

STEWARDING A SUSTAINABLE AND RESPONSIBLE FUTURE IN CORPORATE SOUTH AFRICA

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The end of 2019 marked a personal milestone for us, having taken responsibility for OMIG's stewardship programme over the last five years. An important milestone such as this afforded us the opportunity to reflect on the importance of stewardship as a solution for our clients' listed equity capabilities. We have much to be proud of - not only in terms of our stewardship with listed companies, but also our engagement with the market on key ESG issues aimed at strengthening our shareholder rights (you will find some examples of these successes in our previous annual reports).

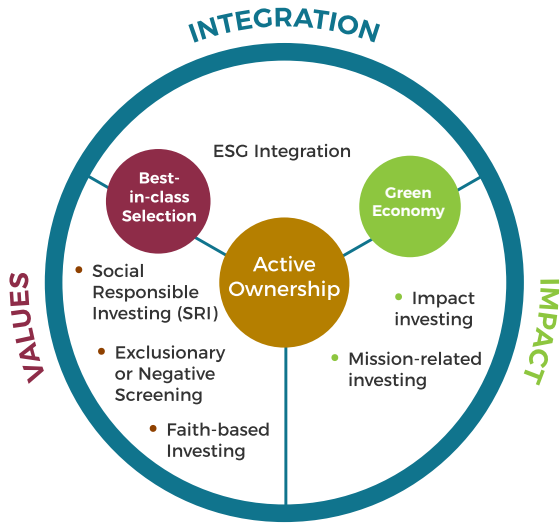
STEWARDSHIP – THE SCIENCE OF MEANINGFUL CORPORATE ENGAGEMENT

Considering the intersection between all various types of ESG investment strategy - active ownership is at the centre, regardless of the approach, as illustrated in the diagram on the following page.

OMIG's engagement activities with companies focus on key strategy and performance issues such as: remuneration policy, climate change, audit quality, board succession, transformation, corporate governance, risk management, privacy and data security, to name a few. In 2019 alone, we interacted with 31 companies on 93 material ESG issues.

No matter what ESG strategy is employed, stewardship is central to delivering long-term outcomes. Globally, we have seen an increasing number of large asset owners consolidate their stewardship activities to ensure a consistent outcome. South Africa is no different and we expect more active investors, bigger societal voice and stronger legislative enforcement to support greater demand for stewardship services.

APPLYING SUSTAINABILITY TO INVESTMENTS



... WE WILL WORK
TIRELESSLY TO
BRING MANY MORE
ENGAGEMENTS TO A
SUCCESSFUL CLOSE...

WHY SHOULD INVESTORS CARE ABOUT STEWARDSHIP AND WHAT SOLUTION DOES OMIG OFFER?

We see more and more evidence from eminent researchers showing increased performance from successful stewardship activities that are collaborative – with a domestic lead engager and global supporting investors, and with participation from large pension funds/long-term capital entities (Dimson, Karakas and Li, 2015 and 2020). In addition, practising effective stewardship empowers clients to take action in respect of key ESG issues affecting their listed equity holdings. The benefit of doing so is lowering the ESG risk in their portfolio and driving positive change, both at a company level and in supporting the development of long-term market resilience.

With these benefits in mind, we have recently launched our Listed Equity Stewardship service to “crowd in” like-minded collaborative engagement participants, making the industry-competitive stewardship service at OMIG an agent of change on the part of corporates in collaboration with other asset managers for overall change in the market. The benefits enjoyed by clients therefore include access

to an experienced OMIG team that actively stewards assets in a consistent and transparent manner for scalable impact. Portfolio level reporting is enhanced in order to meet FSCA requirements in terms of the recently published Guidance Notice 1 of 2019. In addition, our listed equity stewardship clients are able to evidence their commitment to responsible investment practices.

THE MAGNITUDE OF THE TOTAL OPPORTUNITY FOR STEWARDSHIP

The global investment ecosystem represents US\$91 trillion, of which currently about a third (at US\$31 trillion) is managed in some form of ESG strategy, as of this year. Therefore, there is still a great opportunity to develop stewardship practices on a global scale. With approximately R300 billion in listed equity under management and recent additions of third party stewardship capital via our listed equity stewardship service, we are excited by the potential opportunity our listed equity stewardship service has to effect real change and impact in the South African market and beyond.

Looking ahead, we will work tirelessly to bring many more engagements to a successful close and allow all our listed equity clients to receive the benefit of a stronger market system, better investment performance and more voices heard on material ESG issues that impact their portfolios.