

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

31 December 2015



OLD MUTUAL
INVESTMENT GROUP

“The Old Mutual African Agricultural Fund (Luxembourg) - SICAV (the “Fund”) holds an investment in the Futuregrowth Agri Fund 1 (“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 Fund Manager and UFF Agri Asset Management is the Fund Advisor of the Fund. The SA fund holds four farm investments comprising a total area of 5 868 hectares (ha). This report deals primarily with the SA fund investments as there are currently no farm investments in the rest of Africa.”

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The simplified Fund model is to invest in farmland, lease the land to an operator, extend and enhance the value of the farm during the Fund's term, and realise an attractive return on exit ten to twelve years later.

Incorporated in the mandate as well as the operator contracts, is a requirement to invest a prescribed amount into the provision of basic education and healthcare to the permanent workers on the Fund's farms. The combination of these fundamental



aspects has been found to have a catalytic effect in indirectly benefitting the families and communities in poverty-stricken, under-resourced rural areas. Growing the permanent workforce has an exponential impact – as does the human dignity gained from decent housing and facilities.

This impact report provides an overview of the Fund's environmental, social and governance (ESG) initiatives in 2015. Details of the operations and investments of the Fund are covered in the **2015 Annual Report**.



239

Employees with access to pre-paid primary healthcare



86

Employees receiving adult education



1336

Employees receiving basic agricultural training

338

Permanent employees (contracts longer than one year)

Impact in 2015

up to 2360

Seasonal employees



690

Employees provided with housing

81

Employees receiving management training



1077

Projected new jobs

Introduction

Sustainable agriculture for food security

Dafne Nienhuys, UFF

The number of undernourished people in Sub-Saharan Africa continues to increase, with a total of 220 million expected to go hungry in 2016. The United Nations Food and Agriculture Organisation (FAO) estimates that global food production must increase by at least 60% to respond to the demands of the 9 billion people predicted on the planet by 2050.

To meet this challenge, there is a dire need to create sustainable economic growth in the rural areas of developing countries where poverty and food security are most prevalent.

Goals related to agricultural labour and rural livelihoods feature prominently in the new UN Sustainable Development Goals (SDG), which were adopted in September 2015 as a successor to the Millennium Development Goals. These include the promotion of sustainable agriculture with specific targets of doubling agricultural productivity, implementing resilient agricultural practices and increasing investment in rural infrastructure.

The focus of the Fund is aligned with these goals. This Impact Report illustrates some of the gains in terms of sustainable agricultural practices and productivity made by the Fund in 2015. The stories relating to farm worker Jacolene Mbalula and intern Mpendulo Ngcakani illustrate the impact of the Fund on a personal level.

Aside from the economic returns, the social impact of the Fund is significant. The investment caters for up to 6% of its lease income (equalling 0.5% of leasable value of the land) to be spent on healthcare and educational programmes for farm workers. Additional benefits may be implemented where necessary, varying from HIV/Aids programmes and permaculture workshops to the installation of solar heating and upgrading of adult education facilities for workers living on the farms.

This report also provides an overview of the pre and post-acquisition activities related to ESG developments on the Fund's farms. Third party certification has been incorporated in our due diligence and monitoring processes as an objective method for verifying best farming practice. We are pleased with our performance this past year and are eager to share the results with our stakeholders.

Seasonality and job creation

The SA fund currently has four labour intensive fruit farm investments, which present a greater opportunity for social impact than other (less labour intensive) types of farming. The fund's expansion programme forms a vital part of our social upliftment strategy.

The seasonal nature of fruit farming means that labour requirements tend to fluctuate significantly during the year, with a resulting impact on job creation, housing, healthcare and training. The permanent workforce is maintained and grown where possible, and the needs of employees and the surrounding community are integrated where applicable. Local inhabitants are given first option to work on the fund's farms; however, during peak seasons additional workers may have to be recruited from other areas.

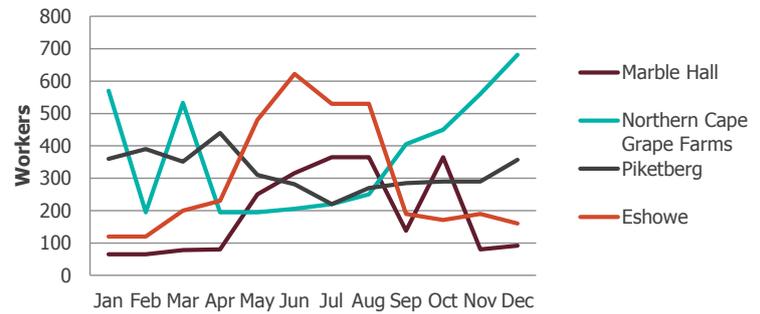
The operators make a concerted effort to keep as many workers employed for as long as possible during the year, via work on general maintenance or packing fruit for other farms. The potential for extending the production season on each farm is taken into consideration in the planning of the fund's expansion programmes.

It is foreseen that over a thousand additional permanent and seasonal jobs may be created over the life of the fund, based on current expansion plans. Once all the newly planted trees and vines are bearing fruit at full capacity, the full potential of the fund's investments to contribute to both food security and job creation will be realised - for farm labourers as well as their communities.

The tables below depict the seasons for the major crops currently produced on each of the fund's farms, together with the actual labour requirements (job trends) during 2015.

Job creation trends in 2015

Permanent and seasonal jobs



Seasonality trends

Marble Hall												
Season	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Navels												
Valencias												
Lemons												
Job trends (permanent plus seasonal)												

Northern Cape Grape Farms												
Season	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
White seedless grapes												
Black seedless & white seeded grapes												
Red seedless grapes												
Job trends (permanent plus seasonal)												

Piketberg												
Season	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Apples												
Pears												
Peaches & nectarines												
Job trends (permanent plus seasonal)												

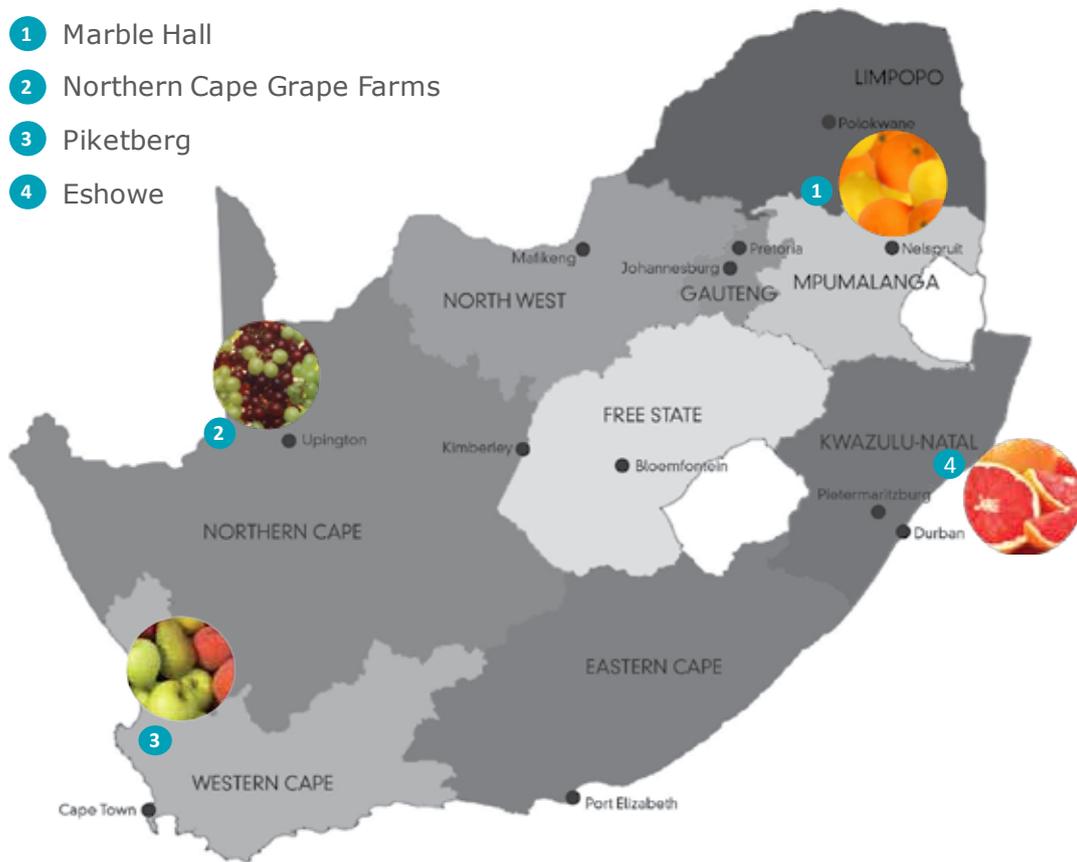
Eshowe												
Season	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Grapefruit												
Lemons												
Navels												
Macadamias												
Bananas												
Job trends (permanent plus seasonal)												

Investment overview

The SA fund holds four investments (comprising 5 868 ha in total) as shown on the map and in the table below.

Deals done in South Africa

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



Deal summary

Farm	Acquisition date	Region	Primary crop	Total Farm size	Operator
Marble Hall	December 2010	Limpopo	Citrus	936 hectares	JV between farmer Nelus Potgieter and SAFE Commercial
Northern Cape Grape Farms	August 2011	Northern Cape	Table grapes	3 183 hectares	SAFE Commercial
Piketberg	November 2011	Western Cape	Deciduous and stone fruit	1 035 hectares	IFS (International Fruit Services)
Eshowe	January 2014	KwaZulu Natal	Citrus and bananas (started in late 2015)	714 hectares	Afrifresh Group

Risk management - standards and principles

Both Futuregrowth and UFF support and advocate the application of socially responsible investment (SRI). We acknowledge that farmland investments have implications for the people and the natural environments where we invest. SRI and environmental, social and governance (ESG) factors are included in our investment analyses, decision-making processes and portfolios. Transparency and accountability are particularly relevant and important in our risk management, as these issues have the potential to damage not only the environment and human rights, but also retirement savings and the broader economy.

UN Principles for Responsible Institutional Investment in Farmland

Both Futuregrowth and UFF have been signatories to the United Nations Principles for Responsible Investment (UNPRI) since 2012 and subscribe to the UNPRI Farmland Principles.

The five Farmland Principles designed to guide institutional investors who wish to invest in farmland in a responsible manner are:

1. Promoting environmental sustainability.
2. Respecting labor and human rights.
3. Respecting existing land and resource rights.
4. Upholding high business and ethical standards.
5. Reporting on activities and progress towards implementing and promoting the Principles.

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 ever more important as pressure on natural resources mounts.

Code for Responsible Investing in South Africa (CRISA)

Futuregrowth and UFF both endorse and fully support CRISA. The code was launched in 2011. It gives guidance on how the institutional investor should execute investment analysis and investment activities and exercise its rights to promote sound governance. The five principles of CRISA are:

1. An institutional investor should incorporate sustainability considerations, including environmental, social and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.
2. An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.
3. Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.
4. An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should proactively manage these when they occur.
5. Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

International Finance Corporation (IFC) standards

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. The farms' compliance with these standards is checked annually and monitored throughout the investment cycle. The IFC standards are based on the Equator Principles, and incorporate all relevant International Labour Organisation, United Nations World Health Organisation and Food and Agriculture Organisation (FAO) standards and conventions.

The eight IFC performance standards are:

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

Environmental Protection

We believe that agriculture's long-term viability and profitability go hand in hand with its treatment of the natural environment. The Fund promotes sustainable methods of agriculture on its farms.

Key environmental 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.

Farm initiatives

- All our 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. All farms have a waste management programme, with hazardous wastes collected separately.
- On all our farms key personnel have participated in the benchmark workshop on Confronting Climate Change. In conjunction with the South African Fruit and Wine Industry Initiative, this



programme aims to enable farmers to calculate their carbon footprint and to start measuring this according to internationally acknowledged standards.

- Cover crops (such as rye, oats and grasses) and other soil stewardship practices are used to increase organic matter on all our farms. These crops improve soil quality, save water, minimise crop losses and reduce carbon pollution by absorbing CO2 from the air.
- The Fund's current fruit farms are not high emission greenhouse gas producers, with less than 25 000 tons of CO2 emitted per year. Nevertheless, monitoring systems are in place on all farms for water, electricity and petrol usage, with the aim of improving fuel efficiency and reducing particulate and gas emissions.
- Installation of waterwise irrigation has been implemented on the newly developed land on all the Fund farms - a major step in saving water and electricity. Furthermore, monitoring systems for water, electricity and petrol are used on all the farms, with the aim of improving fuel efficiency and reducing particulate and gas emissions.
- Discussions are ongoing between the Fund and South African National Parks 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 snake species have been seen near waterways and on the Fund's farm land, indicating that farming operations are coexisting well with nature. CapeNature is allowed to conduct tortoise counts on the Piketberg farm, which is also habitat to the protected cordylid lizard.

Innovative fruit fly control

An innovative technique is used to deal with fruit flies on our Marble Hall and Eshowe farms. Rather than killing the insects, the area is sprayed with a female fruit fly pheromone, which confuses the males as to the location of the females and effectively 'sterilises' the male flies.

The fruit fly population is monitored continuously and intervention only takes place if control is not achieved through natural predators.

- 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).
- Both the Piketberg and Eshowe farms are actively removing alien plants and establishing windbreaks along the riverbeds to prevent alien plants from choking the water course and using up the valuable water resource. At Eshowe, removed wood is recycled into charcoal and used by the surrounding community.

Social Value

The Fund considers social responsibility as an inextricable component of investing in agriculture in South 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.

Social initiatives on the individual farms are based on the needs and skill levels of the workers concerned. Regional demographics also play a part. Therefore, each investment has a distinct strategy and approach.



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%. 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 Sekhukhune have access to a flush toilet connected to sewerage and only 9% have access to water in their houses.

Northern Cape Grape Farms

This investment falls within the Kai !Garib Municipality, bordering Namibia, where farms are faced with very 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, 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 farm is 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.

Eshowe

The Eshowe farm is located in the Nkwalini Valley of KwaZulu-Natal, approximately 150 km from the Durban harbour, through which more than 50% of the country's citrus is dispatched. This is a sub-tropical, summer rainfall area characterised by warm wet summers and cool dry winters, making it particularly suitable for the cultivation of citrus. KwaZulu-Natal is the province with the second largest population in South Africa. The commercial agriculture sector is the major employer in the majority of municipalities and forms the economic anchor of these municipalities. Unemployment is a significant contributor to poverty, particularly among women and the youth in the rural areas.

Education and training

The quality of education in South Africa is as disparate as the distribution of wealth. The World Economic Forum (WEF) Global Competitiveness Report of 2014 – 2015 ranked South Africa 144th out of 144 countries on the quality of its Mathematics and Science education and 140th in terms of its overall quality of education. 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.

During the year a total of 81 farm workers attended management related training and 1 336 attended basic agricultural training in line with GLOBALG.A.P and Fund requirements.

Marble Hall

- 33 workers participated in AET programmes during 2015, varying from Pre-AET to level 4 and facilitated in Sotho, English and Afrikaans. Exams were written in March. Those who passed their exams received gift vouchers for the local grocery shops.
- A new AET provider completed orientation with the learners during the second quarter of 2015 and a new round of AET courses started in September. An incentive programme for best performance and attendance commenced in October, showing positive results.
- Since the roll out of AET in 2011, some learners have demonstrated eagerness and commitment, and have achieved consistent improvement. Four of these participated in Communication Level 4 in 2015 and it is proposed that they start the

Foundation Learning Competence (FLC), the next phase after AET, in 2016.

- The readiness of the learners participating in basic management training in 2014 was assessed and found inadequate. Therefore, during 2015, various management training programmes were reviewed, with the intention of promoting selected workers up to farm management level by the end of the Fund term.
- Internal agri training was offered for selected workers and team leaders throughout 2015. This covered citrus production management, irrigation, computer use, forklift and tractor driving, health and safety and first aid, amongst others.
- Since completing worker training in 2014, representatives of the housing and workers committees have been meeting with farm management on regular basis, in order to ensure effective two-way communication between workers and management. A quarterly 'tidiness' contest has been implemented, with the tidiest housing quarter winning a braai (barbeque) package for the residents.
- Following the permaculture programme which was rolled out among 20 households in 2014, the farm has been supplying participating workers with seeds and free irrigation water, as well as a portion of land adjacent to the houses which they may cultivate. Those interested can now supplement their diet with homegrown beetroot, green pepper, cabbage, onions and potatoes.

Northern Cape Grape Farms

- During 2015, 27 workers participated in the AET programme at the Northern Cape Grape Farms. A new AET provider completed orientation with the learners during the second quarter of 2015 and training with the new provider started in June, covering Pre AET, Communication levels 1, 2, 3 and 4 and Numeracy level 4. The IEB exams in 2015 were set by a new assessment body called Benchmark. After the exams were written, Umalusi (the council for quality assurance in education and training in SA) reviewed the papers and found that the questions were set at a higher standard than what was taught during the lessons, therefore the exams were re-written in October 2015. Learners passed their exams in 19 of the 31 learning areas covered.
- All learners who did not write exams or failed in 2015 will be able to continue with their classes in 2016.
- The training organisation Skills for U ran 377 agricultural and business workshops ("Die Wereld van Tafeldruiwe) on site on all three farms in September 2015. Business and value chain training was also provided on site by Skills for U for 23 team leaders.
- At the Onderstepoort farm crèche, the two day-

care workers received Early Childhood Development (ECD) training in September, provided by Orffer & van der Merwe.

- When required, the farm's minivan (see Health-care section below) is used to transport workers to training and education programmes conducted in nearby towns.

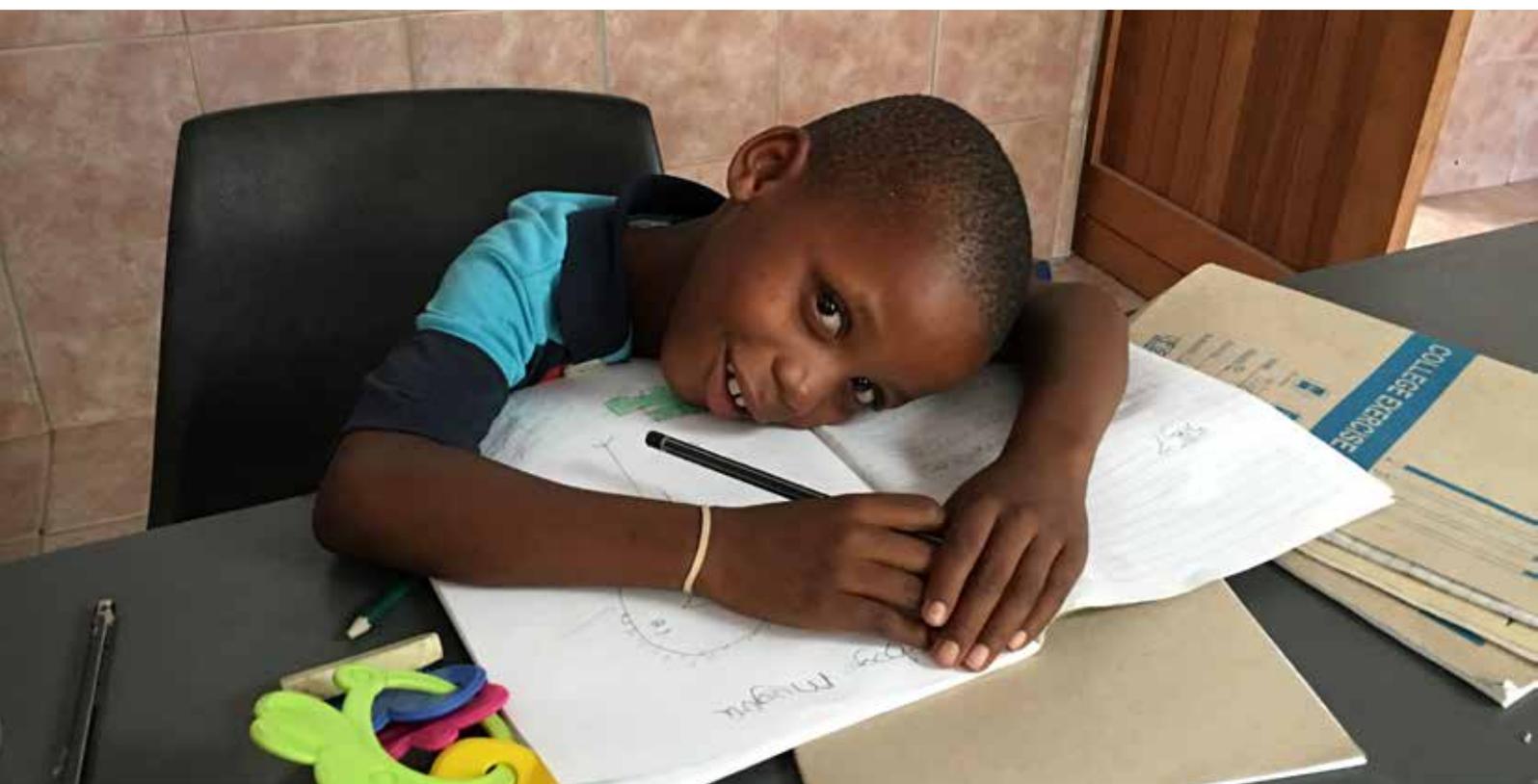
Piketberg

- Since acquisition of the farm, there has been a small but continuous uptake of workers on the AET programme, with high success rates among those who have participated.
- The AET programme is provided through the Department of Education at the nearby primary school (Piketberg CLC) and is monitored continuously, both by the farm and the Fund.
- In 2015, gift vouchers to the local grocery store were awarded to all seven learners who passed their exams in November 2014.
- During 2015, 15 learners participated in AET level 4 courses, and 11 were registered for life orientation courses. 14 learners are registered to write matric modules in mid-2016, the costs of which are covered by the Fund as the Department of Education does not cover these costs. These include tuition, external learner assessment, examination fees and textbooks. The subjects to be written are Afrikaans, History and Geography. The classes are very well attended, with all the learners committed and eager to make a success of this undertaking. The teachers are satisfied with their performance at this stage and optimistic about the outcome.
- Following the ECD training provided by Leer en Leef in December 2014 for the two daycare workers at the farm crèche, learner books and other training material have been purchased.

- There was a lack of reliable transport for workers to and from the three different farm locations to the crèche and other facilities. The Fund therefore facilitated the purchase of a new minivan with a five year motor plan, fitted with safety belts and a tracker. This provides the farm with a safe means of transport (in line with South African transport regulations) for farm workers and their children, and better access to doctors' rooms and training projects in the Piketberg village.

Eshowe

- The AET programme on the Eshowe farm was implemented on site in 2011, prior to Fund acquisition, through the Department of Education. When the farm was purchased in January 2014, nine learners were on the programme and in the course of 2014, the first two learners wrote and passed their final matric exams.
- During 2015, AET classes continued on site through the Department of Education for eight workers, four on level 4 and four on level 3, with subjects ranging from English and Isizulu to Maths, Art and Culture, Tourism, Technology and Life Orientation.
- One student completed and passed the matric exam in November 2015 and three others will write their remaining two subjects in 2016. Further empowerment and educational programmes are being investigated for the workers who have passed their matric.
- Six workers participated in NQF level 3 pack-house-related training in BEE development and supervision.
- One of the female workers pursued her goal and became the first female tractor driver on the farm.



Making Agri “cool”: Mpendulo’s story

Part of our SA fund’s mandate is to provide support and work experience to agri-students. We believe that sustainable agriculture is reliant on sufficient young people, appropriately skilled and motivated, entering this sector.

In 2013, a group of previously disadvantaged agri-students were given an opportunity to work on our Piketberg farm. During their stay, the students were introduced to various aspects of the fruit farming operation. One of these students was Mpendulo Ngcakani, who grew up in a small village in the Eastern Cape province of South Africa. He subsequently spent six months working with the Fund agronomist, Andre Botha, on several of the Fund’s farms. Mpendulo has this to say about his journey:



“Growing up in the village, I watched my grandparents as they worked the land each morning. In that environment, I thought farming was in a small scale. I never thought I would actually study Agriculture because of the lack of access to information. When I finished my matric the “coolest” thing then was commerce. I enrolled in BCom: Economics as I was good at Economics at high school. After a while, I realised that I lacked interest because I did not find any passion in what I was studying. After speaking with a mentor, I realised I loved farming which I grew up in. After changing courses my friends thought I was making a mistake but I did not change my mind.

While studying Agriculture I become a “How2Buddy” for two years, I became the Chairperson of the Agriculture society at NMMU, I received a merit award for one of my major modules, and currently I am tutoring first and second year BTech students. I do not think I would have achieved all that if I did another course because this is what I am passionate about, something I love. Even though my generation think it is not “cool” enough or it’s for old people, I am thankful for the day I decided to change my course.

Working with Mr Botha, I would say the experience was life changing in the way that it developed me. I did not see him as an “employer”, rather a mentor, and I never once felt like an employee. I was his “right wing man” as he wanted me to learn everything he did. He allowed me to think for myself by giving me tasks without supervision and corrections where needed. Up to today I’m still using his advice. In my BTech I am using the knowledge he gave me and I still go to his office and use his old books and notes for my projects.”

Mpendulo obtained his National Diploma in Agricultural Management earlier this year. He is currently doing his BTech in Agricultural Management which he hopes to complete at the end of 2015.

Healthcare

According to the Human Sciences Research Council (HSRC)'s National HIV Prevalence, Incidence and Behaviour Survey released in 2014, South Africa has the fourth highest rate of people living with HIV/AIDS in the world, with over six million infected. The number under treatment currently stands at 2.5 million and is expected to increase by 500 000 every year.

Regular, voluntary HIV/AIDS testing and awareness programmes are organised on all the Fund's farms.

The prepaid OCSACare programme (managed by the CareCross Health Group) was implemented in 2011 at Marble Hall, in 2012 at Piketberg and in 2014 at Eshowe.

At year end a total of 241 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.

Marble Hall

- During 2015, 38 Marble Hall workers undertook a total of 84 visits to a CareCross GP.
- Coordination of the healthcare initiatives and activities among the farm, the Limpopo Department of Health and Social Welfare, and CareCross is ongoing. Construction started in 2015 on an onsite service point (clinic) that can address various chronic diseases and occupational health services for an extended group.
- In September, AgriAids offered voluntary AIDS/HIV testing on site, in which a total of 35 workers participated.

Northern Cape Grape Farms

- Our 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 minivan bus and driver is therefore provided by the Fund to transport both seasonal and permanent workers to healthcare providers in nearby towns.
- During 2015, a total of 4 660 km was covered by the Fund's minibus to transport workers to clinics and hospitals in nearby Kakamas and Augrabies and to enable workers to attend various workshops and training programmes offered off site.
- In addition, a mobile municipal clinic visits the

farms every six weeks.

- HIV/Aids training took place for all workers on the three farms in October through ICD (formerly FAMSA).

Piketberg

- At Piketberg, 80 workers are on the OCSACare Gold Programme. This includes majority of the permanent workers. The programme is rolled out as an incentive and membership is foreseen to grow incrementally and to cover all permanent employees in the near future.
- During 2015, 71 workers undertook a total of 304 visits to a CareCross GP.
- In November 2014, an ancillary healthcare programme commenced in conjunction with Department of Health for three Piketberg employees. This training continued in 2015, with the learners writing and passing their exams in November 2015. The three ladies are now qualified to perform community health functions under the supervision of a health professional, including dispensing of medicines at the farm, which could previously only be done by municipal nurses. This is expected to augment the current healthcare programme and improve general wellness amongst the farm worker community.
- As previously mentioned, the farm has been equipped by the Fund with a minivan, improving access for workers to nearby healthcare facilities.
- In addition, a mobile municipal clinic visits the farms every six weeks.

Eshowe

- At Eshowe, 98 workers are on the OCSACare Gold Programme. This includes all permanent workers as well as selected seasonal workers who are expected to become permanent employees in the near future.
- During 2015, 87 Eshowe workers undertook a total of 296 visits to a CareCross GP.
- The municipal clinic, which is an antiretroviral rollout clinic, is located within walking distance of the farm.

Improvements to worker housing and facilities

Upgrading, maintenance and/or construction of worker housing and ablution facilities took place on all farms during 2015. New buildings and improvements are done in line with local regulations and international (IFC) standards. The aim of the Fund's operators is to provide housing and facilities that are better than the norm. This not only benefits the permanent workers in terms of human dignity, but also enables the farm to attract quality seasonal workers.

Marble Hall

- At Marble Hall, building of four new hostels and ablution facilities were completed, providing accommodation for up to 80 seasonal workers.
- As previously mentioned, construction of an onsite clinic started in 2015, in conjunction with the Department of Health. This will provide various chronic disease and occupational health services to the farm community and is expected to be completed in 2016.
- The adult education room adjacent to the wellness centre was completed and fitted with cupboards and chairs in 2015.
- A new training facility was completed on the farm in 2015, to make education of the farm workers more accessible.

Northern Cape Grape Farms

- Upgrading and construction of six new workers housing blocks, which started in 2013, was completed in 2015, providing accommodation for 160 seasonal workers.
- The construction of new ablution facilities and septic tanks, and the upgrading of existing permanent worker housing were completed during the year.

Piketberg

- Maintenance and upgrading of existing worker housing was ongoing during 2015.
- The farm crèche required upgrading due to an increase in the number of children accommodated. This was completed in 2015, and included a new kitchen.
- An unused backroom was developed into an adult education and meeting room with its own entrance and an adult toilet. This was fitted with an alarm to safeguard the laptops that are used by the farm's Workers Committee and Employment Equity Forum.

Eshowe

- During 2015 construction continued on additional worker housing, including two new hostels which will accommodate 80 seasonal workers.





Jacolene Mbalula

Piketberg farm worker interview

When the SA fund purchased this farm in October 2011 it had been under liquidation for two years and was in a state of neglect. After acquisition, the farm went through an initial rebuilding phase and entered its production phase in 2014. In addition to bringing operations up to acceptable standards, much effort went into clearing and tidying the farm. Development of an additional 62 hectares of formerly unproductive land is currently underway. In due course, this will contribute to increased food security and job creation.

The market value of the farm has increased significantly since purchase. But this story is also one of human triumph in terms of the impact on the lives of the farm workers and their community over this period, and is best told in the words of one of the farm workers, Jacolene Mbalula:

Q: How long have you been working on the farm?
A: 19 years. It will be 20 years in November.

Q: Have things changed since 2011?

A: In a big way, and still changing. The farm pack shed where I work has had a makeover. It was painted, has air-conditioning, a new ceiling and proper lighting. We can now see better what we are doing and are not overheating in the summertime. Our working conditions have improved. For the first time we now receive two overalls. We have been taught to be neat and proud of where we work. A lot is expected from us. There are cameras that watch our work and we are all going on courses and being trained. Our pack shed is now this year for the first time BRC (Global Standards certified). Outside people come and we will do whatever we can to keep this. Many of us now have medical aid. We are free to speak by putting letters in the suggestion box.

Q: What else are you involved with at work?

A: I am part of the workers' committee of the farm. Last year we went for a computer course and got laptops to work on. I am very thankful for that because I can help my children to do nice and neat tasks and get research on the Internet for them for school. I am also doing the night school (AET), I can't wait to get my matric certificate in one or two years.

Q: Can you tell me something about the crèche's re-opening?

A: Yes, the parents are very happy that the crèche is open again. They can come to work with peace in their hearts because the children are in good hands and the crèche looks very nice. The children can learn more there at the crèche; before they were just with a grandmother who looked after them. The mummies can't wait for the after school to open so that the children can go there after school and do their homework, and be at a safe place and stay out of trouble.

Q: What do you think of the houses that are getting renovated?

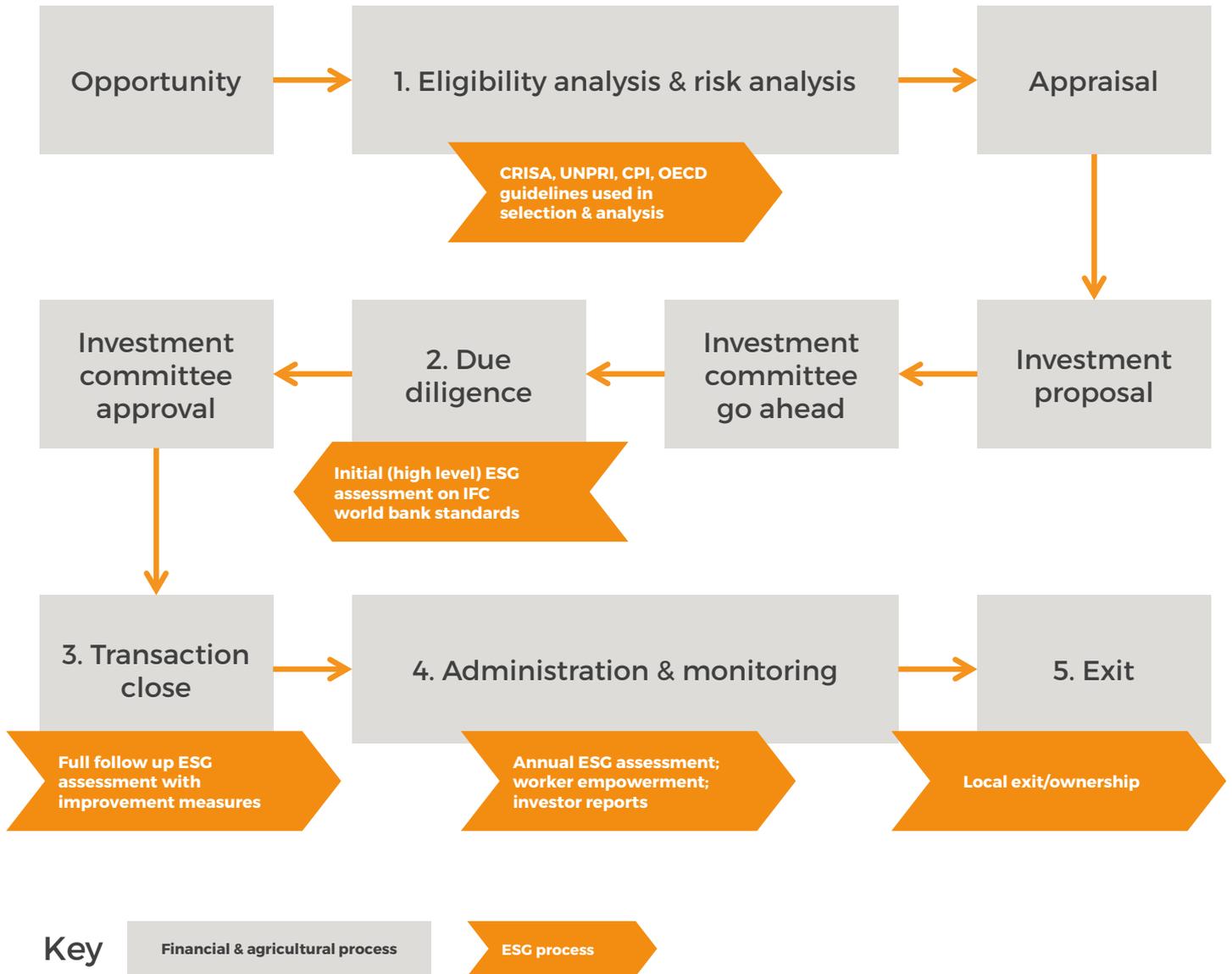
A: I am very excited, but I am not the only one who is excited. All the workers are. I heard them talking about it and telling me that it would take all the stress away of working overtime and going to a dark house with cold water at night. It will change the workers' mind set and let them want to work overtime. Everybody will get geysers so everyone would have warm water; everybody will get electricity so it won't be dark coming from work anymore, and there will be toilet near your house.

I am a very proud worker of Hochland Farms, and am not shy to get visitors anymore because we have a nice, neat and clean pack shed now and I think a lot of workers feel this way. I am excited to see all the new improvements in the future.

Governance - An Integrated Investment Process

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.

ESG assessment, monitoring and management is an integral part of the investment process and life cycle of the Fund's investments. The ESG process can be divided into five stages over the life of an investment, as illustrated below.



1. Eligibility and risk analysis

The Fund operates in accordance with the Code for Responsible Investing in South Africa (CRISA) as well as the 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. Our farm operators are also required to respect the rule of law and reflect an informed view of industry best-practice in their operations.

2. 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. ESG assessments are a non-financial check by means of an onsite audit performed by an independent, qualified social systems consultant or Agri-fund ESG specialist. A high level ESG assessment, executed by an external audit company, forms part of the due diligence process and is done on all new investments prior to acquisition. The ESG assessment complies with the World Bank's International Finance Cooperation (IFC) Performance Standards.

All farms in the Fund must be GLOBALG.A.P certified by independent qualified auditors. Certified farms are given a unique GLOBALG.A.P. number (GGN), which can be traced online (<https://database.globalgap.org>). 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.

3. Transaction close

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 health-care programme and skills transfer programme for farm workers is required to be implemented on all farms.

4. Administration and monitoring

Within the first year of purchase, a full ESG assessment is done. This onsite audit includes assessment of the farm business as well as random checks on a representative sample of management 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 Fund's Investment Committee, including details of the visit, and findings are benchmarked against the eight IFC performance standards. The ESG report notes non-compliance, together with a checklist of improvement measures and target dates agreed with the operators for completion.

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. Regular farm visits are conducted and farms are monitored continuously with regard to the implementation of required improvement measures. ESG assessments take place on site annually when necessary. A total of 23 site visits to the four farms were conducted by Fund staff during 2015.

The Fund establishes access to primary health-care 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 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.

Various (local) ethical trade initiatives and social development projects are implemented, where applicable, to support social development on the farms. Guidelines derived from the Ethical Trade Handbook are implemented, in line with the Sustainability Initiative of South Africa (SIZA).

All farm operators are required to comply with the relevant Broad-based Black Economic Empowerment (B-BBEE) codes of Good Practice before and during the lease term. Farm management may consider self-assessment of B-BBEE contributions with regard to employment equity, skills develop-

ment and management. All farms are linked with various programmes supporting B-BBEE requirements.

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.

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, which comprises two members from the Fund Manager, an investor representative and two independent members.

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.

In order to stay abreast of and involved in local and global developments UFF and Futuregrowth staff participated in a number of events during 2015:

- Ambassadors Holland conference: January 2015, Rotterdam, Netherlands
- Agribusiness Network Agricultural Counselors Africa: February 2015, Rotterdam, Netherlands
- Guest speaker at SAIIN conference: February 2015, Johannesburg, South Africa
- Guest speaker at the GSB for Masters in Development Finance: March 2015, Cape Town, South Africa
- AIFAM Southern Africa Forum: April 2015, Gabarone, Botswana
- Eastern & Southern Africa Pension Funds Conference: May 2015, Entebbe, Uganda
- Better Practice Farming Thought Leadership: May 2015, Stellenbosch, South Africa
- Guest speaker at GSB for HEC Business School: May 2015, Cape Town, South Africa



- Old Mutual Global Investors Forum: June 2015, London, United Kingdom
- World Economic Forum on Africa: June 2015, Cape Town, South Africa
- EFOS Institutional Investor Conference: June 2015, Lausanne, Switzerland
- Guest speaker at Sentinel Funds Trustee Training on RI/ESG and Developmental Investing: July 2015, Johannesburg, South Africa
- Guest speaker at the Bertha Institute, on Impact Investing: July 2015, Cape Town, South Africa
- Guest speaker at Grayswan Trustee Training on RI/ESG and Developmental Investing: August 2015, Cape Town, South Africa
- Urban Investment Partnership Conference: August 2015, Johannesburg, South Africa
- UNPRI in Person: September 2015, London, United Kingdom
- Euromoney Investor Zambia Conference: September 2015, Lusaka, Zambia
- SuperInvestor Conference: September 2015, Cape Town, South Africa
- RMB event 'Where to Invest in Africa?': September 2015, Cape Town, South Africa
- ESG Forum PRI - Fiduciary Duty in the 21st Century: October 2015, Cape Town
- Guest speaker at the MN Capital AFRICA ESG 2015: October 2015, Cape Town, South Africa
- Guest speaker at the CFA SA Conference - Responsible Investing: October 2015, Cape Town, South Africa
- African Investing for Impact Barometer: November 2015, Cape Town, South Africa
- 3rd Annual Africa Investment Funds and Asset Management Forum: November 2015, Port Louis, Mauritius
- Garden of the Future: November 2015, Cape Town, South Africa
- IMN Capital Markets Conference: November 2015, Cape Town, South Africa
- GlobalAg Investing: December 2015, London, United Kingdom

5. 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.

Glossary of terms used

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 SA fund.
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.
ICD (formerly FAMSA)	Families South Africa (FAMSA) is a non-profit Organization and depends on donations from the National Lottery Distribution Trust Fund, the Department of Social Development, the business sector and public, providing social welfare and training services. FAMSA is now under the auspices of ICD (Institute for Career Development).
FLC	The objective of Foundational Learning Competence (FLC) is to enable learners to deal successfully with occupational learning at NQF Levels 2 – 4 and to function optimally in the world of work. It consists of two learning areas: Communications in English and Mathematical Literacy.
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.

Term	Description
Matric	In South Africa, matriculation (or matric) is a term commonly used to refer to the final year of high school and the qualification received on graduating from high school. Exams must be written in at least six subjects, which can be completed in separate modules.
Minimum wage	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.
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 OCSA-Care 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.
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.
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.
UMALUSI	Umalusi Council sets and monitors standards for general and further education and training in South Africa in accordance with the National Qualifications Framework Act No 67 of 2008 and the General and Further Education and Training Quality Assurance Act No 58 of 2001.
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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