment process:

- GP ESG policy and approach is covered in all IC memos
- An ESG questionnaire is completed by each GP ahead of IC approval
- All GPs provide ESG disclosure/sustainability reports, typically on an annual basis
- Adherence to the OMAI exclusion list

The team engages directly with GPs in areas where it believes the firm has not made acceptable strides on ESG matters. As part of the Team's due diligence relating to potential portfolio funds, IPE conducts a review of their ESG policies as well as their Diversity, Equity & Inclusion policies in addition to the review of the completed ESG Questionnaire and this forms part of the Investment Proposal presented to the Investment Committee.



GOVERNANCE AND ETHICS

OMAI

GOOD GOVERNANCE LIES AT THE HEART OF A SUSTAINABLE BUSINESS THAT AIMS TO DELIVER RETURNS FOR ALL STAKEHOLDERS, INCLUDING SHAREHOLDERS, LENDERS, EMPLOYEES, SUPPLIERS, AND COMMUNITIES, ON A SHARED VALUE BASIS.

As a member of the Old Mutual Group, OMAI's ethics management is informed by, among other things, the Companies Act, King IV, the United Nations Global Compact principles, and best practice guidelines.

Our organisation-wide corporate governance principles, frameworks and risk management practices ensure we make choices that align with our purpose, values, and strategy.

OMAI Holdings has constituted a board consisting of four members. The Board meets four times a year and reports into the Old Mutual Group.

ETHICS AND INTEGRITY IN INVESTMENT DECISION MAKING

AS A RESPONSIBLE INVESTOR, OMAI MAINTAINS CONTINUAL FOCUS ON GOVERNANCE ASPECTS IN INVESTMENT DECISION MAKING AND THE ACTIVE STEWARDSHIP OF ASSETS. THIS FOCUS ON GOVERNANCE IS TWOFOLD.

Firstly, we assess the material governance of each potential investee company/assets as part of investment due diligence. Secondly, each OMAI IBU is structured to recommend investment opportunities to an independent investment committees made up of diverse and exceptionally experienced individuals, which is mandated to interrogate every transaction. The result is a robust, transparent, investment decision-making process.

LOOKING FORWARD

The OMAI ESG practice continues to grow as different ESG risks and opportunities evolve. The broader sustainability sector is dynamic and changes almost daily. The Team's strong foundations allows it to respond to these dynamics meaningfully. Key areas of focus for the Team going forward are:

- Enhance our climate change risk (physical and transition) identification tools and analysis across the investment lifecycle. We anticipate that this will be a mix of third-party platforms as well as our growing in-house capabilities. This is especially important as OMAI has a large infrastructure asset base.
- Improve our ESG data reporting system to facilitate the easy submission, aggregation, and analysis of ESG metrics and integrates seamlessly with existing financial systems. This includes both ESG risk and areas of impact across the OMAI Portfolio.
- Continue to invest and train ESG capabilities internally and with investee companies/counterparties. This will enable the Team to accurately and succinctly communicate risk and impact to investees and embed the understanding of ESG materiality.

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- Impact Investing;
- Hybrid Capital;
- Private Equity; and
- International Private Equity.

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Investment portfolios are market-linked. Pooled products may be policy based, via a linked policy of insurance issued by Old Mutual Life Assurance Company (South Africa) Ltd, which is a registered Long-Term Insurer. Contractual rights and obligations of investors are set out in the relevant investor agreements and or mandates. Unlisted investments have short term to long term liquidity risks and there are no guarantees on the investment capital nor on performance. Past performance is not an indication of future performance.

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The following table provides additional details of the Funds referred to in this document.

For further details, please visit <https://www.oldmutualalternatives.com/our-funds/> or <https://aiimafrica.com/our-funds/>

Fund name	Legal Nature	Domicile
Managed by African Infrastructure Investment Managers (Pty) Ltd		
• IDEAS Managed Fund (IDEAS)	Policy*	South Africa
• African Infrastructure Investment Fund 2 Partnership (AIIF2SA)	En commandite partnership	South Africa
• African Infrastructure Investment Fund 2 (Mauritius) (AIIF2M)	Company	Mauritius
• African Infrastructure Investment Fund 3 (AIIF3)	En commandite partnership	South Africa
Managed by Old Mutual Alternative Investments (Pty) Ltd		
• Old Mutual Private Equity Fund IV (OMPE Fund IV)	En commandite partnership	South Africa
• Old Mutual Private Equity Fund V (OMPE Fund V)	En commandite partnership	South Africa
• Education Investment Impact Fund of South Africa (EduFund)	Company	South Africa
• Old Mutual Retirement Accommodation Fund (OMRAF)	Company	South Africa
• Schools and Education Investment Impact Fund South Africa (SEIFSA)	Vesting Trust	South Africa
• Housing Impact Fund South Africa (HIFSA)	Vesting Trust	South Africa
• Old Mutual Rental Housing Investment Fund Two Limited (OMRENT)	Company	South Africa
• Hybrid Capital Fund I	En commandite partnership	South Africa

* Policy issued by Old Mutual Life Assurance Company (South Africa) Limited

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FOR MORE INFORMATION

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