

# Old Mutual African Agricultural Fund (Luxembourg) - Société d'Investissement à Capital Variable (SICAV) Impact Report

31 December 2013



**OLD MUTUAL**  
INVESTMENT GROUP

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*The Old Mutual African Agricultural Fund (Luxembourg) - SICAV (the "Fund") holds an investment in the Futuregrowth Agri Fund I ("SA fund") which invests in South African farmland. The Fund has the ability to invest in the rest of Africa and is also allowed to provide working capital finance to operators. Futuregrowth Asset Management is the Investment manager and UFF Agri Asset Management is the Investment advisor of the Fund.*

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*This impact report provides an overview of the Fund's environmental, social and governance (ESG) initiatives in 2013. Details of the operations and investments of the Fund are covered in the Old Mutual African Agricultural Fund - SICAV 2013 Annual Report.*





# Introduction

## Building farm productivity builds shared prosperity

Dafne Nienhuys, UFF's ESG specialist

For the Fund, sustainable and responsible investing is integral to ensuring the ongoing legacy of our investment activities. We believe that sustainability is not achieved through a "tick-box" process, but rather requires an integrated approach to social and environmental considerations in all our decisions. Investing in farm productivity is investing in food security and job creation.

The Fund's investments are in the actual farmland and infrastructure, which are leased to an approved operator to manage and run the farm. In addition, the Fund invests capital to develop additional arable land and improve housing and sanitation for the workers on the farms. Stringent criteria for our operator selection include: a solid financial standing and a commitment to skills transfer and economic empowerment. The operator must also invest in working capital. This creates an alignment of interest and helps ensure that the quality of the farmland is maintained.

Key to managing environmental risks and worker welfare is the requirement that all the Fund's farm operations meet the World Bank's International Finance Corporation (IFC) standards. On top of this, all farms have to adhere to GLOBALG.A.P. (Good Agricultural Practice). Not only do these initiatives drive responsible operations, they also maximise marketing opportunities and earnings for the farm operators.

Many of the farm workers provide the only source of income for their households. In the Fund's investments, the permanent workforce is maintained and grown where possible, and the needs of employees and the surrounding community are integrated where applicable. Following farm worker strikes in the first quarter of 2013 and subsequent dialogue between unions, government and sector representatives, the minimum wage for farm workers in South Africa was increased by 50% as from March 2013, as set in Sectoral Determination 13. All farms in the Fund comply with this national legislation and have implemented, in line with IFC standards, clear working conditions and terms of employment for permanent and seasonal workers.

## IFC PERFORMANCE STANDARDS

- |   |  |
|---|--|
| 1 Assessment and Management of Environmental and Social Risks and Impacts | 5 Land Acquisition and Involuntary Resettlement                                    |
| 2 Labour and Working Conditions   | 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources |
| 3 Resource Efficiency and Pollution Prevention                            | 7 Indigenous Peoples   |
| 4 Community Health, Safety and Security                                   | 8 Cultural Heritage  |

Rising costs and deflated consumer spending power have increased the burden on operators worldwide, including those in the Fund, to remain competitive in order to ensure long-term food security. This is largely being achieved through the continuous improvement of farming techniques and efficiencies. In some cases this has resulted in a reduction of seasonal staff numbers and overtime, with a concomitant increased investment in permanent workers. There has been a drive on the Fund's farms to build the capacity of farmers to manage their workers fairly and effectively. This has resulted in improved communication between workers and management.

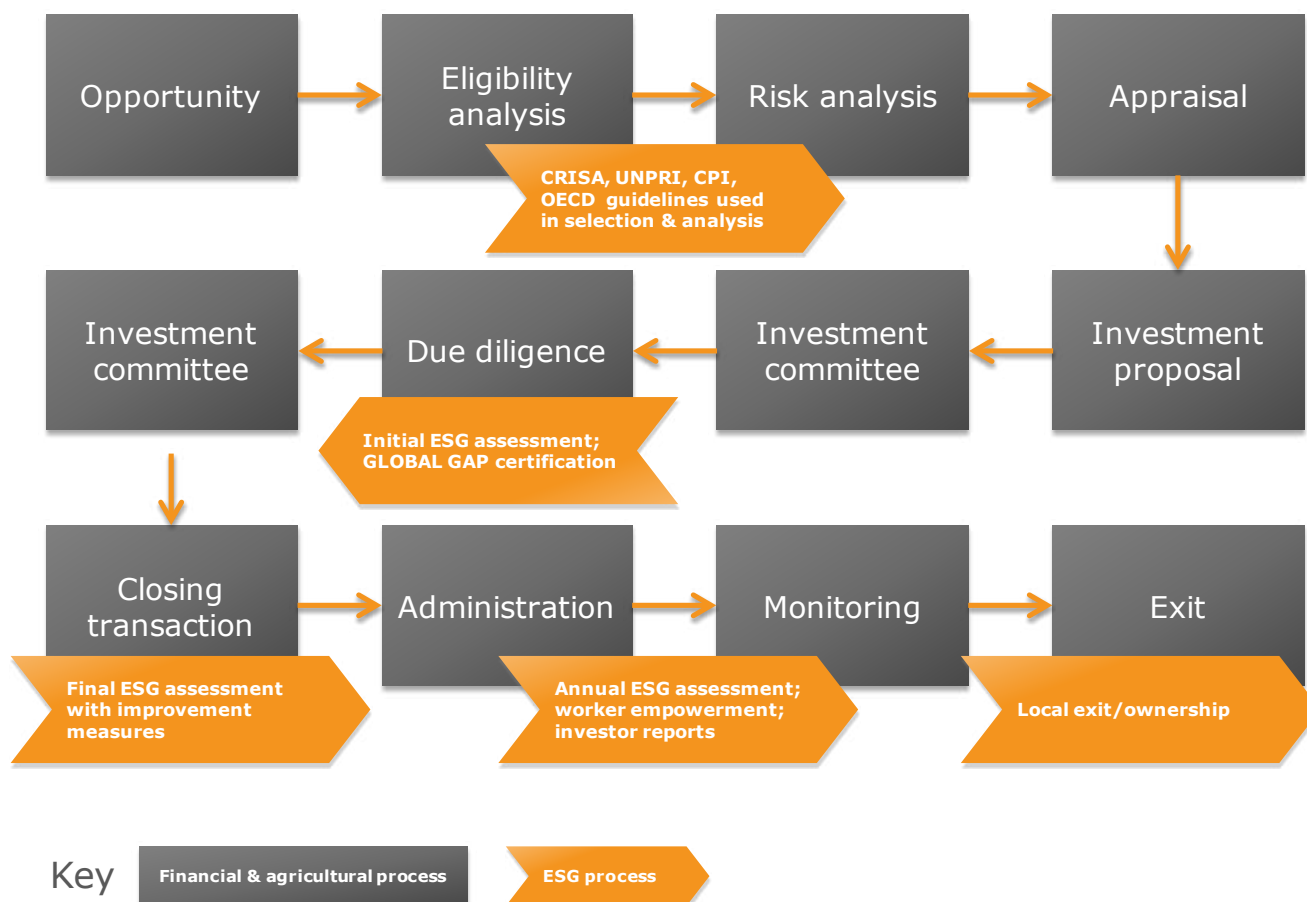
Aside from the stable returns generated, the social impact is significant. The investment caters for a

minimum 0.5% of invested capital spend per annum on healthcare and educational programmes for farm workers. The Fund's expansion programme forms a vital part of our social upliftment strategy.

As the new orchards and vineyards mature this will drive significant job creation, and, together with our other environmental, social and governance (ESG) initiatives, contribute considerably to economic and community empowerment in regions where this is sorely lacking. Bearing in mind that 75% of the world's poor live in rural areas, the potential for building prosperity through farm productivity is enormous.

## Integrated investment process

ESG assessment, monitoring and management forms part of the investment process and life cycle of the Fund's investments, as illustrated below. In-depth detail on the Fund's investments is provided in the Fund's 2013 Annual Report.



### Eligibility and risk analysis

The Fund operates in accordance with the Code for Responsible Investing in South Africa (CRISA) as well as the global United Nations Principles for Responsible Investment (UNPRI), and, where applicable, the World Bank's Worldwide Governance Indicators and the Corruption Perceptions Index. In its investment selection, the Fund has a stringent financial and social due diligence process. The Fund is a signatory to the OECD guidelines for multinationals on prevention of bribery and corruption, and adheres to various guidelines and acts as set out by South African law, such as the Promotion of Access to Information Act (PAIA Act 2000). Our farm operators are also required to respect the rule of law and reflect an informed view of industry best-practice in their operations.

### Due diligence

During the due diligence phase, all farms are subjected to an in-depth agronomic and financial evaluation together with a detailed ESG assessment against the criteria set out in the Fund mandate. The ESG assessment is in line with Sedex Members Ethical Trading Audit guidelines (SMETA) by means of on-site audits that measure compliance with the World Bank's International Finance Cooperation (IFC) Performance Standards (see previous page).

All farms in the Fund must be GLOBALG.A.P certified by independent auditors. This reassures consumers that food is produced on the farm with minimal detrimental environmental impact and chemical inputs, together with a responsible approach to worker health and safety and animal welfare.



### **Closing the transaction**

As part of the final deal proposal, the final ESG assessment report, including follow up actions and suggested improvement measures, is sent to the Fund's Investment Committee for approval. If not already available or up to standard, a solid healthcare programme and skills transfer programme for farm workers is required to be implemented on all farms.

### **Administration and monitoring**

During the term of the investment, the Fund is actively involved in monitoring the farm's operations and providing guidance on both agricultural and ESG issues. The conditions for social development are laid out in the contract with the operator, and reported on quarterly. The minimum annual spend on combined educational and healthcare programmes, is 0,5% of invested capital and/or investment value of the farm.

The Fund establishes access to primary healthcare services for permanent farm workers via the prepaid CareCross OcsaCare product, where available. This offers workers unlimited access to CareCross doctors, dentists and optometrists, free provision of acute and chronic medicines, and radiology and pathology services according to a prescribed protocol.

Depending on the skills development level of the workers, an Adult Basic Education and Training (AET) programme is rolled out on all farms, covering literacy, numeracy and communication. Additional training such as personal financial planning and life-skills is also offered. From year two of each investment, motivated farm workers are identified and provided with the opportunity to receive training in farm management skills.

Various (local) ethical trade initiatives and social development projects are implemented, where applicable, to support social development on the farms, such as the Ethical Trading Initiative (ETI) supervisor training programme, which promotes and protects workers rights and the equal treatment of all workers at their level of responsibility. Where possible, agreements and guidelines derived from the South African Ethical Trade Handbook are implemented in line with the Sustainability Initiative of South Africa (SIZA). All farms are linked with various programmes supporting Broad-based Black Economic Empowerment (BBEE) requirements.

Regular farm visits are conducted, with annual on-site ESG assessments and annual ESG reports are produced. Financial, social and environmental data, together with progress on the implementation of improvement measures, healthcare and education programmes, is reported to investors on a quarterly and annual basis.

### **Exit**

The preference of the Fund is to seek local exits at the end of the Fund term by selling its holdings to local farm managers and empowered workers, thereby contributing to local ownership.

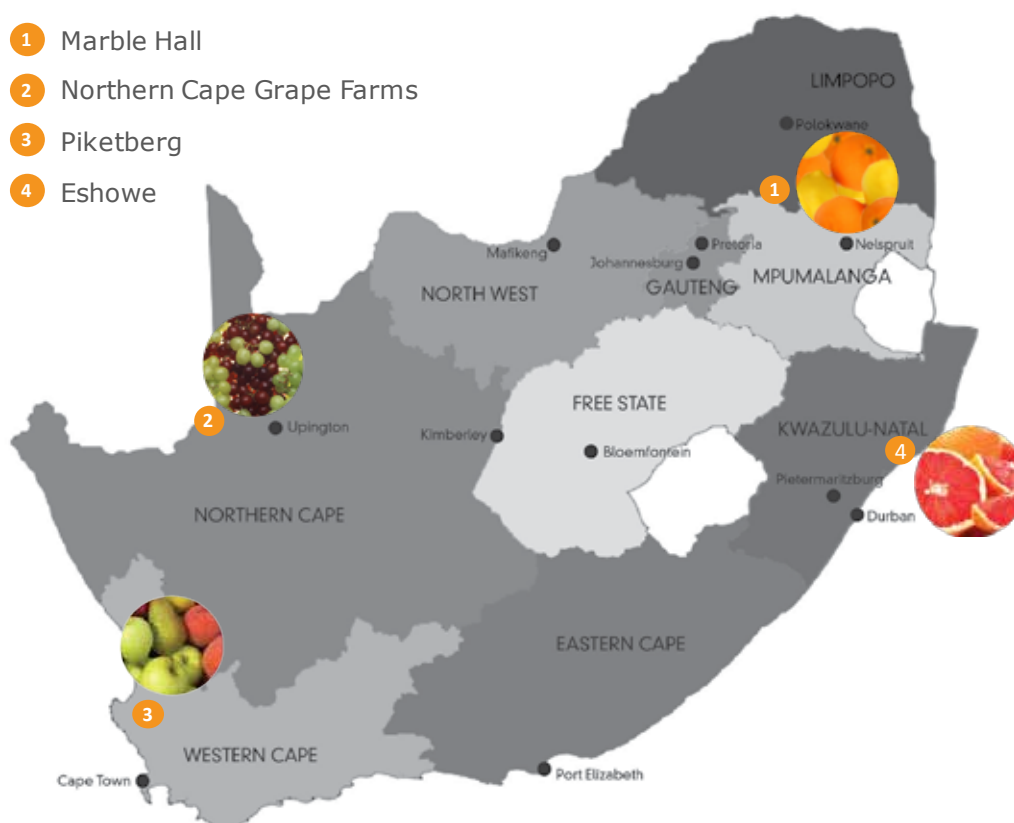
## Investment overview

### Deal overview

The Fund continues to hold three investments as shown on the map below: Marble Hall, Northern Cape Grape Farms and Piketberg, comprising a total area of 5 154 hectares (ha). A fourth transaction for the acquisition of a citrus farm in Eshowe, KwaZulu Natal was completed during December 2013 with an amount of R47m spent on the initial transaction. Transfer of the property is expected to take place in January 2014 therefore details on the investment will be provided for in the 2014 impact report.

### Deals done in South Africa

- 1 Marble Hall
- 2 Northern Cape Grape Farms
- 3 Piketberg
- 4 Eshowe



### Summary of existing deals

FARM	ACQUISITION DATE	REGION	PRIMARY CROP	TOTAL FARM SIZE	OPERATOR
Marble Hall	December 2010	Limpopo	Citrus	936 hectares	JV between farmer Nelus Potgieter and SFV (Safe Farm Ventures)
Northern Cape Grape Farms	August 2011	Northern Cape	Table grapes	3 183 hectares	SFV
Piketberg	November 2011	Western Cape	Deciduous and stone fruit	1 035 hectares	International Fruit Services

## Regional demographics

### Marble Hall

The Marble Hall Municipality is located in the Greater Sekhukhuni District Municipality, close to the border of Zimbabwe. The district has high illiteracy and an official unemployment level of 50 %. 36% of the population is below the age of 15 years. Most of the agricultural activity in the area is subsistence farming, with only 30% of the district's land used for commercial farming, owing mainly to a general shortage of water. Only 6% of the population of Sekhukhuni has access to a flush toilet connected to sewerage, only 9% have access to water in their houses and only 8% access to weekly municipal refuse removal, which is a source of concern as this usually leads to an unsustainable use of resources.

### Northern Cape Grape Farms

This investment falls within the Kai! Garieb Municipality, bordering Namibia, where farms are faced with a paucity of services, including limited healthcare resources and a lack of public

transport. Low productivity, infectious diseases and malnutrition tend to be prevalent among farm workers in the region. The majority of the population in the region is young (24% younger than 15), indicating significant potential for economic growth. Agriculture is the primary industry in the district, which has an official unemployment rate of 10% (unofficially close to 35%) and a dependency ratio of 41%. The Orange River flows through this region; however, the area is mostly semi-arid with temperatures reaching above 40°C in summer, and an average annual rainfall of 202mm.

### Piketberg

The Piketberg farms are situated within the Bergrivier Municipality, which extends from the Atlantic Ocean in the west to the Olifants River Mountains in the east. The picturesque Piketberg range is in the centre, with the Fund's farm situated 850 metres above sea level. With high levels of poverty among the local population, 35% of those employed work in either the fishing or agriculture sectors, both of which are seasonal in nature.

## Impact matrix

		Marble Hall	Northern Cape Grape Farms	Piketberg	Total
Permanent employees* (workers with contracts longer than 1 year)	At take-on:	25	94	102	221
	As at December 2013:	66	97	124	287
Seasonal workers*, depending on season	Currently, up to:	450	950	520	1920
Projected new jobs (permanent & seasonal), due to expansion	Projected new jobs:	300	465	100	865
Employees with access to pre-paid primary healthcare	At take-on:	0	0	0	0
	As at December 2013:	65	0	49	114
Employees with access to HIV/AIDS services	At take-on:	0	0	0	0
	As at December 2013:	65	0	49	114
Employees receiving adult education	At take-on:	0	0	0	0
	As at December 2013:	38	24	2	64
Employees receiving management training	At take-on:	0	0	0	0
	As at December 2013:	0	0	0	0

The table above tracks the social impact initiatives underway on the Fund's farms.



## Farm seasonality

Seasonality is a pivotal factor affecting social programmes and the analysis of related data. The Fund currently has three labour intensive fruit farm investments. These present a greater opportunity for social impact than other (less labour intensive) types of farming. However, the seasonal nature of these operations means that labour requirements and activities can fluctuate significantly during the year – with the resultant impact on job creation, housing, healthcare and training.

Where possible, the operators make an effort to keep as many workers employed for as long as possible during the year, via work on general maintenance or other crops, or packing fruit for other farms. The potential for extending the production season on each farm is taken into consideration in the planning of the Fund's expansion programme. Local inhabitants are given first option to work on the Fund's farms; however, during peak seasons additional workers usually have to be recruited from other areas.

The table below depicts the seasons for the major crops currently produced on each of the Fund's farms:

Marble Hall												
Season	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Navels												
Valencias												

Northern Cape Grape Farms												
Season	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
White seedless grapes												
Black seedless grapes												
White seeded grapes												
Red seedless grapes												

Piketberg												
Season	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Apples												
Pears												
Nectarines												
Peaches												

## UN Principles for Responsible Institutional Investment in Farmland

### Farmland Principles

Farmland investment has emerged in recent years as a new asset class for institutional investors. The five Farmland Principles are designed to guide institutional investors who wish to invest in farmland in a responsible manner:

*Principle One* Promoting environmental sustainability

*Principle Two* Respecting labour and human rights

*Principle Three* Respecting existing land and resource rights

*Principle Four* Upholding high business and ethical standards

*Principle Five* Reporting on activities and progress towards implementing and promoting the Principles

Both Futuregrowth and UFF endorse the United Nations Principles for Responsible Investment (UNPRI) and subscribe to the Farmland Principles. Examples of implementation of each of these principles by the Fund are included in subsequent sections of this report. As signatories to the Principles, we acknowledge that farmland investments have implications for the people and the natural environment in the places where we invest. We are therefore committed to incorporating ESG factors into our investment policy and processes where appropriate. This becomes more important as the pressure on natural resources mounts.

*Signatory of...*



# Environmental Protection

In line with GLOBALG.A.P and IFC Standard 1: Management of Environmental and Social Risks and Impacts, the farm's environmental management plans are monitored regularly and implementation enforced. In managing environmental responsibility, the Fund has a focus on analysing, addressing and mitigating environmental risks in line with IFC Performance Standard 3: Resource Efficiency and Pollution Prevention and performance standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.

Key priority areas include:

- | water conservation;
- | reducing pathogens and pesticides;
- | use of organic matter;
- | reducing soil erosion caused by water, wind or tillage;
- | reducing particulate emissions, odors, and emissions of gases that contribute to global warming;
- | ensuring compatibility of agricultural activities with biodiversity;
- | noting habitat availability and species at risk;
- | reducing economic damage to agriculture from wildlife; and
- | where possible, making use of renewable natural resources.

## Soil and water

An important aspect of the due diligence is a technical and agronomical assessment of the property by an agronomist. This assessment includes but is not limited to investigating:

- | soil profiles to get an insight in to long-term sustainability;
- | soil samples to establish fertility of the soil;
- | water supply to determine the sustainability of the resource;
- | water samples of surface and ground water to identify the possible misuse of herbicides, pesticides and fertiliser;
- | plant and tree quality and risks;
- | precipitation variances and history in the area assessed in detail; and
- | environmental impact.

## Biofuels

Production of biofuels on arable land does not lie within the Fund's approach. However, sustainable

biofuel or so called "second generation" biofuel, produced from biomass which is not edible and is a low value waste for many industries, does fall within the scope of the Fund. Here, biomass derived from waste produce or the clearing of invading bushes is recycled into biomass biofuel, which can be used as energy for coal plants. None of the farms in the Fund have been involved in this practice to date.



Moths and bees assist with pollination at Piketberg.





## Principles in action

### Farmland *Principle One*

#### Promoting environmental sustainability

The Fund utilises environmentally sustainable methods of agriculture as we consider that agriculture's long-term viability and profitability go hand-in-hand with its ability to co-exist on a sustainable basis with the natural environment.

- | In order to comply with GLOBALG.A.P., all farms use Integrated Pest Management (IPM) Systems, which are tailored to local climate and conditions, and aim to prevent infestation or intervene without poisons where possible.
- | On all farms, installation of waterwise irrigation has been implemented on the newly developed land, a major step in saving water and electricity. Furthermore, monitoring systems for water, electricity and petrol are used on all farms, with the aim of improving fuel efficiency and reducing particulate and gas emissions.
- | At our Northern Cape Grape Farms, the majority of the vineyards have been covered with netting, thereby reducing water and pesticide use. Netting over the remainder is planned for completion in 2014.
- | Endangered "Kraal Aloe" plants displaced during vineyard expansion have been replanted according to nature conservation guidelines, with the surplus donated to the local nursery. 20 ha of Sugraone grapes have been removed, with the vines reused for mulching, composting and firewood.
- | Discussions are ongoing between the Fund and SANParks to lease 643 ha of natural pasture in the Northern Cape Grape Farms to a rhino rehabilitation project.
- | Warthog, monkeys, duikers, impala, rooikat, meerkat, mountain leopard, dassies, rabbits, fish eagles, blue cranes, and various other bird and

## RESOURCE CONSERVATION: CARBON FOOTPRINT CALCULATION

Technical training on carbon footprint calculating by Confronting Climate Change (CCC) took place on two of the Northern Cape Grape farms during 2013. The methodology follows the internationally recognised PAS 2050 Standard and is regularly reviewed by leading experts to align with international best practice and reporting requirements. Training for the other farms is foreseen in 2014.

Benefits to the farms of the training and CCC Calculations:

- | provide better understanding of the carbon footprint of a farm in terms of its electricity, pesticide and water usage;
- | farms get a comprehensive GHG emission profile, which assists in developing efficiency opportunities such as solar energy and improving carbon efficiency going forward; and
- | internationally recognized standard for year-on-year consistency and comparability.

snake species have been seen near waterways and on the Fund's farm land, indicating that farming operations are coexisting well with nature. Cape Nature is allowed to conduct tortoise counts on the Piketberg farm, which is also habitat to the protected cordylid lizard.

- | A portion of the land at Piketberg forms part of an internationally recognised RAMSAR Wetland site. Both the wetlands and the streams on the farm were infested with alien vegetation at acquisition. The farm is a member of the Greater Cederberg Fire Protection Association, which calls for members to eradicate all alien plants (assisted by fire teams and the Working for Water project). This work is ongoing. Furthermore, the farm is removing alien plants along the riverbeds to prevent the plants from choking the water course and using up the valuable water resource.

- | The installation of solar geysers in the newly built worker housing at Piketberg provide an applauded best practice in the area.



# Social Value

The Fund considers social responsibility as an inextricable component of investing in agriculture in Africa. The long-term nature of the farm investments means that social factors will directly impact the risk and return characteristics of the investment. The provision of education and access to healthcare is fundamental to the Fund's ability to add social value to the farm community.

It is estimated that 4.7 million South African adults are illiterate. Many of these people tend to reside in rural areas in the poorer provinces. The farms in the Fund are engaged in broad based economic empowerment, including the provision of literacy, numeracy, technical, managerial and financial education and skills transfer, with the aim of empowering workers and creating independent emerging farmers.



## A fruitful exercise

It can be argued that a key contributor to sustainable agriculture is ensuring that sufficient young people are appropriately skilled and motivated to enter the sector. At the other end of the spectrum, accurate data on the orchards or crops is significant to the success of the farming operation. These two aspects are neatly melded in an initiative implemented by the Fund during 2013.

In conjunction with the Imfundo Trust, the Fund arranged for eight previously disadvantaged agri-students from across South Africa to travel to the Piketberg farm for a three day working visit in April 2013. The Imfundo Trust is an Old Mutual scholarship initiative that aims to address the shortage of suitably qualified black individuals. During their stay, the students were introduced to various aspects of the fruit farming operation. They then completed a project consisting of counting, evaluating and recording each tree in every orchard on the farm.

This was a unique opportunity for the students as well as the farm. Typically, farms would not have the resources to perform such an exercise, which has multiple benefits for the operator. The data can be used for more accurate market projections and benchmarking against industry averages, such as input costs. Accurate data also assists when the farm uses pruners, for example, where the fee is based on the number of trees pruned. Feedback from the students indicated that the visit had a deep personal impact. Some had never flown before or visited a working farm. They appreciated the hands-on practice, camaraderie and knowledge gained and shared, as well as a broader sense of the application of their academic studies. As one student commented "the trip was really fruitful!"

It is intended to replicate this process on the other farms in the Fund in due course. In so doing, the Fund is fulfilling its mandate to provide agricultural experience to agri-students, providing its operators with invaluable information, and giving a group of future agronomists a memorable experience.

South Africa, like many other African countries, is struggling to meet the challenges of infectious diseases such as tuberculosis and HIV/AIDS, while non-communicable diseases like cardiovascular disease and diabetes are on the rise, adding further stress to limited healthcare resources. As part of social best practice, permanent workers on the Fund's farms are included in a comprehensive pre-paid healthcare programme.

## A kick-start for healthcare in the Northern Cape, South Africa

The farms in the sparsely populated and under-resourced region of the Northern Cape have presented the biggest challenge to date in terms of delivering healthcare to workers. After an exhaustive assessment it became clear that the provision of transport had to be a pre-requisite for any viable healthcare solution. A two-phased approach was agreed with farm management and approved by the Fund's Investment Committee. In phase one a minibus would be purchased by the Fund to transport workers to the nearest doctor or clinic; and once the transport schedule was running smoothly phase two would kick in. Phase two would involve training and registering the permanent workers on the pre-paid OCSACare product, in line with the Fund's farms in other regions.

In August 2013 Eveline Schurink (UFF Health Programme Advisor) and André Botha (UFF Agronomist) drove from Cape Town to the small town of Augrabies in the Northern Cape to deliver the new minibus to the farms. The bus is to be used solely to support the social impact projects, such as transporting workers to healthcare providers or to education and training classes. On arrival, André and Eveline held a communication session with the



farm foremen to explain the purpose of the bus and to agree on a suitable timetable. It is hoped that supervisor understanding and buy-in, together with the tracker installed in the vehicle, will minimise abuse of the facility. The transport will be available to, and thus benefit, both permanent and seasonal workers on the farms.

A long-standing farm employee, Louis, who has considerable driving experience on and around the farms, has been appointed as the dedicated bus driver. He is excited about the prospect of helping to make a real difference in the lives of his fellow farm workers. The opportunity has already extended his horizons: when he drove André and Eveline to the airport to fly back home this was his first ever visit to Upington, and he was amazed at the 'busy traffic' in the little town!

We trust that the arrival of the minibus will be a significant step in providing access to essential services for this particularly vulnerable group of workers.





## Principles in action

### Farmland *Principle Two*

#### Respecting labour and human rights

As stated before, the regions in which we invest are characterised by high levels of illiteracy and a lack of access to quality healthcare. In order to lay the foundations for meaningful worker and community empowerment these limitations need to be addressed as a matter of priority. Our goal as a Fund is to leave the farms and workers in a distinctly better state on exit than before our involvement.

The Fund invests in labour intensive farming, and through its expansion programme is able to amplify its social impact. As at the end of December 2013 there were 287 permanent workers in total on the Fund's farms. During the year, 1 308 additional seasonal workers were employed during the peak seasons. The Fund's expansion projects have the potential to create an additional 865 jobs over time.

#### Education and training

During the year a total of 58 farm workers attended management related training and 472 attended basic agricultural training in line with GLOBALG.A.P requirements.

- | At Marble Hall 63 workers were enrolled in AET training during 2013, nineteen of whom started classes in the newly furnished classroom. A new facilitator was appointed, with more focus on numeracy as this need was identified. 33 workers wrote exams in August and six in November, with a total of 23 achieving a pass. All workers who did not write exams or failed in 2013 will be able to continue with classes in 2014.
- | The intensive literacy and numeracy training of permanent workers has started to bear its first fruits. One male learner and three female learners attending these classes at Marble Hall have been selected for further management training and skills development in 2014.
- | The Marble Hall farm organised Passport to Work training in 2013, aimed at building awareness of workers' wellbeing and rights as well as their duties. This training is based on the ETI Base Code, an internationally recognised code of labour practice.
- | During 2013, 23 workers were enrolled in the AET programme at the Northern Cape Grape farms. Fifteen workers wrote exams in November with eight achieving a pass.

| At the Northern Cape Grape farms, education provider Skills for You organised extensive HR training for foremen, managers and team leaders. These workshops were aimed at helping supervisors to improve their people-management skills and efficient HR procedures.

| The daycare supervisors on each of the Northern Cape farms received health and safety and first aid training during 2013.

| At Piketberg, the AET programme started for four workers through the Department of Education, with classes held in the nearby primary school. Two of the workers wrote their AET exam in December and both excelled, achieving an 80% pass mark.

| In September, eight workers were nominated for the Western Cape Farm Worker of the Year award, with two coming first, one second and one third in their respective categories. The proud winners attended the gala event for the overall Farm Worker of the Year in October 2013.



## Healthcare

At year end a total of 114 workers on Fund farms had OCSACare membership, giving them unlimited access to CareCross doctors and free provision of acute and chronic medicines, as well as radiology and pathology services. Members can also visit dentists and optometrists belonging to the CareCross network. This is a unique offering in the agricultural sector, and the Fund is a front-runner in this regard.

| The prepaid OCSACare programme was implemented in 2011 at Marble Hall and in 2012

at Piketberg. During 2013, 79 workers undertook a total of 197 visits to a GP.

| At the Northern Cape Grape farms, a minivan and driver provides access to basic healthcare for both seasonal and permanent workers. Since its introduction in August 2013 the minivan has made 17 visits to the GP and pharmacy in Kakamas. Roll out of the OCSACare programme for permanent workers in the Northern Cape is foreseen in 2014.



Worker housing at the Northern Cape Grape Farms (old on the left and new on the right).

## Improvements to worker housing and facilities

Upgrading, maintenance and construction of worker housing and ablution facilities took place during 2013 on all farms, in line with IFC Standards 2: Labour and Working Conditions and 4: Community Health, Safety and Security, as well as national legislation governing living conditions, and the health and safety of farm workers and their families.

| At Marble Hall, upgrading and improvement of the H44 facility took place, providing an additional place for education and training programmes, in close proximity to the workers' houses, enabling evening classes and easing logistics. Upgrading of permanent workers' housing and ablution facilities started towards the end of 2013.

| Upgrading and construction of worker housing started in 2013 at the Northern Cape Grape

Farms, with four new housing blocks (to provide accommodation for 160 seasonal workers) and an additional block planned for 2014. The construction of new ablution facilities and septic tanks, as well as upgrading of existing permanent workers housing, also commenced. At the Onderstepoort farm, upgrading of the clinic facilities, crèche, community hall, soccer field and clothing lockers was completed.

| At Piketberg the construction of two new housing blocks for seasonal workers started, with one block completed in December 2013 and the other due for completion in the first quarter of 2014. The proximity of the housing to the packhouse will assist in reducing logistical costs and improve seasonal worker efficiency. Solar geysers provide for warm water at an environmentally low cost: another aspect in which the Fund is a front-runner.



Old and new cooking and ablution facilities at Piketberg.

## Principles in action

### Farmland *Principle Three*

#### Respecting existing land and resource rights

In terms of its mandate, the Fund invests only in existing agricultural land and respects existing use and ownership rights to land and other resources, in line with IFC Performance Standards 5: Land Acquisition and Involuntary Resettlement and 7: Indigenous Peoples and 8: Cultural Heritage. The Fund invests only in existing agricultural land with formal ownership and legal entitlement. Co-investors are primarily local institutions and pension funds, mitigating accusations of foreign land grabbing. Stakeholder and investor engagement requires our investments to be transparent and regularly monitored, thereby ensuring accountability.

- | The Fund seeks demand driven long-term investments rather than short-term gains. This implies that the investment will be able to contribute to a significant extent towards the economic and personal development of the workforce and the surrounding local community.
- | Due diligence is performed on the land title, the seller and the potential leaseholder. For each proposed investment an investigation is conducted into how the present and previous owner acquired the land. The bureau of records, deeds office and courts are the first source of information. Legal due diligence, the Funds own on-site research and agricultural due diligence complement the overall process, providing a comprehensive picture of land rights and land use.
- | The Fund will not consider any agreement on land with a land claim, unless approached by both Government and the relevant community.
- | Prior to purchase, checks are done that the investment will have no significant adverse impact on access to other resources, such as fishing grounds, local food or cash crops. The Fund integrates local and international frameworks and guidelines in its approach. In line with the Environmental Management Act, independent auditors undertake an extensive Environmental Impact Assessment (EIA) to determine eventual impact whenever significant changes to the land or buildings are planned. Housing is never built on fertile or arable land.
- | The Marble Hall land has been used for agriculture for over 100 years and there are no known land claims or cultural heritage implications. When the Northern Cape Grape Farms were turned into farmland in 1940 there were no indigenous people inhabiting the area. Likewise, the Piketberg farm is not a Greenfield operation, has no known land claims and no people have been displaced. All water rights are included in the title deeds.
- | Graveyards have been found on several of the Fund's farms. These have been left undisturbed and accessible to anyone who wishes to visit them.
- | The Northern Cape Grape farms border on the Augrabies National Park. Although the land is assigned for agricultural production a major part is not developed and still in its natural state. Currently Springbok, Klipbok, Gembok and Kudu roam freely through a portion of the farm. A part of this is being considered for incorporation into the National Park for its rhino rehabilitation project.
- | All farms have health and safety committees that hold regular meetings where minutes are kept. The majority of the farms have worker committees and housing committees. On all of the Fund's farms workers are free to join labour organisations of their choice. At present, no workers are members of any unions.





# Governance Measures

## Principles in action

### Farmland *Principle Four*

#### Upholding high business and ethical standards

In recent decades, the concept of governance has gained increasing prominence on the development agenda. We believe our responsibility is vested not only in transparent policies and practices, but also in compliance with all applicable laws and ensuring that we meet the expectations of our stakeholders.

- | Annual ESG assessments take place on site at all of the Fund's farms. ESG assessments are a non-financial check by means of an on-site audit performed by an independent, qualified social systems consultant or Agri-fund ESG specialist. The baseline ESG assessment forms part of the due diligence process and is done on all new investments prior to acquisition.
- | The on-site audit is done in line with SMETA guidelines and includes assessment of the farm organisation as well as random checks on a representative sample of individual farmers and workers. Meetings are set up with farm managers, the administrative department, workers, committees and shop stewards. Personnel files, time sheets, pay slips, training records, and health and safety documentation are verified. Inspection of the packing stations, agrochemical storage, worker housing, community buildings and local health clinics also takes place.

| A detailed ESG report is produced for the Investment Committee, including details of the visit, verification methods used, documents sighted, and findings benchmarked against the eight IFC performance standards. Labour and production data is also collected and verified. The ESG report notes non-compliance, together with a checklist of improvement measures and target dates agreed with the operators for completion.

| Farms are monitored regularly with regard to the implementation of improvement measures and inspected on-site annually. The social and environmental data is checked and feedback on progress presented to the Investment Committee through annual ESG reports and quarterly metrics and scorecards.

| The operators on our farms are contractually obliged to maintain the farm in good order and comply with all municipal, health and safety and other relevant regulations, regardless of whether these are enforced or not. UFF uses a state-of-the-art financial and operational management and control system that allows for detailed analysis and monitoring of the performance of various agricultural assets on a continuous basis, making it possible to detect underperformance at an early stage. The Fund may conduct full compliance inspections, issue directives and if necessary step in to remedy the situation.



Futuregrowth CSI project visit - Piketberg (May 2013).



Client tour of Marble Hall (August 2013).

- | Monthly management accounts for all the property companies are drawn up by UFF. All capital expenditure is executed by UFF after written approval by the Fund's Investment Committee.
- | In addition to IFC standards, UNPRI and Farmland Principles, the Fund endorses the Code for Responsible Investing in South Africa (CRISA) and the UN's Food and Agriculture Organisation (FAO) Voluntary Guidelines on the Responsible Governance of Tenure. UFF follows the OECD Guidelines for Multinational Enterprises on the prevention of bribery and corruption, and adheres to various guidelines and acts as set out by South African law, as well as the World Bank's Worldwide Governance Indicators and the Corruption Perceptions Index.
- | All farms in the Fund are GLOBALG.A.P. certified and audited once a year by independent qualified auditors. Certified farms are given a unique GLOBALG.A.P. Number (GGN), which can be traced online (<https://database.globalgap.org>).
- | Site visits were conducted by Fund staff on the following dates in 2013: 22, 24, 28, 29, 30, 31 January; 6 February ; 6 March; 9, 10, 16, 23 May; 4, 5 June; 19 July; 11, 12, 13, 16, 18, 19, 20, 21, 26, 27 August; 19, 30 September; 4, 31 October; 19, 20, 21 November; 12, 17 December.



## Principles in action

### Farmland *Principle Five*

#### Reporting on activities and progress towards implementing and promoting the Principles

The King III Report on Governance for South Africa advocates reporting on the impact of the company's core business activities on society, the environment and broader economy, with a focus on transparency and accountability. In addition to the King code, Futuregrowth subscribes to CFA Institute Code of Ethics and Standards of Professional Conduct, which serves as a model for measuring the ethics of investment professionals globally.

The Fund has been working on streamlining and refining reporting requirements for our investors. Along with our commitment to sustainable development and continuous improvement of conditions on our farms we are committed to continuous improvement in the way we communicate and report on our activities.

- | Quarterly reports are produced for investors and other interested parties, giving an overview of Fund performance and conditions on the Fund's farms, as well as any significant events during the quarter. A quarterly scorecard is also produced for each investment giving an update on various indicators organised under the broad headings: Healthcare, Education, Job Security and Labour Conditions, Food Security and Reduced Environmental Impact. In addition to the numbers provided, comments and explanations of any variances are included.
- | Three Investment Committee meetings were held during 2013. At each of these the UFF team gave the committee a detailed verbal update on conditions on the farms, the expansion programme and the ESG initiatives.
- | This 2013 Annual Impact Report is the second by the Fund to report on activities relating to the UN Farmland Principles. From June 2014, the UNPRI Annual Indicator reports for UFF and Futuregrowth will be available online.
- | Reporting publicly via various media on our activities and progress is done on an ad-hoc basis, taking into account appropriate confidentiality considerations.



PRI In Person delegates visit our Piketberg farm (October 2013).



In order to stay abreast of and involved in local and international developments UFF and Futuregrowth staff participated in a number of events during 2013:

| Both Futuregrowth and UFF are active members of the UN PRI Farmland Working Group, which convened during 2013 to work on a set of due diligence questions for asset owners

| Impact Investing in Africa, Cape Town, April 2013

| EMG (SA environmental monitoring NGO) & TDC (Belgium Development Centre) Think Tank, Cape Town, April 2013

| Africa Investor Infrastructure Conference, Cape Town, 7 May 2013

| Terrapinn Agriculture Investment Summit an Future Farm Europe 2013, London, June 2013

| RI Europe 2013: the investor-corporate ESG summit, London, June 2013

| BHF, Board Healthcare Funders South Africa , Cape Town, August 2013

| Agri-investing Conference, Singapore, September 2013

| RI Forum, Johannesburg, September 2013

| Launch of the RI Association Asset Ownership Guide, Johannesburg, September 2013

| SAICA – Guy Lundy presentation: Investing in Africa, Cape Town, September 2013

| UNPRI in Person, Cape Town, October 2013

| International Corporate Governance Network debate, Cape Town, October 2013

| Broad Based Black Economic Empowerment Codes of Good Practice, Webber Wentzel, Cape Town, November 2013

| Marks & Spencer Plan A Conference, Stellenbosch, November 2013

| EthicsXchange, Cape Town, November 2013



Piketberg farm workers nominated for the 2013 Farmworker of the Year Award.

## Glossary

TERM	DESCRIPTION
AET (previously known as ABET)	Adult Education and Training - an outcomes-based education programme in literacy and numeracy that provides basic learning tools and access to nationally recognised qualifications. (Not to be confused with Agricultural Education and Training.)
CareCross	CareCross Health – the company contracted to supply customised primary healthcare services to the farms in the Fund.
CFA Institute	Chartered Financial Analysts Institute: a global, non-profit organization of investment professionals from over 100 countries worldwide, aimed at promoting high standards of ethics, education and professional excellence for the ultimate benefit of society.
Corruption Perceptions Index	A ranking by Transparency International of countries and territories based on how corrupt their public sector is perceived to be, on a scale of zero (highly corrupt) to 100 (very clean).
CRISA	The Code for Responsible Investing in South Africa (CRISA) aims to provide the investor community with the guidance needed to give effect to the King Report on Corporate Governance South Africa (King III) as well as the United Nations-backed Principles for Responsible Investment (PRI) initiative.
Equator Principles	A risk management framework for determining, assessing and managing environmental and social risk - intended to provide a minimum standard for due diligence to support responsible risk decision-making.
Ethical Trading Initiative (ETI)	ETI Base Code standards include the following: Employment is freely chosen; Freedom of association and the right to collective bargaining are respected; Working conditions are safe and hygienic; Child labour shall not be used; Living wages are paid; Working hours are not excessive; No discrimination is practised; Regular employment is provided; No harsh or inhumane treatment is allowed.
Food and Agriculture Organisation (FAO)	The FAO is a UN agency with a mandate to raise levels of nutrition, improve agricultural productivity, better the lives of rural populations and contribute to the growth of the world economy.
GLOBALG.A.P	Global Good Agricultural Practice - a private sector body that sets voluntary standards for the certification of production processes of agricultural products around the globe; the standard primarily designed to reassure consumers about how food is produced on the farm.
Greenfield	A green field investment or operation is one that is a new venture, started from the ground up. (The term originally referred to building on a pasture that was literally a "green field".)
IFC	International Finance Corporation - a member of the World Bank Group, which aims to reduce global poverty through the application of environmental and social development standards. . Criteria are based on the Equator Principles and include International Labour Organisation, UN, World Health Organisation and FAO guidelines.
IPM	Integrated Pest Management System. Organisations with local expertise are licensed to provide IPM systems tailor made for the specific region, product and context concerned, to ensure that pest control actions have favourable economic, ecological and sociological consequences.
OCSACare	A product developed by the CareCross Health Group, which offers quality primary healthcare via the CareCross network of General Practitioners (GP's), dentists and optometrists, many of whom are based in rural areas. Full OCSACare benefits include unlimited GP visits, medicines, X-rays, blood tests, basic dentistry, basic optometry, and chronic disease treatment and medication.
OECD (Organisation for Economic Co-operation and Development)	The OECD is an inter-governmental organisation that has forged global standards, international conventions, agreements and recommendations to promote governance and the fight against bribery and corruption, corporate responsibility, development assistance, global investment, international taxation, and the environment.
PAS 2050	PAS 2050 was developed by the British Standards Institute in conjunction with extensive consultation from industry in response to broad community and industry desire for a consistent method for assessing the life cycle GHG emissions of goods and services.
Permanent workers	Workers employed on the farms, with contracts longer than one year.
Ramsar	The Convention on Wetlands of International Importance, called the Ramsar Convention, is an intergovernmental treaty that provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources (adopted in the city of Ramsar in 1971).
Seasonal workers	Workers employed on the farms with contracts of less than one year.
Sectoral Determination 13	In South Africa, minimum wages for the Agriculture sector are set according to Sectoral determination 13. These are revised annually in line with inflation for implementation on 1 March each year.
SIZA	Sustainability Initiative of South Africa, established by Fruit South Africa to promote sound and ongoing improvement of ethical labour practices on S A fruit farms. The SIZA programme is underpinned by a number of principles including the adoption of a single standard and audit methodology that is aligned to local law and international standards.
SMETA	Sedex Members Ethical Trading Audit guidelines: SMETA is designed to reduce duplication of effort in ethical trade auditing, benefitting retailers, consumer brands, and their suppliers.
Worldwide Governance Indicators	Six key dimensions of governance: Voice and Accountability; Political Stability and Lack of Violence; Government Effectiveness; Regulatory Quality, Rule of Law, and Control of Corruption, measured in over 200 countries and updated annually.

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Old Mutual African Agricultural Fund (Luxembourg) ("the Fund") has been incorporated for an unlimited period under the laws of the Grand Duchy of Luxembourg as a "societe d'investissement a capital variable (SICAV) under the form of a "societe anonyme" on 31 May 2012 organized under Part II of the Law of 2010. Futuregrowth Asset Management (Pty) Ltd ("Futuregrowth"), a licensed financial services provider in the Republic of South Africa, in terms of the Financial Advisory and Intermediary Services Act 37 of 2002, produced the Fund Factsheet in good faith. Although the information in the Fund Factsheet is based on sources considered to be reliable, Futuregrowth makes no representation or warranty, express or implied, as to the accuracy or completeness of the Fund Factsheet, nor does it accept any liability which might arise from making use of this information. The Fund Factsheet is for information purposes only and is not intended as an offer or recommendation to buy or sell or a solicitation of an offer to buy or sell a financial product or security. The recipient is advised to assess the information with the assistance of an advisor if necessary, with regard to its compatibility with his/her own circumstances in view of any legal, regulatory, tax and other implications. The Fund Factsheet is expressly not intended for persons, who due to their nationality or place of residence are not permitted access to such information under applicable law. Neither the Fund Factsheet nor copies thereof may be sent to the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a U.S. person. Neither the Fund Factsheet nor copies thereof may be sent to the United Kingdom, or any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a citizen of the United Kingdom.

More detailed information on the risks and investment strategy can be found in the Prospectus of the Fund.

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