

Working  
together  
to achieve  
our goals

do great things



OLD MUTUAL

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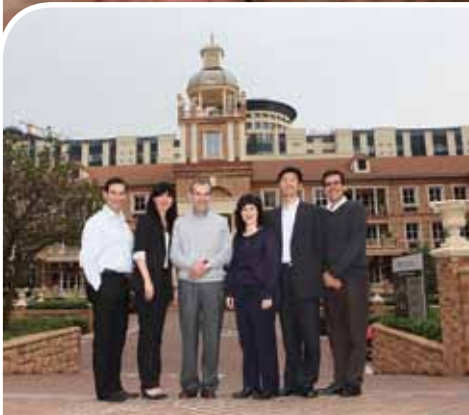
## About this report

In this second year of Old Mutual Emerging Markets' (OMEM) sustainability reporting, we aim to provide an open account of the management and performance of our sustainability issues. In the light of transparency and to promote continuous improvement, we have outlined our achievements as well as our challenges in this space.

The reporting framework has been developed with reference to sustainability initiatives such as the Global Reporting Index (GRI), the JSE Socially Responsible Investment (JSE SRI) Index, the United Nations Global Compact (UNGC) and the King Report and Code of Governance Principles for South Africa 2009 (King III). The reporting framework was further informed by a series of workshops that we ran in Old Mutual during 2010. The workshops were attended by 65 Old Mutual South Africa (OMSA) employees, most of whom were managers with direct responsibility for material aspects of Old Mutual's business.

Whilst important societal issues are central to the ethos of Old Mutual, our management of sustainability is not yet fully integrated with the business as envisaged by King III. We are therefore not yet ready to report on the complete integration of sustainability – however, the journey has begun. As noted in the Chairman's statement, this sustainability report serves to record our response to issues material to Old Mutual and its stakeholders.

This report covers the 2010 financial year (January 2010 to December 2010) and deals largely with the activities of OMSA, being the most established and prominent division within OMEM. While all Emerging Market operations report to the CEO of OMEM, until we further enhance our reporting systems for African Operations (Kenya, Malawi, Namibia, Swaziland and Zimbabwe) and New Markets (China, India, Colombia and Mexico), these operations are reported on in limited depth.



# Sustainability is our

How we conduct our business now, in order to preserve and build resources for the benefit of future generations.

## committed focus on economic,

How we distribute and invest the wealth we generate; and how we use our wisdom to empower previously disadvantaged people with the means and opportunities to share in the growth of the economy.

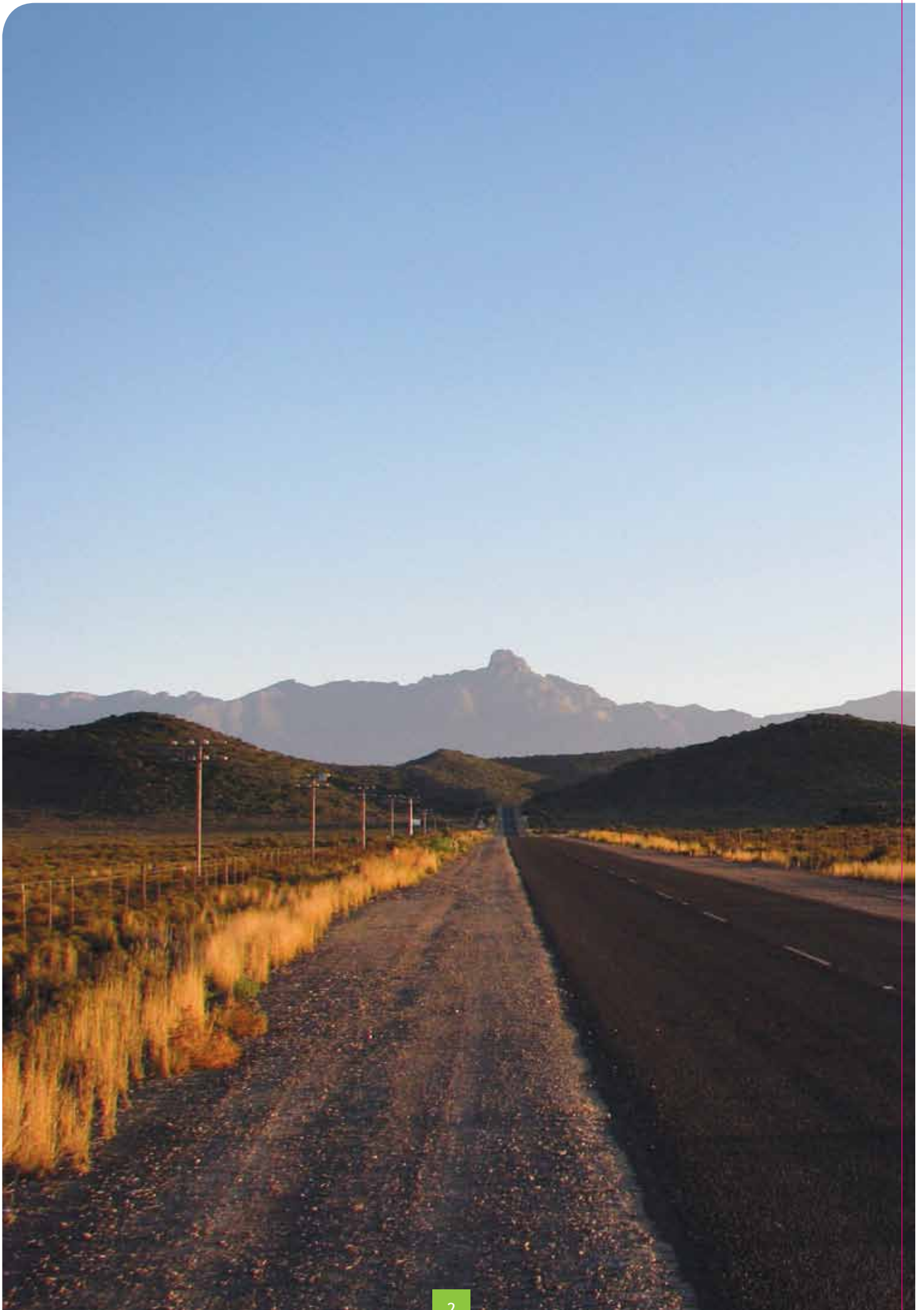
## social and

How we uphold the Bill of Rights by providing decent work and freedom of association in a safe and healthy working environment, while doing good things in poorer communities.

## environmental issues

How we are working to influence the way capital is allocated to human development in order to make a positive impact on the environment.

## in Emerging Markets operations



# Material issues

We have determined our material issues by:

- Engaging with Old Mutual plc to understand the Group's sustainability direction
- Conducting numerous interviews across the business
- Reviewing the feedback from our employee and customer surveys
- Engaging with external stakeholders

# >> Material issues

## Creating value for existing and potential customers

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### Material issues

- **Engaging with customers** to improve our service delivery
- Making products and services **accessible to all**
- Providing **financial education** across the life cycle to empower society
- Developing **fair pricing models** to create value for our customers
- **Marketing** our products and services in a **responsible and appropriate manner**

### Key indicators

- Customer satisfaction
- Customer retention
- Customer complaints
- Growth in Old Mutual Finance (OMF) business
- Financial education

### Status

- Ask Afrika's Orange Index of customer service excellence rates OMSA first, though scores have decreased significantly this year. Customer retention is stable
- OMF business: Accessible branches grown from 11 to 117 in two years, with accounts more than trebling this year to 81 000. Internet and mobile access points becoming increasingly popular
- Uptake of financial education decreased as a result of the Soccer World Cup, public sector strikes and economic factors. Financial Sector Charter consumer financial literacy training exceeded targets
- Termination values on retail savings products are higher than minimum values. Overall product range positively rated by financial advisers. All pricing models approved by international and local statutory actuaries. We publish pay-out rates for life assurance claims and perform best against those who do
- Full compliance with industry Code of Practice representation of clear, up-to-date information to customers. Progress is being made writing in plain language to assist customers to better understand their products

### Looking forward

- Improve the customer's experience
- Expand number of OMF branches to 265 by end 2013
- Grow uptake of My Money Plan and Easy Benefit Plan
- Develop My Recovery Plan and My Insurance Plan
- Establish indicators for reporting on fair pricing models
- Further improve the accessibility of product and policy documentation

## Enabling financial advisers to better serve customer needs

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### Material issues

- Increasing access to qualified and compliant financial advisers
- Raising the quality and professionalism of financial advice
- Supporting the sustainability of financial advisers' businesses

### Key indicators

- Number of qualified advisers
- Proportion of black and female advisers
- Uptake of non-core training
- Complaints against advisers
- Number of successful practice successions
- The Ambassador score for the health of broker practices

### Status

- Tied agents increased, but the proportion of black tied agents decreased since 2008. Independent brokers actively selling decreased 3% due to increasing regulation. Some migrated to other life assurers, and some became tied agents
- Nearly 1 000 agents trained and accredited to sell Easy Benefit Plan, our new Long-Term Savings Umbrella Fund for the low end of the market
- OMSA actively working to meet requirements of FAIS Conflict of Interest regulations
- Average age of financial advisers increasing. Retirement successions decreasing – a cause for concern
- Masthead initiative to assist independent financial advisers showing benefits for OMSA
- Practice management support benefited nearly 2 000 businesses

### Looking forward

- Working to identify and address causes for decrease in proportion of black brokers
- We will measure and meet the Conflict of Interest regulations
- New Ambassador Indicator of how well brokers look after customers being applied in 2011. Set to change how we categorise and incentivise brokers



## Investing responsibly for financial returns, for social and economic equity and to save the environment

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### Material issues

- Considering environmental, social and governance (ESG) issues in investment decisions
- Enriching lives through socially responsible investment funds
- Empowering transformation through financing\*

\* Reporting split between 'Enriching lives through socially responsible investment funds' and 'Enterprise development'

### Key indicators

- Value of Old Mutual's SRI funds
- Percentage of SRI funds against all OMIGSA's assets under management
- Proportion of clients refusing to trade profit for responsibility

### Status

- Proportion of SRI funds increased from 5.1% to 7.3% of total assets under management, now totalling R32.6 billion
- Responsible Investment Taskforce established in 2010
- Old Mutual played an active role in drafting the Code for Responsible Investing by Institutional Investors in South Africa (CRISA)
- Futuregrowth specialising in fixed-interest and socially responsible investments. Celebrates 10th anniversary with R100 billion in assets under management

### Looking forward

- Further grow our SRI funds
- Develop and implement appropriate standards and approaches to SRI-based decision-making across our businesses

## Building a great place to work with people who do great work

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### Material issues

- Leadership capability and effectiveness: creating a leadership culture that inspires
- Strengthening our position as an employer of choice
- Growing and deploying talent to meet business needs across emerging markets
- Enabling true transformation – going beyond the numbers\*

\* Covered in the 'Building equity' chapter

### Key indicators

- Employee turnover
- Employees at Old Mutual for 5 – 10 years
- Employee engagement
- Employee benefits
- Percentage of females and black people in top and senior management
- Spend on skills development

### Status

- Office staff employee turnover reduced to 5.9%, well below the 15.2% for 2009
- Employees at Old Mutual for 5 – 10 years increased from 14.8% to 16.6% of total workforce
- Participation in employee engagement survey increased but concerned not to receive feedback from 42% of employees
- Proportion of black people in top and senior management increased to 34% from 26% in 2008. Females showed marginal increase

### Looking forward

- Balanced scorecard for performance management being developed
- New evaluation tool measuring leaders against ACT NOW! Leadership Actions developed and implemented
- Introducing Barrett Culture and Values tool to better measure employee satisfaction
- Continue to work on labour practices for our contingent workforce

## Providing opportunities and platforms to address past imbalances in South Africa

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### Material issues

- **Supporting the economic stability of the country**
- **Equity ownership:** Distributing ownership fairly
- **Management and control**
- **Employment equity:** Ensuring a fair chance for all employees to fulfil their potential
- **Skills development:** Providing opportunities for career growth
- **Preferential procurement:** Influencing positive change through how we buy
- **Enterprise development:** Providing finance and support for black economic empowerment deals
- **Socio-economic development:** Supporting our communities to do great things

### Key indicators

The Value Added Statement (VAS) dti Codes of Good Practice Scores

- Equity ownership
- Management and control
- Employment equity
- Skills development
- Preferential procurement
- Enterprise development
- Socio-economic development

### Status

- BBBEE status improved from Level 4 in 2009 to Level 2 in 2010
- Total value added increased 8% to R77 billion, surpassing 2007 levels (before the financial crisis)
- Value distributed to customers increased 25% to R56.2 billion, and to suppliers by 6%
- Payments to shareholders decreased by a further 58%, now less than a quarter of pre-crisis levels
- dti score for equity ownership recovered to 17.81/20 in concert with the increases in share values
- Significant improvement in management and control, employment equity, skills development, preferential procurement, and socio-economic development scores
- Full score for enterprise development maintained
- Refined our CSI strategy and implemented an electronic project management system for reporting and tracking contractual agreements and project progress

### Looking forward

- For business goals, see Annual Financial Report
- Transactions to improve black equity form part of Old Mutual Group's strategy to increase its focus on its black client franchise
- The challenge remains to increase black people in general and black women in particular at top management level
- We will continue with our holistic approach to improving employment equity and skills development
- Preferential procurement. Increasing focus on dealing with black-owned (BO) and black women-owned (BWO) suppliers, especially in the Western Cape

## Promoting ethical behaviour amongst all stakeholders to ensure overall sustainability of the business

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### Material issues

- Combating fraud

### Key indicators

- Incidence of fraud
- Financial loss to clients and to Old Mutual
- Number of cases settled by ombudsman

### Status

- Fraud incidents increased in 2010, primarily due to a spike in fictitious policies
- Financial loss to Old Mutual decreased 46%

### Looking forward

- Compliance with recently promulgated legislation
- Ethics policy currently being developed at Old Mutual plc level

## Impacting positively on the environment

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### Material issues

- Conducting our business in a more environmentally-friendly manner
- Raising employee awareness to influence all Old Mutual stakeholders towards environmentally-aware decisions
- Contributing positively to the environment through the way we manage our properties
- Contributing positively to the environment through the properties we develop
- Influencing positive environmental change through investment decision-making\*

\* Covered in the 'Investing responsibly' chapter

### Key indicators

Indicators relating to the business

- Carbon emissions for travel
- Paper usage
- Recycling

Indicators relating to Old Mutual's property portfolio

- Electricity usage
- Water usage
- Recycling

### Status

- Fourth year of participation in the Carbon Disclosure Project (CDP), maintaining our place on the FTSE and JSE leadership index
- Paper usage reduced by 18%

### Looking forward

- An overall carbon metric to be established in 2011 to track progress across the Group
- Improve emissions data
- 20% reduction in emissions per employee by 2020, off 2010 base
- 20% reduction in emissions per m<sup>2</sup> for Old Mutual managed properties by 2020, off 2010 base
- Create initiatives that engage stakeholders
- Expand our e-Filing initiative

## Integrating Sustainability into Emerging Markets beyond South Africa

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### Issues

- New markets operations
- African Operations

### Key indicators

- Scale of New Market country operations
- Scale of African country operations

### Status

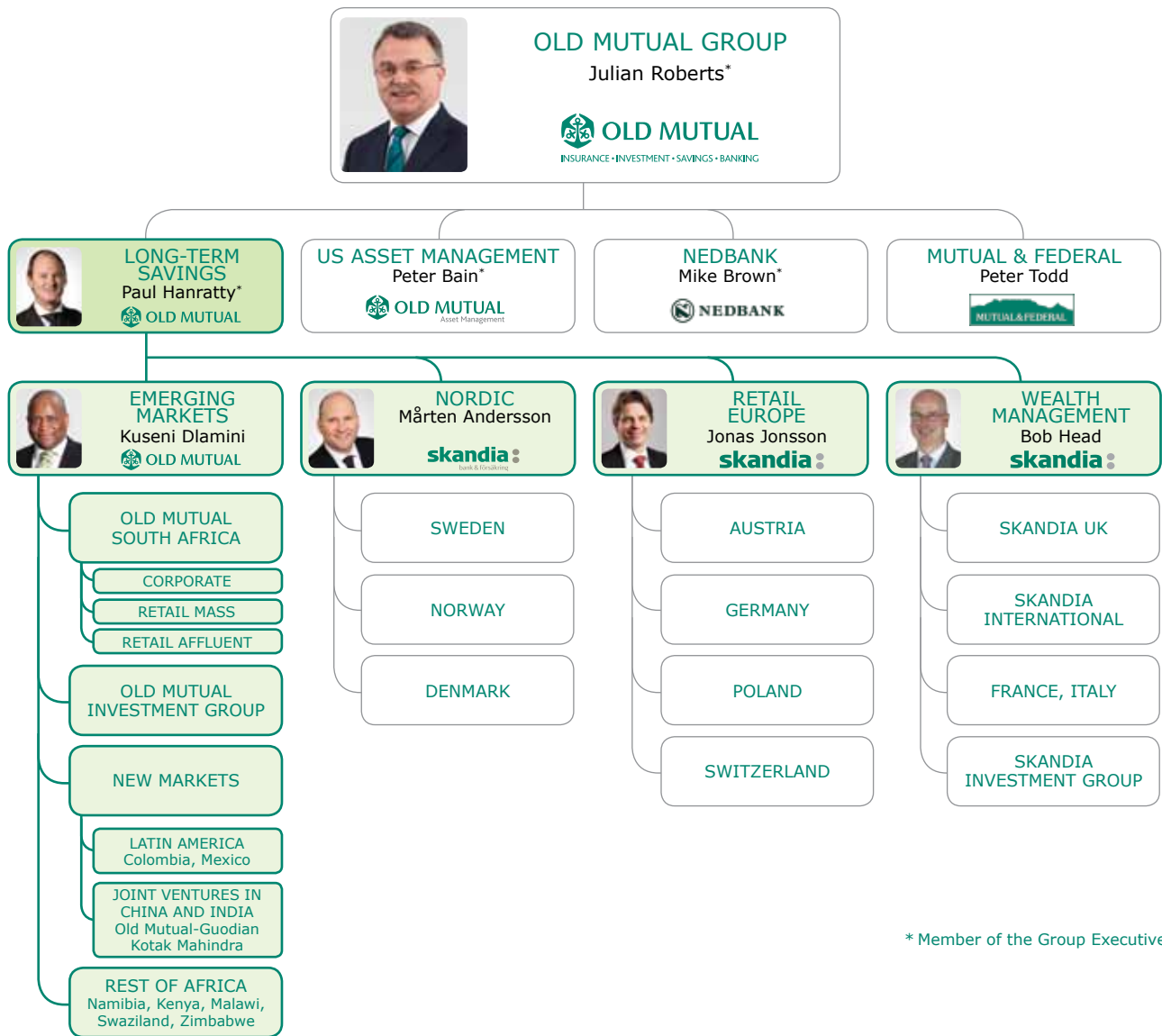
- Assets under management in New Market total £4.9 billion
- Assets under management increased by approximately 10% in South African country operations
- Group Operating Manual (GOM) will be extended to all OMEM markets

### Looking forward

- Further embedding of the Group Operating Manual (GOM) processes will continue
- ACT NOW! Leadership Actions will be rolled out to all OMEM markets during 2011
- Focus on identifying and integrating material issues across all OMEM markets

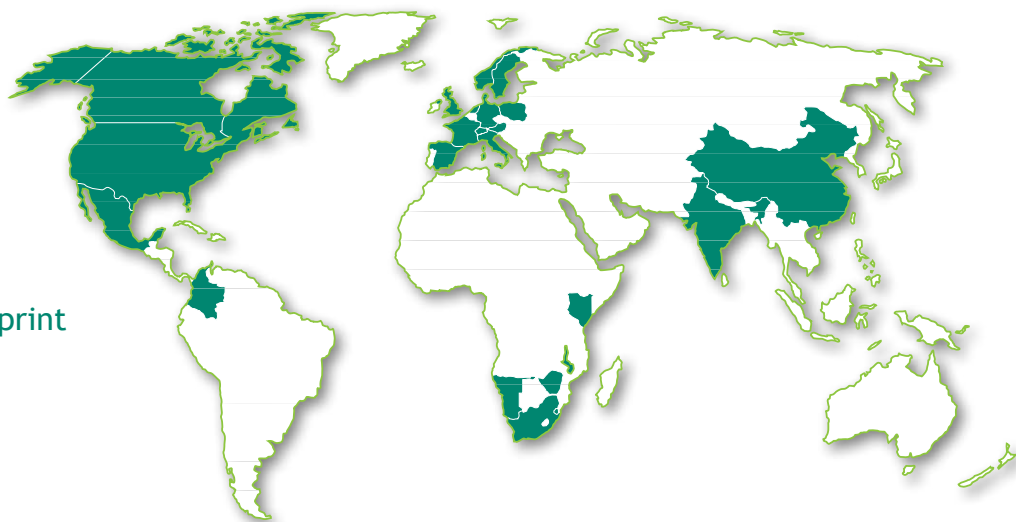
# About Old Mutual Group

## Group structure



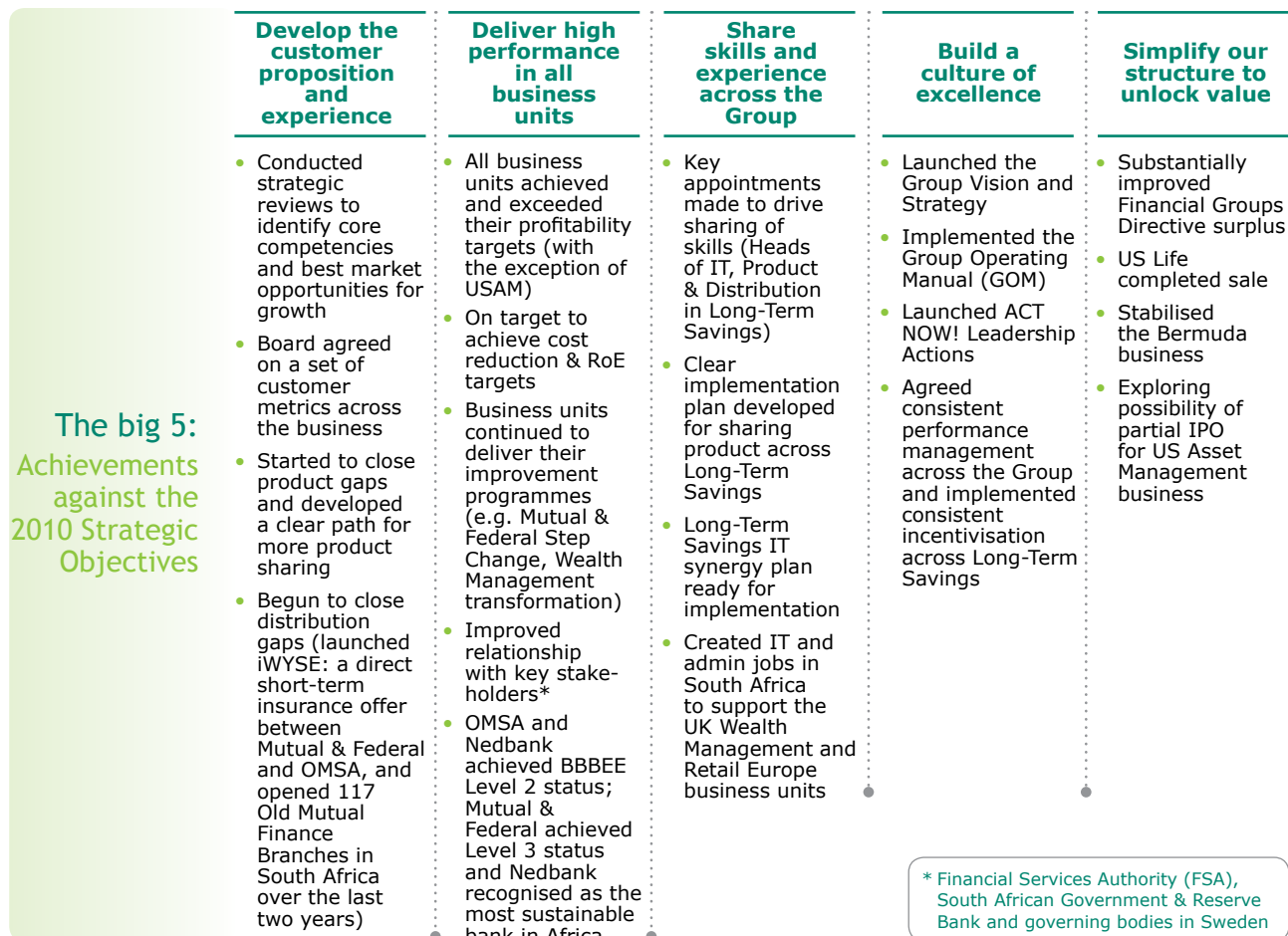
\* Member of the Group Executive

## Global footprint



## The Old Mutual Group Vision, Strategy and Values

# “Our Dagwood”



## Old Mutual Group financial performance

Our operating results for 2010 are significantly ahead of the previous year's reported results with profits up in each of our businesses. This excellent performance was largely due to strong growth in new business sales, our continued focus on cost control, improved persistency and favourable exchange rates.

In addition to strong financial performance, we also focused on delivering our strategy and have made good progress in 2010. We are rationalising our activities over time, reducing the complexity of the Group and improving our structure as we manage governance and allocation of capital. We have taken steps to simplify our Group by selling the US Life business and will continue to maintain our strict criteria for keeping businesses within the Group.

We have previously said that we will explore the possibility of listing a minority of the US Asset Management business and this remains our intention. The timing of the Initial Public Offering (IPO) will be dependent on margin progression, investment performance and growth.

We have set challenging group-wide performance targets for the end of 2012:

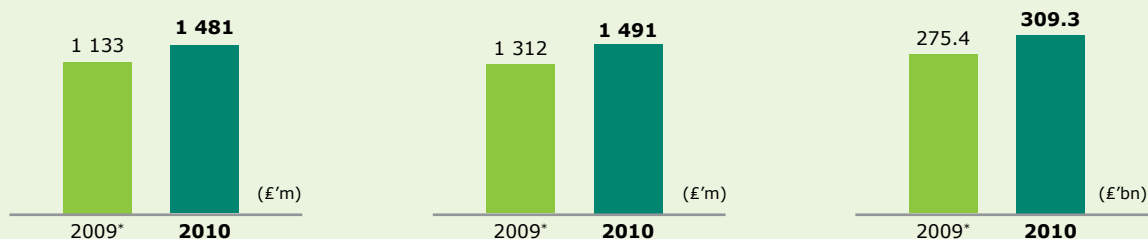
- Reducing cost by £100 million;
- Improving return on equity for our Long-Term Savings business to between 16% – 18%;
- Reducing debt by £1.5 billion through proceeds of rationalisation and retained earnings.

We have already delivered £59 million of run-rate savings and are committed to deliver our debt reduction target. Return on equity for the LTS business was 18.5% at the year-end. Plans are to ensure this performance is sustained within the target range.

We have made significant operational progress and we expect 2011 to be a year of further delivery. We are committed to our three-year strategy and meeting our stated operational targets.

### Group highlights

- Adjusted operating profit before tax (IFRS basis<sup>1</sup>) up 14% (constant currency \*\*) due to strong growth in new business, improved persistency and a continued focus on cost control
- Life Sales (APE) sales up 7% to £1 491 million and unit trust sales up 28% to £10.3 billion
- Long-Term Savings (LTS): IFRS pre-tax AOP up 26% (constant currency) to £897 million, with operating profits in all businesses up
- Group Return on Equity at 12.2%
- Robust financial position: Financial Groups Directive<sup>2</sup> of £2.1 billion at 31 December 2010 (£1.5 billion at 31 December 2009) and £1.4 billion of liquidity
- Final dividend of 2.9 pence recommended by Board, making a total dividend of 4 pence
- In South Africa in 2010, Old Mutual (SA) achieved and Nedbank maintained a Level 2 rating status and Mutual & Federal a Level 3 rating status as BBBEE contributors
- Significant operational steps taken in delivering our strategy



Adjusted operating profit before tax (IFRS basis<sup>1</sup>) (AOP)

Annual premium equivalent (APE) (Life Sales)

Funds under management

1 IFRS basis – For long-term business and general insurance businesses, adjusted operating profit is based on a long-term investment return, includes investment returns on life funds' investments in Group equity and debt instruments, and is stated net of income tax attributable to policyholder returns. For the US Asset Management business, it includes compensation costs in respect of certain long-term incentive schemes defined as non-controlling interests in accordance with IFRS. For all businesses, adjusted operating profit excludes goodwill impairment, the impact of acquisition accounting, put revaluations related to long-term incentive schemes, profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments, dividends declared to holders of perpetual preferred callable securities, and fair value (profits)/losses on certain Group debt movements.

2 Financial Groups Directive – A financial regime applying to EU-based companies. It lays down requirements for the company's capital position and is intended to improve the stability of the financial system, thereby protecting customers.

\* 2009 AOP restated to exclude US Life (non-core, discontinued): 2009 APE and FUM restated to exclude Bermuda (non-core) and US Life (non-core, discontinued)

\*\* 2009 restated at 2010 foreign exchange rates

## Old Mutual Emerging Markets financial performance

In South Africa, our business delivered a strong performance with life sales up 7% and unit trust sales up 17%. We saw good sales growth in both the Retail Affluent and Mass Foundation segments, with a particular focus on savings products.

Mexico saw growth of 36% due to the introduction of a regular premium savings product in the first half of the year. In China, our joint venture with Guodian had a strong year with APE sales up 77% to Chinese Yuan Renminbi (CNY) 163 million in 2010, following a new channel diversification strategy.

We are deepening our solid foundation in South Africa from which we can drive growth in other emerging markets, and we are adapting our senior management structures, roles and responsibilities to achieve this.

We have set a target for our profits from our African insurance operations to be the equivalent of 10% of our South African profits by 2012, and 15% by 2015. We see other opportunities for growth in Africa, but remain mindful of our strict criteria for investment and any expansion must be within appropriate risk-adjusted returns.

We will continue to strive for a balance that combines strong risk management and governance with a culture that encourages innovation, across our four main strategic themes:

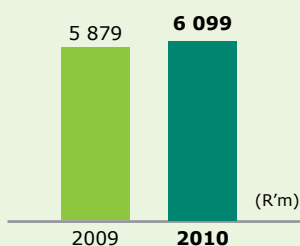
- Continuing to invest in our Emerging Markets business;
- Improving OMIGSA's investment performance and value creation for customers;
- Putting the customer at the centre of our business;
- Enhancing our high-performance culture and further developing our Emerging Markets management team.

Growing our sales force remains a priority, as does promoting a savings culture in Emerging Markets, designing and adapting products that are relevant to a wide range of customers and providing easier access to financial services for our customers across our business.

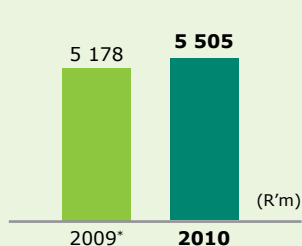
With these strategies in place we are well positioned to optimise business opportunities in 2011 and further strengthen a highly successful Emerging Markets business.

### Emerging Markets highlights

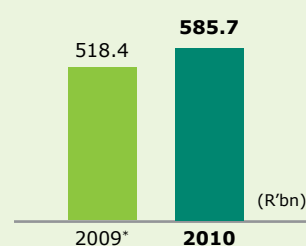
- Emerging Markets IFRS pre-tax AOP up 4% to R6 099 million
- Life Sales (APE) sales up 6% to R5 505 million with improved persistency and a noticeable pick-up of sales in the second half
- Unit trust sales up 14% to R41 488 million, with a 17% rise in unit trust sales in South Africa
- Return of local equity of 25%
- Emerging Markets Net Client Cash flow (NCCF) for the year was R0.2 billion, a significant improvement on 2009 outflows of R20.5 billion, with NCCF from the markets outside of SA delivering R7.6 billion in NCCF
- Total funds under management up 13% to R585.7 billion
- Continued focus on product innovation and developing new ways of reaching customers
- Launched Old Mutual SuperFund, the largest multi-employer or umbrella fund in South Africa with over 300 000 members, to provide a simple, affordable and strictly-governed platform enabling employees to save for their retirement
- Launched the Futuregrowth Agri-Fund in March 2010, focusing on responsible equity investments in agricultural land, agri-businesses and farming infrastructure
- Received our third Ask Afrika's Orange Index award for service excellence in the long-term insurance business category
- Took number one position in South Africa's 500 best managed companies
- Old Mutual South Africa (OMSA) achieved Level 2 Broad-Based Black Economic Empowerment (BBBEE) status in October 2010
- OMIGSA attracted more than R8 billion from institutional investors into social infrastructure investment
- Made good progress towards implementation of Solvency II as part of the overall Group programme, and also in respect of the South African equivalent framework known as SAM (Solvency Assessment and Management), launched in 2010 by the South African regulator



Adjusted operating profit before tax (IFRS basis<sup>1</sup>) (AOP)



Annual premium equivalent (APE) (Life Sales)



Funds under management

## Foreword from the Chairman, Old Mutual South Africa



The new King III Code of Governance Principles for South Africa 2009 calls for integrated sustainability reporting. Underlying this call is the desire that companies should more clearly demonstrate how social, economic and environmental considerations impact on the company's strategic growth drivers, as well as showing how these issues are being effectively integrated within the company's core strategy and throughout its sphere of influence.

This is the mandate we use as we embark on this journey to integrated reporting. We believe that reporting on our contribution to and impact on the overall society and economy within which we operate is critical, allowing our stakeholders to judge us on a broader set of growth drivers.

At its most fundamental, growing our business is ultimately dependent upon the maintenance of a stable political environment, the ability to attract and retain the best and most appropriately skilled employees, and maintaining positive relationships with our principal stakeholders, including governments, business partners and the communities where we operate. Achieving each of these elements requires us to operate in an informed, responsive and socially responsible manner.

In addition to the various drivers relating to value-protection – where the focus is primarily on risk management, compliance and operational efficiency – sustainable development also presents opportunities for value-creation. We believe, for example, that our financial education initiatives play a primary role in promoting a savings culture in South Africa.

But this also goes to the heart of the financial services business in South Africa. Our South African business continues to focus on understanding and supporting the needs of low and middle income customers. This, together with other competencies, has been recognised in the strategy of our parent company Old Mutual plc which highlights the intention to "leverage the strength of our people and capabilities in South Africa."

During 2010 we launched a new brand identity founded on how the wisdom we have gathered for 165 years has been used to develop appropriate advice for our customers; deliver good performance; lead with product innovation while continuing to invest in the economic development of our country; and to create positive futures for our customers.

Our integrity as a business will depend on how we deliver on this brand promise in the fullest sense of the word. The all important task now is to ensure that we have full business alignment and consistency as we execute on our strategic vision of "becoming our customer's most trusted partner".

We at Old Mutual have the wisdom and the capacity to empower our stakeholders to achieve their potential, to guide them to 'Do Great Things'.

**Paul Hanratty**  
CEO Long-Term Savings, Old Mutual plc



## Foreword from the CEO



To be serious about sustainability is to be unequivocal about fully integrating our long-term socio-economic, governance and environmental responsibilities with our business strategy.

The nature of our 165-year-old business is such that our objectives are best achieved when they conflate fully with the long-term betterment of the communities and markets in which we operate. In other words, Old Mutual's vision is congruent with the Code of Governance Principles outlined by King III, because the greater good is good for us too.

As we adapt and grow our business sustainably in South Africa and selected emerging markets, we are guided by that unwavering commitment to making meaningful, positive and lasting contributions.

To manifest this commitment in our day-to-day operations it has been critical to put in place robust frameworks in the form of strong governance and risk management structures, an invigorated stakeholder engagement programme and rigorous self-assessment via internal checks and balances.

Our ongoing focus is inspiring trust, creating value and promoting broad-based prosperity for existing and potential customers. To this end, we strive to strengthen our relationships with our customers, deepening our understanding of them and continuously improving the value, appropriateness and accessibility of our products and services.

This focus also leads us to invest in skills development and financial education. The Old Mutual Savings Monitor

has shown us that poor financial planning habits are at the root of poor money management, so educating the wider community on responsible financial behaviour is both a business and an ethical imperative.

We pride ourselves too on the growing success of OMIGSA's socially and environmentally responsible investment portfolios, which prove that profitability and transformation initiatives are compatible.

Also critical for the long-term sustainability of our business is promoting ethical behaviour among all our people and improving leadership capability and effectiveness.

To have been awarded Level 2 BBBEE contributor status according to the Department of Trade and Industry (dti) codes was a great achievement for us and demonstrates to our employees and all our stakeholders that we are serious about transformation. It serves as a reminder of the responsibility we and our BEE partners have to South Africa, our employees and each and every one of our customers.

Through this sustainability report we aim to illuminate our collective impact and influence, and provide clarity on how we envisage harnessing the challenges and immense opportunities of tomorrow. But most importantly, we hope it stimulates lively interest and creative dialogue between all Old Mutual's stakeholders.

**Kuseni Dlamini**  
CEO Old Mutual Emerging Markets

## Governing the business of Old Mutual



Old Mutual continues today to provide an array of financial services to investors and individuals worldwide based upon the abiding principles which first founded our company — strength, trust and loyalty.

Old Mutual plc is a UK-based company registered in South Africa. As an external company with a secondary listing on the JSE Limited, the Group ultimately wholly-owns Old Mutual Life Assurance Company South Africa (OMLACSA). The Board of OMLACSA is

responsible for the conduct and management of the business and has been mandated by Old Mutual plc to exercise oversight in respect of the Emerging Markets operations, including OMSA's subsidiary companies, African Operations and New Markets.

*“Of the 100 largest economies in the world, 51 were companies and 49 governments. Politicians may make the laws, but it is business who influences them and whose decisions have the largest impact on society.”*

**Mervyn King:** Vice-President, Institute of Directors

## Accountability through good governance

### King III

The King Code of Governance Principles for South Africa 2009 (King III), effective from March 2010, requires us to explain how we apply King III principles. As mentioned in the Chairman's message, a King III project steering committee was established to assess the impact of King III on the business and to ensure that attendant processes are embedded in the business of the company. It was found that the Group had already adopted the vast majority of the King III principles on its journey of continued improvement. Our evaluation also extends to the other Emerging Markets in which we operate. We are considering what are the most effective and appropriate changes to introduce in each of these environments to ensure the required level of governance and control. The application of King III principles within the business is dealt with in the sections that follow.

### Group Operating Manual (GOM)

The Old Mutual Group (the Group) has an overarching governance structure (GOM), incorporating principles of governance to facilitate effective management and oversight of a Group containing several regulated entities, in different jurisdictions. These overarching governance structures are set out in the GOM which contains the internal operating framework and governance structure for the Group. OMLACSA has entered into a relationship agreement with Old Mutual plc and resolved to adhere to the Manual, noting that it is a governance framework for the promotion of efficiency and mitigation of risks, both in the interests of OMEM and the Group. To maintain the primacy of the fiduciary duties of the Board, the GOM is subject to the Overriding Principle that allows the full discharge of fiduciary duties and similar responsibilities of directors, executives and employees.

## Ethical leadership and corporate citizenship

Old Mutual prides itself on its ethical standards and continues to review how these are managed in order to build and sustain an ethical corporate culture in the Group.

Impacts on the economy, society and our stakeholders are a key focus of the business. This report discusses our commitment to transform society by building economic equity across our customer base (through increased product access and financial education), our employees, our suppliers, business partners, government and communities across South Africa. Potential environmental impacts are considered in pockets of investing, but are not currently a consideration in most investment decision-making.

Old Mutual will develop policies to facilitate an ethical relationship of responsibility between the Group as an institutional investor and society, as contemplated by the Code for Responsible Investing by Institutional Investors in South Africa (CRISA).

## The Board

OMLACSA has a balanced board comprising a majority of independent and non-executive directors. The non-executive Chairman of the Board is Mr P B Hanratty, Head of Old Mutual plc Long-Term Savings. A Lead Independent Director has accordingly been appointed by the Board.

The Board has a Charter which defines its functions, responsibilities and relationship with Old Mutual plc and separates these from the role of management. The selection and appointment of directors is effected through a formal and transparent process. Emphasis is placed on achieving a balance of diversity, skills, relevant business experience and knowledge. All directors are subject to retirement by rotation and re-election by the shareholders at least once every three years.

The Board meets regularly (five scheduled meetings were held during 2010), including sessions specifically devoted to strategy and business planning, as well as people and customer issues. It also meets, as and when required, to deal with specific matters that arise between scheduled meetings. Self-evaluation reviews to assess the Board's effectiveness are conducted on an annual basis.

The Company Secretary provides ongoing support to the Board to ensure its effective functioning and the proper administration of Board proceedings. The Company Secretary ensures that the independent and non-executive directors are kept informed on latest developments regarding OMEM's business and industry-wide issues through a formal communication process.

The roles of the Chairman and Chief Executive Officer are separate. The executive management of the Company is the responsibility of the Chief Executive Officer, Mr K D Dlamini. The scorecard of the CEO includes indicators related to transformation, employee development, customer and intermediary satisfaction, environmental and issues related to investing responsibly. Different executives are qualified and/or experienced in the various elements of sustainability, such as transformation. Where there are gaps in expertise relating to specific sustainability areas, this know-how is outsourced as and when required.

The Board has established a number of committees to assist it in discharging its responsibilities. All Board committees, chaired by independent non-executive directors, have formally delegated terms of reference and report to the Board and to the respective Board committees of Old Mutual plc where relevant.

At a local level, we manage governance through various committees whose responsibilities are outlined below:

- **Audit Committee** (in line with latest governance thinking, the Risk Committee was split from the Audit Committee in 2010): ensures integrity of OMEM's financial statements, effectiveness of the systems of governance, risk management and

internal control and monitoring, the effectiveness and objectivity of the internal and external auditors, compliance with the statutory duties of the Committee and oversees integrated sustainability reporting. The Audit Committee ensures that Group Internal Audit (GIA) is appropriately resourced to complete the Annual Audit Plan and the Audit Director is responsible to the Chairman of the Audit Committee for performance of the function.

- **Risk Committee:** reviews recommendations on compliance, risk management including risk strategy, model, framework and methodologies, the quality and effectiveness of related internal processes, controls and reporting, risk appetite limits and exposure, and the overall risk profile of the business.
- **Remuneration Committee:** guides and directs the implementation of remuneration strategy, policies, principles, related proposals and structures as well as providing input into talent management and succession planning.
- **Corporate Governance and Nomination Committee:** regularly reviews the structure, size, diversity and mix of skills and experience of the Board and its committees.

### Group Internal Audit's scope of work

To ensure that:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups within Emerging Markets occurs as appropriate, and is in accordance with the Group requirements.
- Significant financial, managerial and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- Resources are acquired economically, used efficiently and adequately protected.
- Programmes, plans and objectives are achieved.
- Quality and continuous improvement are fostered in the control environment and processes.
- Significant legislative or regulatory issues impacting Emerging Markets are recognised and addressed appropriately.

- **Environment Committee:** provides input to the development of business strategy in respect of external stakeholders (excluding customers). The Committee focuses in particular on government relations, transformation issues and the political and regulatory environment and its remit also includes climate change and the environment and sustainability issues.
- **Committee for Customer Affairs:** reviews the extent to which OMEM is providing acceptable value for money to its customers and the extent to which customers are being treated fairly.
- **Strategic Investment Committee:** formed with effect from 1 January 2011, the scope and functions of this committee, in respect of its participation in the Group's strategic investment activities, are still being refined.

### Remuneration

The Group's remuneration policy is aligned to the strategy of the company. Rigorous oversight of the Group's remuneration and HR policies (including specific conditions) has been formalised through GOM. Disclosure of the remuneration of each individual director and certain senior executives is made in the Annual Financial Statements of the Company. The Board has a Remuneration Committee.

### Internal controls

The Board acknowledges its overall responsibility for OMEM's system of internal control and for reviewing its effectiveness. Executive management, which is accountable to the Board, has implemented an internal control system aimed at enabling management to respond appropriately to significant risks that may jeopardise the achievement of the company's business objectives. These include protecting policyholders' interests, safeguarding shareholders' investments, safeguarding assets from inappropriate use, or from loss and fraud, ensuring that liabilities are identified and managed, and addressing any social, environmental or ethical matters that are significant to OMEM's business. OMEM's internal control system is designed to manage the risk of failure to achieve the Company's business objectives, and provides reasonable assurance against material misstatement or loss.

## Internal audit

The role of GIA is to provide independent, objective risk and control assurance to the OMLACSA Board of Directors, including issues escalated from all the subsidiary Audit Committees in Emerging Markets. GIA validates that the governance processes, management of risk and systems of internal control are adequate and effective in mitigating the most significant risks that threaten the achievement of the Group's objectives.

GIA is functionally independent from the organisation's day-to-day internal control processes and is able to conduct an assignment on its own initiative, with free and unfettered access to people and information across the business.

GIA prepares annual plans, approved by the Audit Committee, based on the most significant risks that could materialise within the business operations. These are influenced by the Board's view of risk, by the risk escalation matrix and the input of many stakeholders. The annual plans are reviewed quarterly to take account of changes in both the internal and external environment.

Marking a shift in assurance, GIA, together with other contributors, is investigating and developing a strategy to improve current combined assurance practices, and move to a more comprehensive, combined assurance model.

## Risk management

### Approach to risk management

The management of risks is an increasing concern for stakeholders and failure to manage risks has the potential to cause severe harm to the company. Old Mutual's overall approach is to understand the diversity and full breadth of risk to its objectives, and to respond to it appropriately, with a strong emphasis on implementing controls that cost-effectively reduce residual risk. Risk management is not limited solely to risks that may adversely affect Old Mutual's ability to achieve its objectives; it is also about identifying and seizing new opportunities while ensuring that the risks are identified, understood, evaluated, appropriately taken on and managed.

The Company operates a risk management framework with the following components: (i) a robust risk governance structure; (ii) methodologies that focus on risk identification, risk assessment, risk response, action control plans; (iii) company-wide risk categorisation model; (iv) monitoring and reporting; and (v) whistle-blowing.

A risk governance model based on a strategy of 'three lines of defence' complements the formal governance structures described above. This model distinguishes between functions that own and manage risks, functions that oversee the risks, management frameworks, reporting processes and functions that provide independent assurance.

### Qualitative risks just as important as quantitative

OMEM measures both quantitative and qualitative risks. Qualitative (non-financial) risks include:

**Regulatory risks** – impact on regulatory compliance

**Reputational risks** – impact on organisational reputation

**Customer risks** – impact on customers and brokers

**People risks** – impact on employees and staff

### Challenges

In the first half of 2011, we will introduce the ability to calculate the capital required for the operational risks we have in the business. This system will align to the capital modelling tool for all risks, which is also due for completion in 2011. We have developed risk and control self-assessment, loss event and key risk indicator functionality which will be implemented with the new risk management tool in OMEM in the second half of 2011. All business units will be trained on the new system and methodology refinements. In the longer term we expect the risk tool to enable us to align our methodologies for risk management and financial controls.

In addition, Old Mutual's geographical spread means that the business is subject to a wide range of current and future legislative, regulatory and industry requirements, which need to be managed in a co-ordinated manner. The introduction of the GOM (as described earlier) has also had a significant impact, resulting in a complete review of how we manage risk.

### iCRaFT

To address these challenges, the Group is running iCRaFT (integrated Capital, Risk and Financial Transformation) in alignment with GOM, aimed at significantly improving Old Mutual's ability to manage capital and risk in an integrated way and thus to help us improve the organisation's financial performance. At the completion of iCRaFT, the Old Mutual Group aims to be operating at best practice standards, while achieving full compliance with new European regulation for insurers (known as Solvency II).

In addition, OMSA has to meet the South African King III corporate governance and FSB regulatory requirements, already in force, as well as the Solvency Assessment and Management requirements by 1 January 2014. The current OMEM 'business as usual' risk management framework, methodologies and processes are consequently evolving in order to position the business to meet these requirements. The main potential benefits for Old Mutual should be improved integration and timelier reporting of information, with

the objective of making relevant risk and assurance information available to all three lines of defence, as appropriate.

### OMEM's top risks and challenges

1. Threat of slow growth and continued market volatility for a protracted period.
2. Developing the Emerging Markets business, with a suitable underpinning operating model, while recognising the breadth, complexity and varying growth trajectories of the businesses in the portfolio.
3. Competitive investment performance is a key requirement for delivery of plans.
4. Competition from both traditional and new entrants combined with regulatory pressures may result in a failure to grow the sales force as planned.
5. Competition for skills could threaten our employment equity profile due to poaching of key staff as we approach 2012 and Solvency II could have an impact on our actuarial resources as they are sought after in the industry.
6. Rapid change in the businesses, and our role in providing leverageable capability to the rest of the Group, may stretch key skills and our delivery capability.
7. Ability to respond cost-effectively to the various legislative and regulatory requirements across multiple geographies.

Aside from items 3 and 5 above, all these risks are substantially affected by the way we deal with the material sustainability issues we have identified for Old Mutual, and which are reported in the chapters that follow. A risk is essentially the downside consequence of not managing a material sustainability issue effectively. As we integrate further, we would therefore envisage a single list of material issues and risks representing the complete spectrum of financial and non-financial drivers of the long-term sustainability of our business.

### Governance of information technology

Information Technology (IT) is integrated into the Group's Risk Management Framework and the Board Risk Committee ensures that IT risks are appropriately addressed within the context of the risk response of the Group.

Both internal and external audit provide independent assurance to the Board on IT governance and controls. In OMSA, further independent assurance is provided through the annual assessment of the major IT outsourced service provider.

Furthermore, the appointment of the Chief Information Officer (CIO) for the Long-Term Savings (LTS) business provides a single accountability, agreed operating model and strengthened governance of all LTS IT.

### Ensuring regulatory compliance

Old Mutual regards compliance with applicable laws, codes and regulations as an ethical imperative for the company. Compliance is a regular item on the agenda of the Board Risk Committee, which then provides assurance to the Board on the effectiveness of the controls around compliance with laws, codes and regulations. The Group Compliance Officer attends these Board Risk Committee meetings on a regular basis.

The Code of Conduct requires all employees to annually affirm compliance with applicable laws, codes and regulations, and a compliance framework, with KPIs, is in place to ensure compliance with applicable legislation. The compliance function is well established and the Group Compliance Officer has direct access to the Chairman of the Board Risk Committee. The Group continues to embed the 'three lines of defence' philosophy, which is further supported by the Group Operating Manual.

Material non-compliance with applicable legislation is reported internally to senior management and to the Board Risk Committee. Reasons why such non-compliance may be present include legacy issues, systems constraints and processes and procedures in the process of being changed.

### Engaging with our stakeholders

At the end of 2008, we conducted the Old Mutual South Africa Stakeholder Perception and Relationship Quality Survey, which identified gaps in the manner in which the company engaged stakeholders in the past. To address these gaps, we have made a paradigm shift towards an issues-driven and co-ordinated stakeholder engagement approach across OMSA. As a first step, we are developing stakeholder maps for the business units and OMEM as a whole that will help us understand better our stakeholders and their concerns. We will then address these issues through providing engagement platforms and, through our plans to develop a stakeholder engagement forum, revive EXCO's Sub-Committee on Stakeholder Engagement, establish Provincial Management Boards' Chairperson's Forum and establish an Emerging Markets Stakeholder Engagement Forum.

### Sustainability monitoring and reporting

While Old Mutual has applied the majority of principles of King III, in particular in so far as reporting transparently and fairly on its most material issues, the company has not fully integrated the full range of sustainability issues into its business model, and is thus not producing a fully integrated report this year.

As a first step in improving our reporting for 2010, a series of workshops was held with 65 OMSA employees in late 2010 to reconfirm our material issues and clarify our sustainability reporting framework. Many of

these were managers with direct responsibility for the material issues comprising Old Mutual's sustainability universe.

A key aim of the workshop was to provide managers with a framework within which they can manage, monitor and report on the sustainability issues most material to the business.

The workshops focused on each material sustainability issue in turn:

- Discussing the issue in an industry context
- Assessing the issue and the essence of what Old Mutual does to address the issue
- Agreeing on the sub-issues within each material issue
- Discussing the Old Mutual policy on the issue (and where one did not exist, discussed plans for developing such a policy)
- Identifying appropriate indicators for the issue
- Discussing performance against these indicators
- Finding or establishing targets

- Identifying initiatives that could be reported on
- Assigning ownership for each issue

While the process provided us with a good reporting framework, we are aware that we still have gaps in our sustainability reporting and management: Indicators for certain issues (such as governance, product pricing and in the consideration of ESG issues in investment decisions) are not yet clearly defined; targets are still being developed; three-year performance data is not readily available for some of the indicators; and decentralised management causes fragmented ownership of issues in some areas. While we are still establishing a policy to direct how we integrate sustainability in Old Mutual, we are not yet ready to report on the complete integration of sustainability into core business management.

The development and population of the sustainability reporting framework matured through the compilation of this report and will continue to mature over time. The signoff of OMEM's 2010 sustainability report has been by multiple committees.

*“Proactive structures and transparent engagement with stakeholders is a strategic imperative for any organisation to gain an insight and better perspective on key stakeholder issues affecting the organisation”*

**Crispin Sonn:** Managing Director Mass Foundation Cluster



A runner in the Two Oceans Marathon sponsored by Old Mutual. A record field of 21 000 runners took part in 2010. The theme was 'Power, Strength, Beauty', celebrating the fact that this event is considered "the world's most beautiful marathon".



# Review of material issues

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# Creating value for existing and potential customers



Putting our customers' needs first has seen Old Mutual South Africa receive the highest score in the traditional long-term insurance industry for the fourth consecutive year as part of the Sunday Times Top Brand Awards 2010.

## Material issues

- >> Engaging with our customers to improve our service delivery
- >> Making products and services accessible to all
- >> Providing financial education across the life cycle to empower society
- >> Developing fair pricing models to create value for our customers
- >> Marketing our products and services in a responsible and appropriate manner

At Old Mutual, we engage with our customers to help them understand their own life-cycle financial needs and to help them understand how our products and services can support this. We market our products in a way which ensures that customers buy products that are best-suited to their circumstances and life stage, and we measure our performance against international financial services industry benchmarks. Recently conducted savings and

retirement monitors are helping us fine-tune our financial education programmes, which continue to be accessible to large numbers of people across South Africa. Engaging with our customers via such surveys also warns us if and where we are falling short of expectations. We continue to focus on making appropriate, fairly-priced products accessible to all, particularly those in lower income brackets, through various distribution channels.

## Indicators

The indicators listed in the table below measure our performance against the material issues identified above. This is an ongoing evaluation. We are working on finding the most indicative measures and ways to measure more accurately. And increasingly we will add targets for directing our future efforts.



Indicators	2010	2009	2008	
Number of people trained through Financial Services Charter (FSC) guideline programmes	22 976	20 849	15 857	●
Number of Masisizane clients provided with financial education	14 298	17 458	25 931	●
Number of individuals directly trained through OMSA's financial well-being programmes	16 335	11 457	5 988	●
Spend on financial education against FSC guidelines (R million)	8.8	12.12	8.2	▲

● Improved ● No change ● Needs attention ▲ Depends on Net Profit after Tax



## Engaging with our customers to improve our service delivery

Customer engagement is a two-way process that encourages feedback and which requires Old Mutual to listen, observe and understand real customer issues. This helps us understand our customers' life cycle needs in order to be able to offer appropriate advice and services, and tells us how well we are fulfilling customers' expectations. We adopt a thorough and consistent methodical approach to getting customer feedback on our performance, monitoring complaints

carefully, measuring customer satisfaction and persistency (retention), and staying aware of general perceptions about the company and our competitors.

### Customer surveys

Customer surveys help Old Mutual engage with and listen to our customers. The Ask Afrika's Orange Index, the largest service excellence benchmark in South Africa, saw the financial services industry's satisfaction levels drop markedly from 62% in 2009 to 48% in 2010. Old Mutual, however, maintained its top position with an indexed score of 54% (see table below).

Rank	2010	2009	2008
1	Old Mutual	Old Mutual	Old Mutual
2	Hollard	Sanlam	Momentum
3	Sanlam	Liberty	Sanlam
4	Metropolitan	Momentum	Liberty
5	Liberty	Metropolitan	Hollard
6	*	Hollard	Metropolitan

\* For 2010 only, the top five ranked companies were included in the results presentation

*"It's all about driving value to our customers and continually improving our performance against customer demands by unlocking the full potential of our people."*

**Rose Keanly:** Managing Director, Old Mutual Service Technology and Administration

### Net promoter score

The Net Promoter Score (NPS) is based on the question: 'How likely would you be to recommend Old Mutual to a friend or relative, where 10 means very likely and 1 means very unlikely?' The NPS is a new measure which will help Old Mutual develop its understanding of customer satisfaction and pursue ways to continually sharpen its interaction. In this regard, we have established a world-wide drive towards NPS. Working from 2010 base figures, recommended NPS targets for 2011 have been devised. It is understood that considerable work still needs to be done to understand what drives customer perceptions and to improve our service and products to meet the 2011 targets.

Our own customer service tracking study is undertaken twice a year, sampling around 5 000 people who have been provided with some form of service during the year. The survey assesses responsiveness, efficiency, reliability, accountability, warmth, courtesy and demonstrable support. This form of customer engagement has revealed little overall change in the satisfaction levels of our customers from 2009. While 'delighted' customers increased, we have not yet managed to return to our 2008 satisfaction levels.

Measures of satisfaction regarding service channels (branches, self-service channels, call centres and correspondence) have all improved, with the call centres and correspondence showing the most improvement, albeit off depressed levels.

Customer retention provides another measure of customer satisfaction with Old Mutual products and services. Figures for the average number of contracts owned, the length of time that a customer has been with Old Mutual and the number of customers who have remained with Old Mutual across their life journey have improved slightly over the last two years' figures.

Broader market research confirms that, among the general public, client recognition of Old Mutual's brand remains high and is stable. In the Sunday Times Top Brand Awards 2010, Old Mutual received the highest score in the traditional long-term insurance industry and maintained its first position for the fourth consecutive year.

### Customer complaints

Every company receives complaints. Measuring customer complaints provides a clear indication of the degree of satisfaction with a company. Since 2008, we have consciously increased our efforts to listen to customers, understand the causes of complaints, address root causes and ensure that service levels and ethical behaviour continue to improve.



Mutualpark in Pinelands, Cape Town.

In addition to an internal complaints management procedure, our Office of Internal Arbitration serves as recourse for dissatisfied customers. The complaints process is managed and overseen by a dedicated central team that is also accountable for complaints reporting.

The number of complaints received since 2008 has decreased. The number of complaints received via the various Ombudsman schemes has however increased, possibly a consequence of increased customer awareness of these schemes. Fraudulent business in the Retail Mass Market by independent brokers led to a spike in complaints in that sector during 2010 (see full report on the website for further information).

In 2010, the Old Mutual Life Assurance Company South Africa (OMLACSA) received six formal determinations against it from the various Ombudsman schemes. These are broken down as follows:

Ombudsman scheme	Number of determinations against OMLACSA
Ombudsman for Long-term Insurance	1 (based on the principle of equity)
Pension Fund Adjudicator	5
FAIS Ombudsman	-

While we try to assist when complaints against independent brokers are received, Old Mutual is not responsible for the advice given by independent brokers, and customers are advised to take such complaints up directly with the broker in question, or via the appropriate ombudsman scheme.

OMLACSA is an active member of the voluntary Ombudsman for Long-term Insurance Scheme's Committee. The company maintains professional relationships with the FAIS Ombudsman and Pension Fund Adjudicator. At a Group level, we engage annually with the International Network of Financial Services Ombudsman Schemes, keeping abreast of international complaints management and arbitration developments.

### UK FSA Treat Customers Fairly (TCF) initiative

**Outcome 1** – Fair treatment of customers is central to the corporate culture.

**Outcome 2** – Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

**Outcome 3** – Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.

**Outcome 4** – Where consumers receive advice, the advice is suitable and takes account of their circumstances.

**Outcome 5** – Products perform as customers have been led to expect, and the associated service is both of an acceptable standard and as they have been led to expect.

**Outcome 6** – Consumers do not face unreasonable post-sales barriers imposed by firms to change products, switch provider, submit a claim or make a complaint.

### Treating Customers Fairly initiative

The Board Committee for Customer Affairs ensures that Old Mutual treats customers fairly, while Compliance Officers provide assurance that Old Mutual complies with all relevant legislation and industry codes of conduct relating to the fair treatment of customers.

We monitor ourselves against the UK's Treating Customer Fairly (TCF) principles to ensure that we address customer issues in an holistic manner. The Financial Services Board intends to roll out TCF from 2011 which will be based on the six UK outcomes listed above.

More broadly, we are pursuing a three-pronged strategy to improve customer service:

- A co-ordinated customer experience drive across territories to ensure that we unearth opportunities and create synergies.
- A commitment to improve customer experience by scoping initiatives across full value chains.
- A commitment to continual service improvement in day-to-day operations.

## ➤ Making products and services accessible to all

The traditional financial services industry has not adequately answered the needs of emerging market clients. Old Mutual recognises both its societal obligation and the business opportunity for developing appropriate products and services and creating more accessible channels for engagement with and delivery to these markets.

We provide our services through a number of channels. While our greatest interaction is still through our contact centres, the use of our self-service channels has increased significantly over the last three years. Our branches provided 1.6 million customer interactions in 2010; 94% scored us 6 or higher out of 10 for customer satisfaction. Our branches are set to grow through our Old Mutual Finance offerings. Internet and mobile access points have become increasingly popular as information channels. Our increased customer focus has resulted in an average growth in interactions of approximately 30 per cent per annum, with interactions via these mediums reaching a million per month.

The pace of growth of online communication and increasing demand for self-service offerings will challenge us to continue to meet and exceed the expectations of customers. High interconnection rates and national carrier costs are burdensome.

### Old Mutual Finance

Old Mutual Finance was set up to provide holistic finance services to our customers by providing loan finance and by empowering them to manage their finances. This ensures responsible lending through affordability assessments, risk assessments and regularly benchmarking with the industry. Sales incentives are based on quality of book rather than quantity. Financial education is core to the lending process.

This offering to the mass market in South Africa takes advantage of Old Mutual's existing infrastructure, with 87 Old Mutual Finance consultants located in Old Mutual

client service centres country-wide. The number of Old Mutual Finance branches has grown in two years since the launch to 117 by December 2010, all in locations easily accessible to the market. Branches are located in central business districts, shopping centres, townships and rural areas. Customers are clearly feeling the benefit; their feedback indicates that the business has been very well received in the marketplace and so we will look to build on this success in 2011. Branches provide the full suite of loans, insurance products and customer services.

My Money Plan, an Old Mutual Finance product, is closely tailored to our clients' circumstances and needs. Its success has prompted the development of other products suitable to the mass market, specifically our Easy Benefit Plan. This offers employers (especially small businesses) a means of providing employee benefits, such as retirement savings, death and disability benefits and family funeral cover, and introduces a means of improving retirement savings coverage in South Africa. Launched in April 2010, this new offering has attracted significant attention and, with 4 000 new members already signed up, is likely to become a significant future contributor to Old Mutual's recurring premium flows.

The positive response to these offerings indicates strong demand for easily understandable and affordable financial products. Further complementary finance products are in development, including My Recovery Plan and My Insurance Plan.

*"I want to express my appreciation on behalf of my family for your financial advice and money plan. We can sleep stress-free nights, no more micro-loan sharks. Thank you."*

Old Mutual customer from a rural area near Kuruman



Opening of one of the Old Mutual Finance branches.

## ➤ Providing financial education across the life cycle to empower society

Old Mutual South Africa recognises the need to provide education that will empower consumers with the knowledge and skills they need to make informed decisions about their finances.

The Old Mutual Savings and Retirement Monitors provide detailed data about the savings behaviour of working metro households in South Africa. Although primarily a research tool aimed at helping Old Mutual understand savings behaviour in the country, and thus be able to provide better financial solutions for its clients, the monitors have valuable educational potential. Not only do they help us tailor our educational programmes more closely to needs, but we also pass this information on to government to help them frame legislation more effectively, and publish the findings more widely for the broader empowerment of society.

A key finding of both the Old Mutual Savings and Retirement Monitors is the need for education on financial matters, especially the value of saving through regular contribution to pension funds. Financial education is also a critically important component of our lending solutions, and is embedded in the way clients are assisted through the application process.

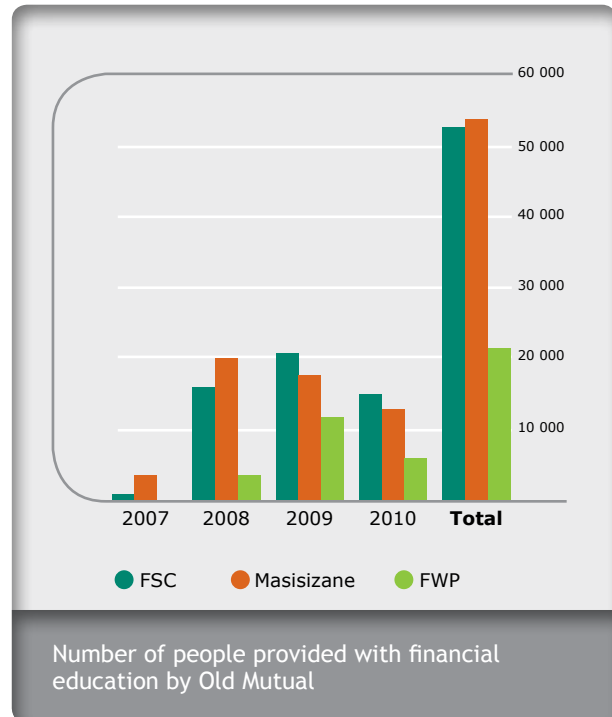
Our programmes dedicated to financial education are:

- FSC financial education programmes (demanded by the Financial Sector Charter)
- Masisizane
- Financial Well-being Programme, including the new Fund Member Education and FIN360° component
- On the Money toolkit, designed to educate young learners
- Radio talk-show programmes

The effectiveness of our various financial education programmes is kept under review.

The accompanying graph shows there has been an overall decrease in the number of people we have provided with financial education in 2010 (and therefore the spend on financial education) as compared with 2009. Numbers were adversely affected by the FIFA Soccer World Cup, the public sector strike and by employers being unwilling to release staff for education at their expense in the poor economic climate.

Old Mutual South Africa's obligations to spend 0.2% of organisational profit after tax on consumer education under the Financial Sector Charter (FSC) are discharged by the Financial Education Unit, launched in May 2007. This unit delivers a financial literacy programme targeted at LSMs 1-5 in all nine South African provinces. The programme exceeded its target



of 20 000 participants in 2010 by 13%. Sixty-four per cent of those trained were female. The increase in FSC training numbers indicates increased demand and a thirst for financial education. We achieved this increase on a smaller budget than in 2009, due to materials and trainers already being in place.

The Financial Well-being programme (FWP) target for 2010 was to provide financial education for 25 000 people. A total of 6 261 participants were trained in 2010, achieving only 25% of the annual target. The significant decrease in numbers is primarily due to employers not being willing to release employees from work to attend training.

Old Mutual's FIN360° and Fund Member Education are new components of Old Mutual's Financial Well-being Programme, targeting the middle-to-high income bracket and retirement fund members. Modules cover a range of issues, from retirement planning to estate planning. These programmes have been rolled out in 361 workshops, educating 9 455 participants. FIN360° and Fund Member Education have been designed to complement On the Money, an existing money management workshop offered by the FWP, which has enjoyed success in the low-to-middle income bracket and schools.

Masisizane facilitates the provision of financial education to micro, small and medium-sized enterprises with the main focus on peri-urban and rural areas as seen in the pictures below. A total of 14 252 participants (2009: 17 458), 72% of whom were female, were trained from January to December, with a spend of R3.66 million. It is unclear why there has been such a sharp decline over the past two years.



### On the Money school tool kit

During 2010, in partnership with the Department of Education Old Mutual South Africa developed an On the Money educational tool kit aligned with the economic and management sciences (EMS) curriculum and aimed at young learners in grades 4 to 6, their families and educators. The initiative provided Old Mutual with an opportunity to raise awareness on the importance of developing personal financial management skills at an early age and to raise awareness among educators and communities. The tool kit was distributed to 1 451 EMS co-ordinators and educators in 894 schools country-wide.

### >> Developing fair pricing models to create value for our customers

With the integrity of the financial sector under close scrutiny, Old Mutual recognises its duty to ensure fair pricing and sensible underwriting based on creating and preserving value for its customers. Various indicators, including pricing, are measured regularly and reported on to the Committee for Customer Affairs.

Pricing models build in risk assessments of a person's health and lifestyle, according to which premiums will vary. Underlying assumptions are reviewed regularly to ensure they remain appropriate.

Whole-of-life products are priced for the full term of the policy, with a variety of premium guarantee terms on offer. New business premiums are reviewed annually to ensure that we are charging customers a price that appropriately reflects the claims experience of the business.

We ensure appropriate underwriting that is fair and justifiable, with any differentiation based on objective criteria. We also ensure that rating factors such as age, income and education used in the pricing models are fairly applied and avoid discrimination, being based on objective, statistical evidence. For larger corporate clients, risk premiums are reviewed annually and will depend on the previous experience of that specific group of clients.

Savings product charges, including investment performance fees, are applied consistently across all savings products and in accordance with customers' reasonable expectations of benefits. Customers receive value in the form of fee rebates. Pricing models offer customers competitive reduction in yields over the longer term. The termination values on our retail savings products are higher than the regulated minimum surrender values.

Our international presence enables us to price fairly against international benchmarks. We take advantage of our economies of scale to achieve lower costs and offer greater value for our customers. The large database we have built up over time places us in a better position to understand the risks our customers face and to price for them more accurately. Where there is a lack of data in building new pricing models or entering new markets, we are able to rely on reinsurer data as well as our international expertise.

Old Mutual's overall product range is positively rated by all financial advisers and continues to be one of the highest rated amongst our peers. There has been a slight decline in perceptions of investment returns and annuity rates among most financial advisers since 2009.

We are continuously improving transparency and disclosure of pricing models to clients in order to aid understanding of our product offering. In addition, the OMLACSA Board Committee and the Committee for Customer Affairs (CCA) are mandated to monitor all



matters relating to customers. The CCA also approves the Treating Customers Fairly (TCF) report.

All pricing models are approved by international and local statutory actuaries, further ensuring the fair treatment of our customers. This includes reviewing premiums, minimum levels of premiums, assumptions, details of changes (e.g. fees), penalties and charges on termination of a contract and underwriting requirements.

We have put in place measures to ensure customers do not face unreasonable post-sales barriers to changing a product, switching provider, submitting a claim or making a complaint. We publish our claim pay-out rates for our life insurance products to allow customers to assess the likelihood that any claim they submit will be paid. Old Mutual shows a higher pay-out rate than all competitors who disclose this information, illustrating that our products deliver as expected.

We have a few products where a small percentage of the required disclosures in terms of the ASISA Code on Living Annuities and section 7(4) of the FAIS Act have not been made, as well as a few SARAF policies where annual benefit statements have not been sent. These outstanding issues will be rectified by the end of the first quarter of 2011.

Old Mutual Finance has constructed its My Money Plan loan product to generate significant savings for customers by avoiding multiple origination and administration fees and giving customers interest-back rewards when instalments are paid on time.

## ➤ Marketing our products and services in a responsible and appropriate manner

With the integrity of the financial sector under close scrutiny, our marketing approach acts proactively by presenting products in the form of financial advice, helping consumers understand what products they need depending on their life-stage and means, and then communicating the benefits, rules and implications of those products. Old Mutual complies fully with all the regulatory requirements of the Industry Code of Practice regarding the presentation of clear, up-to-date information to customers. All important customer encounters result in proactive service contact and regular reports are provided to clients on the progress and performance of a large proportion of our products.

In the context of South Africa's linguistic and educational diversity, Old Mutual takes special care to communicate with its clients effectively. Documentation (including contracts) is gradually being written in more straightforward language so that customers can better understand their products. Quotes are easy to read and comply with the principle of full disclosure, avoiding 'fine print'. Easy-to-comprehend SMSs are sent to clients when premiums are missed on recurring premium policies, and clients are advised well in advance in the event of material changes to products or policies.



## Enabling financial advisers to better serve customer needs



Our financial adviser makes sure that the client knows what she is referring to.

### Material issues

- >> Increasing access to qualified and compliant financial advisers
- >> Raising the quality and professionalism of financial advice
- >> Supporting the sustainability of financial advisers' businesses

Our customers rely on and trust the advice that we give them regarding our financial products and services and their financial planning and needs. This advice is provided largely through our financial advisers. We therefore need firstly to ensure that we provide sufficient qualified and compliant advisers to cover all potential customer needs, geographic areas and language groups. Our major challenge in this regard is attracting enough black African advisers to

Old Mutual South Africa. Secondly, in order to provide the highest quality of financial advice, we have a responsibility to ensure that our advisers (both tied agents and brokers) are provided with the right skills and are updated on changes in legislation. Lastly, to ensure we retain our investment in skills and can provide our customers with continuity of service over the long term, we need to support our advisers in running their businesses profitably.

## ➤ Increasing access to qualified and compliant financial advisers

Community groups and individuals in remote areas increasingly need sound advice in order to make good long-term decisions regarding their finances. Old Mutual recognises its responsibility to grow its capacity to meet this demand with a pool of advisers with both the appropriate profile and the qualifications that comply with FAIS standards.

Old Mutual serves the market through a combination of tied agents and independent brokers. While we have increased the number of personal financial advisers (PFA) and tied agents, the number of independent financial advisers that support our products has decreased.

The tied agency force consists of full-time employees (PFA), an agency franchise model and a small contingent of private wealth management (PWM) advisers. The economic downturn had a negative effect on the retention of tied agents during 2009, but 2010 has seen a good recovery with manpower increasing. We expect continued manpower growth during 2011 despite the impact of increased regulation and more stringent qualification criteria. We are working to identify and address the cause of a decrease in the proportion of black to white financial advisers over the last three years.

We have majority brokers supporting our products, accounting for a substantial amount of our annual premium income. We saw a decrease in the number of brokers supporting our products in 2010, probably due to the onerous requirements and related costs of increasing regulation and more stringent qualification criteria. We also saw a rather large migration of brokers and Old Mutual Personal Financial Advisers to other life assurers.

In order to ensure that we can continue to provide good advice to our customers, Old Mutual tracks the proportion of less experienced (under three years) to experienced financial advisers. The proportion of experienced advisers has fluctuated over the past three years but declined overall. We will need to address this situation in order to restore a healthy distribution of advisers across the breadth of experience continuum.

To address the challenges facing sales managers, we developed and rolled out a Sales Manager Development Suite in 2010. The area manager's role has been structured and documented to facilitate the coaching and mentoring of sales managers. To ensure that sufficient financial advisers are trained on our new long-term savings umbrella fund for the low end of the market, Easy Benefit Plan, we held workshops for advisers, of which more than half received accreditation.

## ➤ Raising the quality and professionalism of financial advice

With the integrity of the financial sector under close scrutiny, we recognise the importance of ensuring the professionalism of our financial advisers. A variety of mechanisms are applied to ensure the provision of appropriate advice when serving our customers. These include a rigorous agent accreditation system, adequate levels of management oversight and advice, a trackable mandatory advice tool embedded in our sales process, and robust internal and external complaints processes.

### Compliance with legislation

Old Mutual South Africa (OMSA) has incorporated the requirements of the Financial Advisory and Intermediary Services Act (FAIS) into its business processes and has ensured that all affected businesses understand the requirements and have implemented strategies to conform to them.

In April 2010, the new FAIS Conflict of Interest amendments to the General Code of Conduct were passed, and Old Mutual initiated a project to co-ordinate and manage the implementation of the new requirements. Challenges include the complexity of integrating the changes, the lack of guidelines for the interpretation of principles-based regulations, and upholding principles in a market that appears to offer unfair advantage to those who choose to ignore the spirit and intention of the regulations.

The Protection of Personal Information (PPI) legislation has been approved, with the Bill awaiting enactment. The legislation puts considerable responsibility on Old Mutual to ensure that all reasonable steps are taken to secure personal information. After considering the legislation, we approved a PPI Policy in December 2010, with the next step being for the business units to plan specific solutions and build appropriate metrics. We have also conducted an extensive awareness campaign, which will be ongoing.

We have completed the project specifically set up to deal with the Commission regulation changes that were introduced in 2009, and have launched initiatives to help advisers and brokers deal with the impact on their businesses.

### Training

Advisers are trained and accredited on products relevant to the target market in which they operate and kept informed of changes in legislation that may affect the way that they do business.

While in 2008 and 2009 significant non-core training – aimed at better serving customer needs – took place, this component dropped significantly in 2010 in favour of a focus on core training aimed purely at FAIS compliance. This trend has been noted as a cause for concern.

### Customer complaints

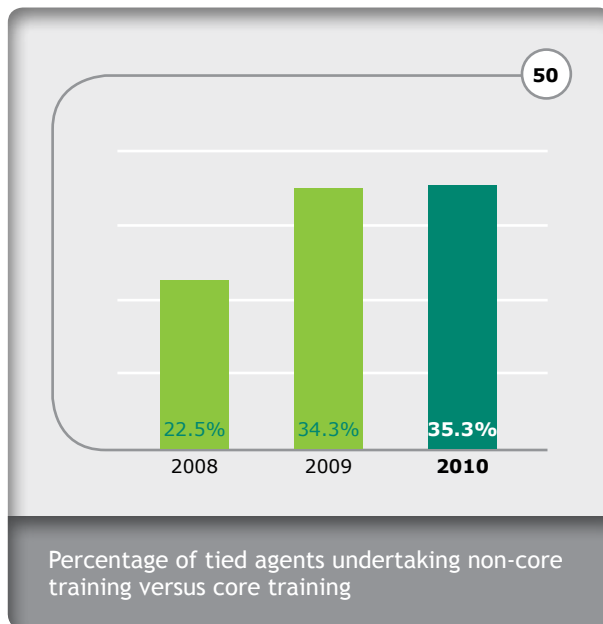
Old Mutual South Africa received a number of complaints regarding financial advisers in 2010, including complaints related to independent brokers. These complaints related to advice, mis-selling and misrepresentation. The approach for dealing with customer complaints regarding financial advisers is the same as that used for dealing with other customer complaints, although different parts of the Old Mutual business are involved in resolving financial adviser-related complaints. Old Mutual tries to assist when complaints against independent brokers are received, but Old Mutual is not responsible for the advice given by independent brokers, and customers must take such complaints up directly with the broker or the ombud scheme.

### Development of incentives related to professionalism of service

The introduction of the Conflict of Interest regulations in 2010 required Old Mutual to re-evaluate the way it categorises and incentivises its brokers. Instead of focusing purely on productivity, the new Ambassador Indicator model represents a move towards reviewing brokers' practices as a whole, providing an indication of our brokers' client base and behaviour, and indicating how well our brokers look after Old Mutual customers. The Ambassador Indicator will help us find those brokers we should develop further, those we need to reactivate, and those whom we should avoid.

### Customer retention

Customer retention reveals two areas of concern. Firstly, customer retention is challenged by commission structures that encourage advisers to 'churn' risk policies. There are no immediate prospects of a change in industry commission practises and without such a change, churning is likely to remain a problem. Secondly, customer retention is challenged by the selling of products to customers who cannot afford the premiums involved. A recent telephonic survey of lapsed customers revealed affordability to be the leading cause for lapse. Various ongoing Old Mutual initiatives seek to reverse this trend. They include incentives, better customer and adviser communication, improving opportunities to pay missed premiums and revive cover and improving the process of making changes to in-force benefits. Actions in this area taken in 2009 resulted in distinct improvements in persistency for both risk and savings products in the first half of 2010.



### Masthead

Old Mutual South Africa helped create Masthead in 2004 in order to assist independent financial advisers (IFA) to run compliant, profitable businesses and remain in the industry, providing quality financial advice. Masthead helps members with compliance, practice management and distribution of products.

Masthead has a national footprint with six regional offices and some smaller satellite offices in the rural areas. The organisation has helped its members significantly, allowing Old Mutual access to cheaper outsourced distribution to selected IFAs, as well as a higher persistency and production growth from Masthead members contracted with Old Mutual.

In 2010, Masthead launched a Practice Valuation Model to assist IFAs to build capital value into their practices, find suitable buyers and sellers within the Masthead member base, do effective succession planning, and ensure that clients are looked after once an IFA sells their practice.

## Supporting the sustainability of financial advisers' businesses

Old Mutual recognises the importance of developing and supporting healthy and sustainable financial adviser businesses. This is crucial to building customer trust and relationships, providing customers with consistency, maximising financial adviser skills-development spend efforts, creating more professional advisers, and building long-term capital value for advisers. In this regard, we are concerned at the number of financial adviser practices that are centred on a single individual. And with the average age of financial advisers in South Africa around 55, we need to focus urgently on this issue.

Increasing legislation and increasing customer service expectations are placing growing pressure on financial advisory practices. To help sustain these businesses, Old Mutual provides practice management support to tied advisers primarily through a team of practice development managers in PFA with the support of Celestis, a wholly-owned Old Mutual subsidiary. This support includes adviser mentoring arrangements, one-on-one coaching and group workshops for management and advisers, and assistance with practice transitioning, which ensures sustainable succession and helps Old Mutual reduce the risks inherent in an ageing sales force. The practice management support to independent brokers is delivered by Celestis.

Customised for each participant, these businesses were visited at least four times in 2010, each in addition being benchmarked against similar practices in the industry in order to highlight development areas and opportunities.

### Practice of the Year competition

The first Old Mutual tied financial advisers' Practice of the Year competition was held in 2009 and the second, with 85 entrants, in 2010. The competition was a success, and saw a slight improvement in the 'health check' of entrants. Despite the competition format, the aim is to improve the rating of every entrant and generate some camaraderie amongst Old Mutual advisers. The competition produced seven regional finalists before selecting a national winner. The finalists were top advisers who are all excellent role-models for new entrants learning effective practice management.

### Satisfaction of financial advisers with Old Mutual

Financial adviser perceptions of Old Mutual's claims and benefits payments show a decline in 2010, with private wealth management being the least positive. While most intermediaries view Old Mutual as a wise and knowledgeable company, some independent brokers and business units feel that it is set in its ways. On the whole, most financial adviser groups view Old Mutual as being highly trustworthy, although scores were lowest among independent brokers.

# Investing responsibly for financial returns, for social and economic equity and to save the environment



We strive as individuals, as a team and as an organisation to break new ground and achieve higher levels of performance by reaching to the depth of our abilities. [Pushing Beyond Boundaries, one of Old Mutual's Group Values.]

## Material issues

- >> Considering environmental, social and governance (ESG) issues in investment decisions
- >> Enriching lives through socially responsible investment funds
- >> Empowering transformation through financing\*

\* Reporting split between 'Enriching lives through socially responsible investment funds' and 'Enterprise development' (see page 44)

Investing responsibly involves both the integration of environmental, social and governance (ESG) factors into mainstream investment decision-making and the development of specific funds aimed at socially responsible investment (SRI). These funds and products, however, constitute only a fraction of total investment, and financial services companies are becoming increasingly aware

of the need to integrate ESG factors into all investment decisions. This will involve engaging with companies rather than simply screening and avoiding stocks on ESG grounds – although this may be appropriate for some investors, and is the focus of SRI Funds. Old Mutual's response to both approaches to investing responsibly is discussed in this chapter.

## Indicators

The indicators listed in the table below measure our performance against the material issues identified above. This is an ongoing evaluation. We are working on finding the most indicative measures and ways to measure more accurately. And increasingly we will add targets for directing our future efforts.

Indicators	2010	2009	2008*	
OMIGSA's Total Assets Under Management (AUM) (R billion)	R474.2	R431.4	–	●
Total value of OMIGSA's SRI funds ** (R billion)	R32.6	R21.1	–	●
Value of SRI funds as a percentage of total assets under management	6.9%	4.9%	–	●
Old Mutual Retirement Monitor: Percentage of members that won't trade profit for responsibility	60%	–	–	□

\* No data available

\*\* Funds with mandates that include significant ESG decision-making

● Improved ● No change ● Needs attention □ First year 2010

## Considering environmental, social and governance (ESG) issues in investment decisions

### Growing demand to fill the gap

The South African retirement industry is worth about R3 trillion, but only 38 investment products are SRI-labelled, with an approximate value of R23 billion, representing less than 1% of total investments in the country. This compares very poorly with the global average, currently standing at about 5%. Given this situation and the challenges facing society in emerging markets, OMIGSA anticipates that it will become ever more accountable for the quality of investment decisions it makes, expressed not only in terms of financial return on investment (ROI), but also in ESG terms. Further supporting this thesis, we saw an increased call for sustainable investments in the results of the 2010 Old Mutual Retirement Monitor, and sustainability-related findings like these are likely to become increasingly pertinent in the future.

In July 2010, the Responsible Investment Taskforce was established at Group level to explore how the Group could embed responsible investment principles in its approach. The taskforce recommended a strategic approach (whether employing active engagement or merely screening) designed to create value by mitigating ESG risks and taking advantage of ESG opportunities.

Business units of Old Mutual South Africa have also been closely involved in the drafting of the Code for Responsible Investing by Institutional Investors in South Africa (CRISA), which was released for public comment in September 2010. Together with the 2009 King Report on Governance in South Africa (King III), the new

Code aims to encourage good conduct by shareholders and companies. It is envisaged that companies should formulate policies on responsible investing, ensuring that responsible investing principles are implemented and, most importantly, adequately disclosed. It will, after the United Kingdom's, be only the second such shareholders' code in existence. The Code has been finalised and is due to be released in the second quarter of 2011.

### Measuring our performance

OMIGSA recognises its responsibility to offer investors a wide range of investments that support positive environmental and societal change. In order to meet this obligation we measure the proportion of investment decisions that take into account environmental, social and governance (ESG) factors. Our unlisted investments already show a relatively high percentage of ESG investment decisions. Among listed investments, however, the percentage of investment decisions taking into account ESG factors is low, except where ESG issues are incorporated in risk analysis, legal compliance and materially affect a company's brand reputation or licence to operate.

### Conclusion

We anticipate that with growing demand and the increasing prominence of the United Nations Principles for Responsible Investment (UNPRI), institutional investors will increasingly look to invest in SRI-type products (especially in listed vehicles), and OMIGSA will need to substantially increase the number of investments screened for ESG factors.

## ➤ Enriching lives through socially responsible investment funds

In line with the general increase in the awareness of sustainability challenges affecting society, we acknowledge our responsibility to invest in initiatives that will lead to significant positive environmental and societal change. Here we list and describe a number of boutique funds with mandates that include significant ESG decision-making.

### Futuregrowth Asset Management

Futuregrowth is a signatory to the United Nations Principles for Responsible Investment (UNPRI), an investor initiative partnership between United Nations Environment Programme Finance Initiative and UN Global Compact. Futuregrowth is an OMIGSA member specialising in fixed-interest and socially responsible investments (SRI), with R100 billion assets under management in SRI funds at 31 December 2010. Futuregrowth's funds focus on the provision of infrastructure and services to disadvantaged communities, providing finance to institutions that may not otherwise qualify for support from the traditional banking and investment processes. In addition to providing finance, Futuregrowth also invests in equity and retail property investments with a developmental nature.

In 2010, on Futuregrowth's tenth anniversary, the Infrastructure and Development Bond Fund was shortlisted for the Africa Investor Awards in the Infrastructure Fund of the Year and Social

Infrastructure Deal of the Year categories, and won the Social Infrastructure Deal of the Year award for the fund's partnership with National Urban Reconstruction and Housing Agency (NURCHA). In October 2010, Futuregrowth also won the Mail & Guardian's Investing in the Future Enterprise Development Award, which recognised the fund's contribution to development.

### OMIGSA Alternative Investments Boutique: Housing Impact Fund

Some of the existing Financial Sector Charter (FSC) fund investments have been or are in the process of being transferred into the Housing Impact Fund for South Africa (HIFSA).

The FSC Fund was established in 2007 to provide disadvantaged people in sectors of the economy targeted under the terms of the Financial Sector Charter with accessible finance and to make a range of other opportunities and innovations available. The FSC Fund targets households earning less than R15 000 per month and also absorbs housing-related investments not eligible for inclusion in HIFSA (see below).

The HIFSA is a private fund launched in October 2010 with a total investment commitment of R9.15 billion, of which OMLACSA has committed R5 billion. The fund takes a comprehensive approach to housing-related investments, including physical development, ownership of rental stock and end-user finance.

## Active ownership in corporate fixed income

Futuregrowth is primarily a debt investor, engaging actively with issuers of corporate fixed income products. Strong covenants on loans protect clients during the term of the loan and these frequently include conditions about how borrowed money is utilised to ensure it accomplishes the stated responsible investment goals. Good credit terms can serve to protect all stakeholders, while engaged lenders help companies exercise restraint.

Recently, Futuregrowth engaged National Urban Reconstruction and Housing Agency (NURCHA), an innovative construction finance company facilitating low-income housing and small-scale infrastructure in South Africa. NURCHA has a 15-year track record showing innovation, delivery and adaptation to the development needs of the country. NURCHA has provided loans to developers and contractors for the construction of over 240 000 homes and a large number of infrastructure projects throughout the country.

Futuregrowth provided a R150 million facility to provide finance for the construction of community and/or infrastructural projects. Futuregrowth has an active relationship with NURCHA, attending quarterly review meetings to stay updated on various projects and business issues. By mutual arrangement, Futuregrowth occupies a seat on NURCHA's board of directors.

Futuregrowth has also participated actively in industry-wide discussions with issuers, credit rating agencies, regulators, exchanges and others to improve South Africa's capital markets. It has also engaged with the South African Government on improving market transparency and the Johannesburg Stock Exchange in its works to implement meaningful listings requirements for debt instruments, and define rules around debt placement procedures.



## Case study

### Umoya Energy

AIIM is managing the development of the Hopefield Wind Farm in the Western Cape and established Umoya Energy (Pty) Ltd in early 2008. Umoya Energy's investors include AIIF, KIEF, Infrastructural, Developmental and Environmental Assets Managed Fund (IDEAS) and Tomlo Commodities (Pty) Ltd.

Hopefield will have up to 100 MW of capacity at an investment of approximately R2 billion, and is among the most advanced large-scale commercial wind farm developments in South Africa. Extensive feasibility testing has taken place, Department of Environmental Affairs and Tourism (DEAT) and Civil Aviation Authority (CAA) authorisation has been granted, rezoning is complete and, based on the originally gazetted feed-in tariff, a bankable wind resource confirmed.

Subject only to the receipt of a power purchase agreement under the Department of Energy's

Renewable Energy Feed-in Tariff (REFIT) process, at a bankable feed-in tariff, the farm is expected to start delivering power to the grid in 2012, crucially filling a capacity shortfall expected before Eskom's new generating projects come on stream.

Umoya Energy is committed to local community development and upliftment. Construction and employment opportunities are being directed locally with knock-on commercial benefits.

The creation of an environmental offset nature reserve of almost 900 ha will ensure biodiversity conservation while creating ongoing employment opportunities. In addition, Umoya Energy has instituted bursary schemes to promote maths, science and nature conservation in an attempt to support the development of schools in the area.



### Old Mutual Property's SRI Real Estate Fund

The Old Mutual Property SRI Real Estate Fund was established in June 2007 in response to Old Mutual's Financial and Property Sector Charter obligations, with assets identified and pooled from existing OMLACSA real estate portfolios. The growth in popularity of the UNPRI prompted the further evolution of the fund into a specific SRI fund. In August 2010, the fund, with assets under management of R534 million, was amalgamated with the Triangle India, Triangle Development and Field Services portfolio into an enlarged OMLACSA Direct property portfolio.

The fund invests in real estate developments that aim to deliver commercially acceptable returns while contributing to sustainable economic growth, social development and environmental sustainability. The key challenges of the fund remain raising and allocating capital to this sector, local government skills and infrastructure constraints, and the economic environment.

### African Infrastructure Investment Managers

African Infrastructure Investment Managers (Pty) Ltd (AIIM) is the manager and adviser of a group of niche funds designed to invest in long-term African infrastructure projects that provide essential services to the community; have a strategic competitive advantage; require significant capital expenditure; expect to deliver project returns commensurate with the investment risks; and require equity-like cash flows and risk profiles.

AIIM was established in 2000 as a joint venture between OMIGSA and the Macquarie Group of Australia and has positioned itself as one of the leading unlisted infrastructure equity investment managers in the African market. The combined capital commitment of AIIM's mandate across the four infrastructure equity funds is in excess of R7.7 billion.

### Comanco: Community Growth Funds

The Community Growth Funds are managed by the Community Growth Management Company (Pty) Ltd (Comanco), a company jointly owned by Unity Incorporation – which represents a group of eight trade unions – and OMIGSA. Unity Incorporation manages social research and the screening process whilst the underlying portfolios are managed by OMIGSA boutiques.

Comanco promotes the observance and integration of ESG principles in the operations of a company with an investment philosophy based on the belief that sustained wealth creation is achieved through investing in socially responsible companies and holding their shares long term. Funds are invested in superior companies, with strong balance sheets, clear business strategies, above-average returns on capital invested and quality management teams, but the companies are also expected to balance generating profits for their shareholders with meeting their social and environmental obligations.

### OMIGSA Alternatives Boutique: IDEAS Managed Fund

The Infrastructural, Developmental and Environmental Assets Managed Fund (IDEAS) is a socially responsible investment vehicle jointly offered by Unity Incorporation (see above) and OMIGSA Alternative Investments Boutique. IDEAS assets consist predominantly of investments in commercially viable development projects that aim to achieve measurable transformation objectives in South Africa. These broadly include the categories of core infrastructure, social infrastructure and environmental assets. While the main focus of IDEAS is on South African investment opportunities, the fund's investment strategy also makes specific allowance (to a maximum of 15%) for Southern African Development Community (SADC) regional investments.

### OMIGSA Quantitative Investments Boutique: Old Mutual Albaraka Equity Fund

Established in 1992 as the Southern Pure Fund, this is the oldest ethically-screened fund in South Africa, with R950 million in assets under management. The fund seeks to create value for investors while adhering to Shari'ah guidelines, as determined by the fund's Shari'ah board.

Investment decisions are driven by both Shari'ah compliance and investment merits within the context of the overall portfolio. The fund serves Muslim investors as well as investors from other faiths whose beliefs preclude them from investing in tobacco, alcohol, weapons manufacture, finance and related industries. Old Mutual has recently launched a sister Albaraka Balanced Fund.

### OMIGSA Alternatives Boutique: Entrepreneurial Ventures Fund

The Entrepreneurial Ventures Fund was established as an SME division under the Alternative Investments Boutique of OMIGSA in response to the lack of finance available to high growth SMEs. OMLACSA has committed seed capital of R250 million over a three-year period for investment in high growth SMEs.

The Entrepreneurial Ventures Fund has a strong empowerment focus and aims to promote entrepreneurial and performance-driven partnerships that create value for all shareholders. Entrepreneurial Ventures Fund operates in the expansion phase of the funding cycle, often the most difficult time for a start-up business to access funding.

### Housing Investment Partners: End-users finance product

In 2009, Old Mutual South Africa bought a 50% equity stake in start-up company Housing Investment Partners (Pty) Ltd, whose other equity holders are National Housing Finance Corporation, a government development finance institution, and Pan African Capital Holdings (Pty) Ltd, a private BBBEE company.

The purpose of Housing Investment Partners is to develop and market innovative housing finance solutions for lower-to-middle income earners who fall between state-subsidised housing and conventional mortgage finance. The main challenge is to balance the customers' needs and resources with attractive investor value in a commercially viable, legally compliant and sustainable structure. While the venture is still in its initial stages, Old Mutual has invested R10 million in the venture and has committed a further R25 million, to be matched by National Housing Finance Corporation (NHFC).

### Empowering transformation through financing

Old Mutual recognises the role it should play in empowering black entrepreneurs through transactional financing and targeted investments. This is reported on in the chapter 'Providing opportunities and platforms addressing past imbalances in South Africa'.

Reporting on this issue has been split between 'Enriching lives through socially responsible investment funds' in this chapter and the 'Enterprise Development' section of the chapter: 'Providing opportunities and platforms to address past imbalances in South Africa' (see page 44).

# Building a great place to work with people who do great work



Old Mutual's Workplace Heroes initiative awards employees who have inspired others to go the extra mile in delivering service and building the brand name of Old Mutual.

## Material issues

- >> Leadership capability and effectiveness: creating a leadership culture that inspires
- >> Strengthening our position as an employer of choice
- >> Growing and deploying talent to meet business needs across emerging markets
- >> Enabling true transformation – going beyond the numbers\*

\* Covered largely in the 'Building equity' chapter

In an industry characterised by new technologies, new products and keen competition, we have to attract, develop and retain people who are inspired to do great work. Emerging markets require the emergence of new talent and new ways of serving customers – all within a culture that can work together and appreciate diversity.

The Old Mutual Group (the Group) is currently co-ordinating its operations. This requires a shift in the people strategy for the emerging markets that will include changes in the approaches to leadership, talent, performance and remuneration. The new strategy, the Old Mutual Emerging Markets People Plan,

focuses on building human resources for both the short and long term. There is an increased focus on developing cross-boundary leadership competence and other skills.

Key elements include:

- Improving leadership capability and effectiveness
- Strengthening our position as an employer of choice
- Growing and deploying talent to meet business needs across markets
- Enabling true transformation

## Indicators

The indicators listed in the table below measure our performance against the material issues identified above. This is an ongoing evaluation. We are working on finding the most indicative measures and ways to measure more accurately. And increasingly we will add targets for directing our future efforts.

Indicators	2010	2009	2008	
Total headcount*	16 211	15 644	15 912	●
Employee turnover (office staff)	5.9%	15.2%	11.58%	●
Employee turnover (sales staff)	30.94%	33.08%	30.84%	●
Percentage of female employees	53.5%	52.7%	54.2%	●
Percentage of black employees	70.8%	70.12%	70.88%	●
Number of females at top and senior management level	268	251	267	●
Percentage of black employees at top and senior management level	34%	32%	26%	●
Number of staff who have been at Old Mutual for 5-10 years	2 686	2 313	2 529	●
Employee engagement (survey results)	75%	74%		●
Number of employees using employee well-being programme	1 599	1 680	1 571	●
Spend on employee well-being programme	R3 mill	R3.5 mill	R3 mill	●
Number of employees on medical aid	14 199	14 603	14 457	●
Number of employees with pension funds	18 695	17 266	16 703	●
Number of employees receiving disability income	139	143	151	●
Percentage of workforce unionised (see page 41)	35%	33%	30%	●
Man days lost due to industrial action	0	0	0	●
Skills development spend (R million)	R63.7	R98.5	R117.6	●
Number of employees trained	10 143	10 794	12 621	●
Learnership spend (R million)	R2.4	R7.1	R4.59	●
Training spend on people with disabilities	R683 909	R522 088	R867 417	●

\* Excludes Masthead (43); iLima Trust (6); HIP (6); Old Mutual Namibia Company (OMNAM) (610); Old Mutual Finance (Pty) Ltd (956); Inactive Pensioners (768); Skandia (11)

● Improved ● No change ● Needs attention



Employees celebrate Diversity Week by decorating their office spaces and by dressing in their best to reflect their heritage.

## >> Leadership capability and effectiveness: creating a leadership culture that inspires

We are developing leaders who display a common set of values, who are representative of the cultures with which we work and who inspire and facilitate continuous improvement. The number of employees who have been at Old Mutual for five to ten years has increased 16.6%, providing a pool of experience from which these leaders can be identified. Employment equity at senior management levels has also continued to improve, though black females are still under-represented. The employees' perceptions of moral and ethical leadership have continued to increase.

The Old Mutual Group (except China and India) is currently revising its performance management system in order to:

- Move towards an Old Mutual Group approach to leading people.
- Embed the ACT NOW! Leadership Actions.
- Confirm the guiding principles for performance management.

As part of this review, new balanced scorecard templates are being developed, which include a minimum prescribed weighting for people, culture and transformation. In addition, a new evaluation tool has been developed to measure leaders and specialists above a certain level against the ACT NOW! Leadership Actions.

### Leadership and management development

A healthy succession pipeline is a top priority. Those with high potential in the organisation are offered world-class learning opportunities through programmes delivered in association with leading global tertiary institutions. In 2010, our leaders participated in the Executive Education Programme, the Strategic Leadership Programme, the INSEAD Channel Leadership Programme and the Management Advancement Programme (offered in association with the WITS Business school). In addition, OMBUS offers a range of workshops addressing core leadership effectiveness. A total of 187 of these workshops were delivered and attended by 2 534 managers across South Africa.

#### ACT NOW! Leadership Actions

- **A**im high and take your team with you
- **C**ustomer first – they're the reason we're here
- **T**reat the business like it's our own
- **N**eed to listen carefully and talk honestly
- **O**wn our decisions – decide and deliver
- **W**in together – help others to succeed

*“Great leaders focus on removing obstacles and enabling others to succeed. They are servants to causes and people and they find win-win solutions.”*

**Ralph Mupita:** CEO, Life and Savings

## >> Strengthening our position as an employer of choice

### Measuring values to transform our culture

Our staff complement continues to grow, reaching 16 211 in 2010, (see exclusions beneath the indicator table), largely attributable to an increase in our sales force. Employee turnover has decreased, but our contractor turnover figure has increased as we reduce our reliance on labour brokers. Last year we had a 58% response rate to the Engagement Survey and a 70% response rate to the Climate Survey. This is an incredible response rate for an organisation of our size. Results for both of the surveys improved, showing high levels of motivation, commitment and discretionary effort from our employees.

Following a pilot, we plan next year to make use of the Barrett Culture and Values Tools which measure and map the values of individuals, leaders, groups and organisations. These tools will provide us with a measure of how closely our current culture is aligned to the personal values of our employees, and a roadmap to guide our future culture change actions. We aim to build a culture of long-term sustainability, by leveraging our current strengths of accountability, integrity, customer collaboration and our strong brand. We will achieve this through our highly committed leaders and employees.

### Employee health and well-being

A new employee health and well-being strategy has been developed and our executive health programme was rolled out in 2010.

### Executive health

This year, we developed an executive health programme to improve the health and work-life balance of business leaders and, at the same time, protect the interests of Old Mutual, addressing risks related to succession planning, leadership and business continuity. The programme entails an annual health assessment of executive staff, enabling us to pick up and manage any health issues at the earliest stage possible, and apply preventative health care. The programme also provides lifestyle management support and the overall wellness and risk management of the Old Mutual executives and senior managers. Assessing the trends of executive staff health, it was revealed that Old Mutual is healthier than the average South African corporate. The key challenge of the programme has been to get all qualifiers to attend the programme without making it compulsory.

## Old Mutual's current wellness offerings for all employees

- **Employee Well-being Programme:** Driven by a toll free number 365 days a year 24/7 and provides counselling on financial wellness, legal advice, management support, and HIV/Aids (including education, training and know your status).
- **Medical aid fund**
- **Occupational health and safety**
- **Benefits:** Old Mutual provides a range of flexible benefits which empowers employees to decide on how pay and benefits are managed at different times in their working life as their needs change; also includes funeral support services for immediate family.
- **Incapacity management services**
- **Gym:** An on-site gym at Mutualpark to encourage physical health and exercise; gym membership is a pre-tax benefit; offers specialists who provide information related to health and exercise.
- **Metropolis:** Discount on pathology services.
- **Other Mutualpark health offerings:** Chemist, eye testing, nursing sister, access to a weight loss programme, medical suite doctors, dentist, psychologist, chiropractor and psychiatrist.
- **Sports club, various sports facilities and a day care centre.**

## ➤ Growing and deploying talent to meet business needs across emerging markets

### Employee mobility

With the incorporation of New Markets (Colombia, Mexico, China and India) into Old Mutual Emerging Markets (OMEM), there will be continued pressure for skills, knowledge and leadership transfer. There will also be an increasing need to manage across cultural and geographic boundaries.

With a view towards global mobility, all these subsidiaries (with the exception of Kotak Mahindra) participated in the Group Employee Engagement Survey, with Colombia and Mexico producing excellent results. A leadership change support programme was facilitated to assist in managing the changes that had taken place in China. These subsidiaries have adopted a common approach to business planning, financial, audit, risk and remuneration management, while exploring market and product best practice. The ACT NOW! Leadership Actions will be rolled out during 2011. There have been some challenges experienced relating to language and cultural differences, but there is a real spirit of co-operation and support across the regions, with cultural and language programmes now forming part of orientation.

There are currently seven secondments from South Africa to other Emerging Markets companies and two secondments from other Emerging Markets companies to South Africa. There are six international secondments and three local secondments to other companies within the Old Mutual plc Group. The African People Strategy has been developed and is managed under a common approach by the CEOs and the HR executives of each of the countries. The CEOs and HR executives, who meet regularly during the year, have

adopted common principles and share best practice. Several delegates from Africa and New Markets have attended OMBUS training in 2010, with more set to attend in 2011. Select senior executives have attended or are due to attend the Group's global executive development programmes.

Talent management and succession planning at senior management and executive level now include all the territories and are discussed annually by the OMLACSA Remuneration Committee.

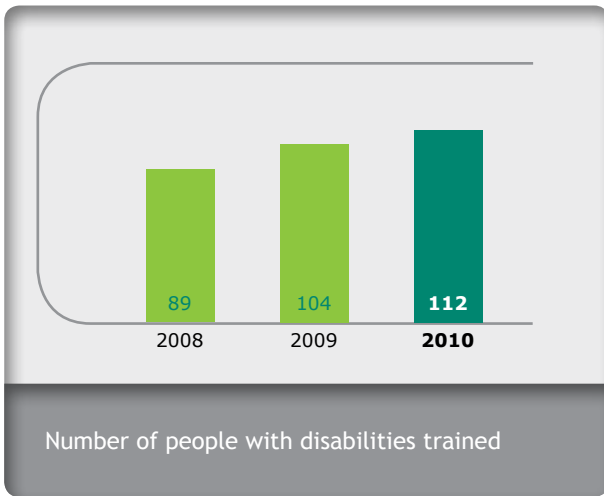
### Attracting and growing talent

With ever-changing market demands, expansion into emerging markets and constantly developing technology and product innovations, Old Mutual recognises the importance of attracting and growing talent that reflects the values of the organisation and meets the evolving needs of the market. Old Mutual was selected to appear in the Cambridge Guide to Excellence, a publication distributed to Cambridge Students and Alumni. This was a great opportunity to showcase OMEM as an employer on a global basis.

We recently received the BEST Employers TM 2010/2011 certification seal, recognising our efforts in developing talent. While we provided training to 10 143 employees in 2010 through our business school and external programmes, spending on skills and learnerships decreased significantly in 2010 due to the completion in 2009 of a major Management Advancement Programme, which required the attendance of every employee across the organisation. The improvement in our dti skills development score is largely attributable to improved classification and

*"We need to scale up and mainstream excellence in all spheres of our lives by investing in the development of top talent, and strategically and tactically leverage it to unleash our full potential as a nation."*

**Kuseni Dlamini:** CEO Old Mutual Emerging Markets (as quoted in *City Press*, February 2010)



Number of people with disabilities trained

### Old Mutual's definition of talent

People in the business who:

- Display leadership behaviour as defined by the ACT NOW! Leadership Actions.
- Have a track record of high performance.
- Have both the ambition and potential to move to a much higher level in the organisation.
- Possess scarce essential skills which are required to deliver strategy and who are able to both use these skills in various parts of the business, and can build capacity for these skills in others.

accounting of our investments in this area. Attracting high-calibre black and disabled candidates to the graduate development programme still remains a challenge. We are reviewing our mentorship programme to serve a broader group than women in leadership and to be more co-ordinated across the business units.

During 2010, we reviewed our contingent workforce practices to ensure fair labour practices and 'decent work' as defined by the International Labour Organisation. Developing human resources and employee mobility across all emerging markets regions has become an increased focus with the incorporation of Colombia, Mexico, India and China into Old Mutual Emerging Markets. While this poses challenges relating to language and cultural differences, it also offers opportunities in terms of shared learning, training, development and leadership.

Transformation is about providing the skills development, work experience, management and career development opportunities for previously disadvantaged people, including black people, disabled individuals and women. We held successful Women's Day luncheons and celebrated diversity week across all offices. We also developed an integrated People with Disabilities Strategy to help us overcome the challenge of limited participation of people with disabilities.

Our learnership programme continues to assist with the transformation of the financial services industry by providing training and work experience for talented black applicants. In addition, our Learner's Scholarship Programme was established in 2010 to provide promising learners from previously disadvantaged groups with the opportunity to finish their schooling at top maths schools.



Old Mutual's Workplace Heroes initiative awards employees who have inspired others to go the extra mile in delivering service and building the brand name of Old Mutual. The Workplace Heroes of 2010 were announced in October, following a vote by more than 2 500 employees. First prize was awarded to Tom Juma, Head of Service Delivery, IT and Operations at Old Mutual Kenya (pictured third from the left).



## Other programmes

**The Accounting Bursary Scheme** – An employment equity initiative designed to generate strong accounting black graduates who then become Chartered Accountant (CA) trainees at Old Mutual and potentially full-time CA employees at Old Mutual. Bursary students who are studying at universities are assigned to mentors who are current trainees. Thirty-nine students have been sponsored to go to university since the inception of the programme, with 19 currently on the programme. Ten bursary students have gone on to join the CA (SA) training programme since inception.

**CA (SA) Training Programme (ex TOPP)** – To infuse black chartered accountants into the finance community of Old Mutual and to grow them into future business leaders. Twelve trainees have qualified since inception and a further 10 are currently on the programme.

**Graduate Development Programme (GAP)** – To attract, integrate, develop and retain graduates at junior and middle management level in order to address scarce skills and develop a talent pipeline through an 18-month fixed-term contract. Since 2008, there has been an 81% retention rate and intake numbers have grown from 17 in 2008 to 40 in 2011.

## Industrial relations

Ensuring freedom of expression, Old Mutual South Africa employees are free to join a trade union of their choice. The two main trade unions at OMSA, Insurance Banking Staff Association IBSA/OMREB and Sasbo Finance Union have 4 460 members and 1 100 members respectively, together comprising 35% of the total workforce. Although slow, union membership continues to grow.

OMSA lost zero days to industrial action in 2010, maintaining our record from 2009. In terms of the Council for Conciliation, Mediation and Arbitration (CCMA) statistics, 74 trials were completed. These trials resulted in 44 wins, 23 settled within mandate and seven losses. The CCMA process has saved Old Mutual (and therefore shareholders and customers) over R15 million.

Initiated in 2009, we now have a formalised split between forums to address union matters. There are now two forums that union matters are processed through, namely:

- OMDABA – which will now deal only with contractual terms and conditions of employment and the annual remuneration review.
- Interests Consultation Group (ICG) at which IBSA/OMREB and SASBO will participate in 2011 and which will deal with all employment practices and employment policies amongst others. This is a major positive breakthrough in union relationships in OMSA.

**The Mentorship Programme** – This programme uses the capacity and skills of existing employees to nurture new skills in the talent pipeline. It is closely aligned to the Women in Leadership Forum (WILF) programme, but includes males and females.

**Actuarial Development Programme** – In 2010, 21 bursaries were awarded to employment equity candidates, bringing to 52 the total number of bursary students on the programme. Programme graduates are appointed into positions within OMSA where they are mentored by qualified actuaries and given tuition support and skills training which includes experience planning via a rotation process.

## Contingent workforce

In addition to permanent employees, OMSA has a contingent workforce of approximately 2 000 people. Of these, 1 000 are hired directly by OMSA either as fixed-term employees (FTE) or independent contractors (IC). The remaining 1 000 are hired via temporary employment services (TES) (previously known as labour brokers).

During 2010, OMSA's contingent workforce was carefully scrutinised to try and ensure that everybody in the pool enjoys fair labour practices and 'decent work' as envisaged by the International Labour Organisation (ILO).

Accordingly a number of interventions took place, including:

- HR executives in every South African business investigated all fixed-term employment contracts to ensure as far as possible that none were being rolled over excessively.
- Ensuring that, as far as possible, FTEs and ICs hired directly by OMSA are utilised in temporary positions and to address peaks in workflow, e.g. call centres and year-ends.
- An audit via Group Internal Audit of the utilisation of TES/labour brokers by Old Mutual, which led to the inclusion of contingent workforce in the People Strategy and Policy, ensuring that all contracts are legally compliant, and a review of long-standing and rolling contracts.

A link has been established with the temporary employment services industry at the NEDLAC Negotiation Forum where the future legislation affecting this industry is being negotiated.

In early 2011, there will be a continued focus on improving this area of our workforce, including opening up developmental opportunities via the Old Mutual Business School.

Case study

### Old Mutual South Africa Business School

The Old Mutual Business School (OMBUS) was established in 2001 and is the corporate centre of learning for Old Mutual South Africa. The core purpose of OMBUS is to provide learning that is aligned to the Old Mutual business strategy and develops both individual and team performance. The Old Mutual Business School provides learning to all Old Mutual employees across South Africa with certain initiatives offered globally.

During 2010, the OMBUS ran 614 workshops attended by 6 929 employees. Further services include:

- **Knowledge Hub:** The OMBUS Knowledge Hub is Old Mutual's corporate library which is open to all Old Mutual employees. Products and services are designed to provide knowledge and information in support of the strategic initiatives of the organisation, as well as the curriculum offered by OMBUS. Books, videos, journals and other products are linked to the competency guide to promote self-directed learning.
- **Business School Website:** OMBUS has its own website which provides relevant information on all learning available in Old Mutual. The website is extremely popular with over 48 304 hits by employees between the periods January and November 2010.
- **Tracking learning:** The organisation uses the Oracle Learning Management System to manage enrolments and to report on all learning undertaken across the business.
- **Onboarding/Induction Programme:** Five events were held during 2010 with a total of 233 employees attending these events.
- **Personal Excellence:** One hundred personal excellence workshops were run in 2010 with 1 102 delegates attending.
- **Service Excellence:** Ninety-two workshops were held in 2010, attended by 777 delegates.
- **Computer Training:** Ninety workshops were held for 540 delegates.
- **Financial Education:** The On the Money programme was provided to 218 internal staff through 24 workshops.



## ➤ Enabling true transformation - going beyond the numbers\*

\* Largely reported on in the next chapter

### Old Mutual South Africa's Women's Day

Once again, Old Mutual celebrated its women on South Africa's Women's Day with gala luncheons and exciting expos. The luncheons allowed women to feel special and inspired and to network with other women in Old Mutual. The day also encouraged women to do great things through the roles that they play as leaders, policy makers, caregivers, educators, peace makers and role-models. Gail Curtis, vice-president of the International Women's Forum, was the guest speaker at the lunches.



### Diversity week

Old Mutual dedicated the week of 13 to 17 September 2010 to focus on diversity. The theme for Diversity Week was 'Heritage', which incorporated core elements of diversity such as culture, traditions and nationality. Employees celebrated by decorating their office spaces and by dressing in their best to reflect their heritage. Employees celebrated by decorating their office spaces and by dressing in their best to reflect their heritage. Employment equity committees across the business drew on their creativity to paint beautiful murals to show their commitment and support for diversity. Old Mutual also held special engagement sessions with employees each day of the week to discuss critical issues related to discrimination and diversity.



# Providing opportunities and platforms to address past imbalances in South Africa



The transformation department celebrates Old Mutual reaching Level 2 BBBEE status in October 2010.

## Material issues

- >> Supporting the economic stability of our country
- >> Equity ownership: Distributing ownership fairly
- >> Management and control
- >> Employment equity: Ensuring a fair chance for all employees to fulfil their potential
- >> Skills development: Providing opportunities for career growth
- >> Preferential procurement: Influencing positive change through how we buy
- >> Enterprise development: Providing finance and support for black economic empowerment deals
- >> Socio-economic development: Supporting our communities to do great things

Old Mutual recognises that a stable economy is the foundation for the sustainability of the business. While Old Mutual generates wealth for its shareholders, it also distributes significant wealth in the form of procuring from local businesses, employee wages, capital payment fees, taxes and community investments and in so doing, contributes to the economic empowerment of society at large.

The transformation of economic empowerment is about acknowledging the changing face of the country. We want Old Mutual South Africa to be a microcosm of how

South Africa could be, to show how South Africa could work. Transformation of Old Mutual South Africa as a whole can take place only through the transformation of each pillar of the dti Codes; hence they form the material issues we address on our journey towards a transformed nation.

In October 2010, Old Mutual South Africa was awarded a Level 2 Broad-based Black Economic Empowerment (BBBEE) status as measured according to the dti Codes of Good Practice, a significant improvement from our Level 4 status in 2009.

## Value added statement

The value added statement (VAS) is a composite table of indicators that show how Old Mutual has apportioned the direct economic value generated from its business amongst its stakeholders.

### Stakeholder distribution

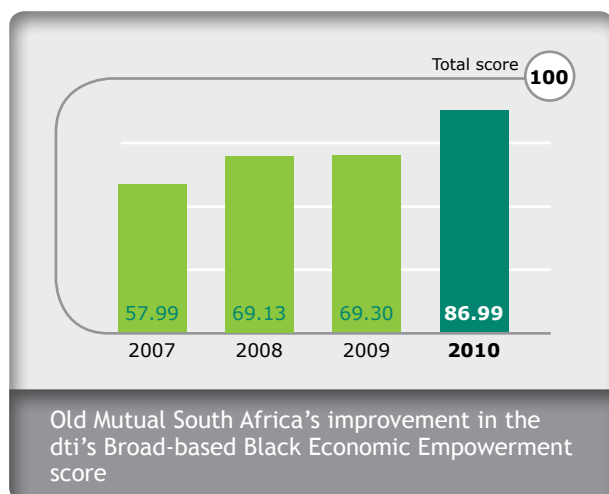
	2010	2009	2008	2007
Direct economic value generated (R million)	77 028	71 312	14 590	73 919
Economic value distributed (R million)	72 227	62 660	26 398	72 497
Customers	56 244	44 229	6 469	50 392
Operating costs (including suppliers) (R million)	8 229	7 741	6 679	6 373
Employee wages and benefits (R million)	4 488	4 247	3 610	3 752
Payments to providers of capital (R million)	1 800	4 314	7 907	7 881
Payments to governments (taxes – see notes) (R million)	1 467	2 129	1 733	4 099
Economic value retained: retained earnings (economic value generated less economic value distributed) (R million)	4 800	8 652	(11 807)	1 423

These indicators show Old Mutual South Africa's scores against the dti's Codes of Good Practice for Broad-based Black Economic Empowerment (BBBEE). Each score is a composite figure that reflects a number of factors contributing to the level of economic empowerment for the seven pillars making up the overall score.

Indicators	2010	2009	2008	2007	Target/ weighting	
Equity ownership	17.81	13.40	17.61	18.82	20	●
Management and control	7.46	6.21	6.32	5.34	10	●
Employment equity	11.07	9.04	7.72	4.84	15	●
Skills development	12.09	4.90	6.43	3.49	15	●
Preferential procurement	18.56	17.92	11.78	7.35	20	●
Enterprise development	15	15	15	15	15	●
Socio-economic development	5	2.83	4.28	3.16	5	●
Total score*	86.99	69.30	69.13	57.99	100	●

\* The BBBEE verification certificate can be found on page 71 and the detailed dti Scorecard can be viewed on the website.

● Improved ● No change ● Needs attention

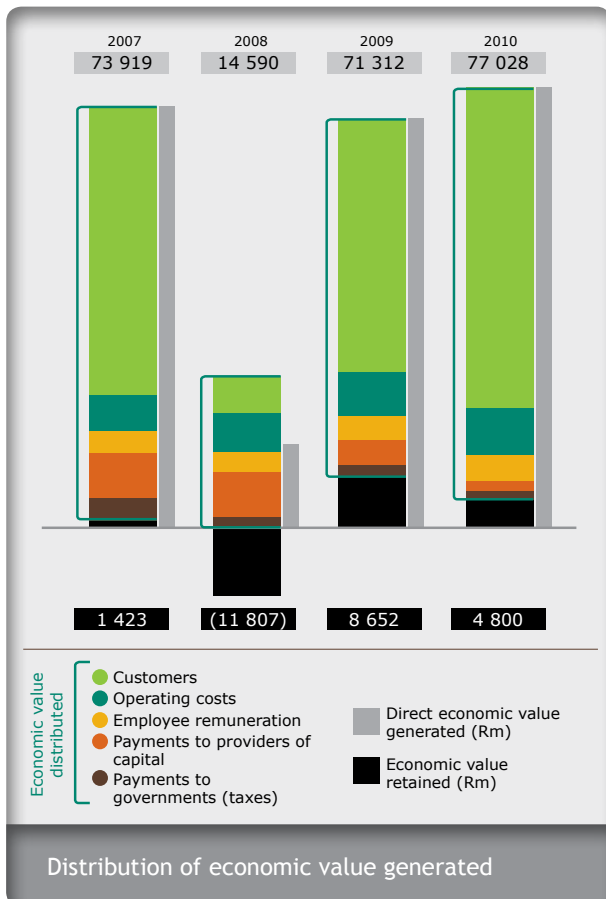


Our overall score increased from 69.30 in 2009 to 86.99 in 2010. The accompanying graph illustrates our achievement over the last four years.

➤ Supporting the economic stability of our country

The financial services industry supports the economy through the role it plays in allocating capital resources. Institutions such as Old Mutual collect premiums from their customers, in return offering them security against an uncertain future. This capital is then put to work in the marketplace, supporting businesses with the potential for growth and profit generation. A proportion of this economic value thus generated is then returned to Old Mutual's customer base, delivering returns on its various investment and savings products.

The importance of the role played by the financial services industry in maintaining the health of the economy was dramatically illustrated during the financial crisis of 2008. Irresponsible lending practices, largely in the United States capital markets, caused a general atmosphere of uncertainty that spread across the world. Old Mutual's value added statement for the past three years reflects the consequences of this crisis – direct economic value generated for 2008 being only one fifth of the present year. The indirect impact of Old Mutual on the emerging market economies is harder to quantify. Nonetheless, the recent performance of emerging markets compared with traditional western, developed economies illustrates, at least partially, the extent to which markets depend on a stable financial services sector.

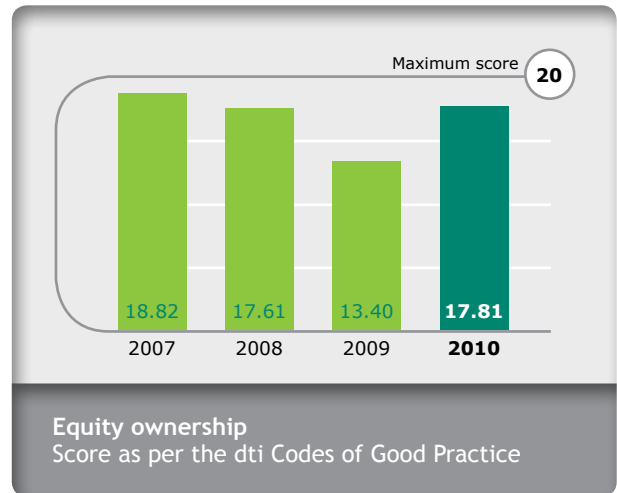


See value added statement on page 45

➤ Equity ownership: Distributing ownership fairly

Performance against the dti Codes

Equity ownership increased from 13.40 to 17.81, primarily due to the share price that increased over the period. The accompanying graph illustrates Old Mutual South Africa's progress over the last four years.



Transactions to improve black shareholding in South African businesses

On 19 April 2005, the Old Mutual Group announced its intention to implement certain proposals to increase the black shareholding in its South African businesses. Old Mutual plc (the parent company of Old Mutual's South African operations), together with two JSE-listed subsidiaries of the Old Mutual Group, Nedbank and Mutual & Federal, undertook transactions based on a common set of principles.

These transactions involved the issue of new ordinary shares in Old Mutual plc, Mutual & Federal and Nedbank to various share trusts for the benefit of black employees within the Old Mutual Group and to a number of black-controlled entities beneficially owned by black clients or distributors of the Old Mutual Group, black community groups and Black Business Partners in South Africa.

Subsequent to the transactions, in 2009 Mutual & Federal delisted when Old Mutual plc bought those Mutual & Federal shares owned by minority shareholders in exchange for new Old Mutual plc shares, in the ratio of 1.73 Old Mutual plc shares per Mutual & Federal share.

Value of the shares issued pursuant to the transactions

The following table shows the value of the shares issued by Old Mutual plc, Nedbank and Mutual & Federal pursuant to the transactions, as well as the value they represent as a proportion of the value of the relevant South African businesses. The figures represent the total value of the direct black shareholdings issued under the transactions.

	OMSA Group (via the Company)		Nedbank		Mutual & Federal		Total value of direct black shareholding
	Rm	% value of OMSA Group's business	Rm	% value of Nedbank's business	Rm	% value of Mutual & Federal's business	Rm
Employees & management	1 689	6.66	680	2.57	357	6.00	2 726
Clients & distributors	288	1.14	1 593	6.03	30	0.50	1 911
Black non-executive directors	-	-	59	0.22	-	-	59
Communities	576	2.27	118	0.45	30	0.50	724
Black Business Partners	864	3.41	590	2.23	238	4.00	1 692
	<b>3 417</b>	<b>13.48</b>	<b>3 040</b>	<b>11.50</b>	<b>655</b>	<b>11.00</b>	<b>7 112</b>

The values in the above table are based on R14.95 per share in the case of Old Mutual plc, R74.75 per share for Nedbank and R21.33 per share for Mutual & Federal

The movement in the relevant share prices subsequent to the transactions is shown in the table below.

	Old Mutual plc	Nedbank	Mutual & Federal*
23.02.2011	15.07	127.60	26.07
BEE Circular	14.95	74.75	21.33
% change	0.80	70.70	22.23

\* The Mutual & Federal share price as at 23 February 2011 is an implied price based on the exchange ratio of 1.73 Old Mutual plc shares per Mutual & Federal share

### Principles of the transactions

In structuring the transactions, the Old Mutual Group developed a set of principles aimed at sustainable broad-based empowerment, and the transactions have accordingly been based on the following principles:

**Transformation** – The Old Mutual Group has designed the transactions to accelerate operational transformation in its South African businesses. This extends to employment equity (particularly at the management level), client acquisition, strategies for underserved markets, profiling the Old Mutual Group and community involvement. The transactions are to be implemented as a part of the Old Mutual Group's comprehensive approach to rapid transformation.

**Broad-based approach** – The transactions are designed directly or indirectly to benefit more than half a million black South Africans across the country, including employees and management, clients and women's groups, black trade union members, distributors, professional bodies, entrepreneurs and communities. The Old Mutual Group has sought to achieve an equitable balance between individuals who are internal and external to the Old Mutual Group. In the process, the ultimate beneficiaries of the transactions have been reviewed to ensure that no individual benefits unduly.

### Alignment of value added to benefits received –

Performance agreements have been entered into with the Black Business Partners to ensure mutually beneficial, enduring partnerships. The performance agreements have been designed to incentivise the Black Business Partners by aligning the rewards which they receive under the performance agreements to the value that they add to the businesses. The transactions aim to balance the economic participation by internal and external individuals, the consequence of which is that no single external individual is likely to benefit more than the Old Mutual Group's most highly paid South African employee.

**Full economic benefits and voting rights** – The transactions have been structured to ensure that shareholders and beneficiaries have full voting rights and the economic benefits attached to equity ownership, thereby ensuring that the ownership requirements of the Financial Sector Charter (and subsequent Department of Trade and Industry Codes) are met. In the case of trusts, which have been formed to acquire and hold shares in Old Mutual plc, Nedbank or Mutual & Federal as the case may be, these have been structured so as to comply with the ownership and control requirements of the Financial Sector Charter (and subsequent Department of Trade and Industry Codes) in that the majority of trustees will be independent black people and the majority of the beneficiaries will be black people.

### Participants in the transactions

The transactions involve participants selected by the relevant company from among the following key groups:

#### Employees and management

The Old Mutual Group recognises the importance of creating an employee and management complement that is representative of South Africa's demographics. Acknowledging that the Old Mutual Group is not yet fully representative, it was proposed to set aside shares in Old Mutual plc, Nedbank and Mutual & Federal with an aggregate market value of R2 726 million to recruit, retain and incentivise black management and staff. Shares will be distributed to an estimated 29 300 Old Mutual Group employees, of whom approximately 17 500 are black.

#### Clients and distributors

Part of the Old Mutual Group's strategy is to increase its focus on its black client franchise. Under the transactions, an aggregate of R1 911 million worth of shares will be set aside for clients and prospective clients and distributors throughout South Africa. Of this amount, R288 million worth of new Old Mutual plc shares will be assigned to an Old Mutual South Africa Black Distributors Trust which will provide loans to assist in launching new businesses developing underserved markets, R1 593 million worth of Nedbank shares will be made available to black retail and corporate banking clients, and R30 million worth of Mutual & Federal shares will be set aside to support black people wishing to develop broker businesses. In all such cases, Old Mutual plc, Nedbank and Mutual & Federal (as the case may be) have determined the basis on which eligible groups will participate in the transactions.

#### Communities

An amount of R148 million worth of shares will be allocated under the Nedbank transaction and the Mutual & Federal transaction to black communities and charitable organisations throughout South Africa. In addition, R576 million worth of new Old Mutual plc shares will be allocated to assist with the education of black members of unions and other groups who do business with the OMSA Group.

#### Black Business Partners

The transactions involve the issue of shares to companies formed by the Black Business Partners, comprising the WIPHOLD Consortium and the BRIMSTONE Consortium in the case of Old Mutual plc and Nedbank, and the WIPHOLD Consortium and Mtha in the case of Mutual & Federal. These consortia have been chosen as Black Business Partners to assist actively in growing the businesses and driving their transformation.

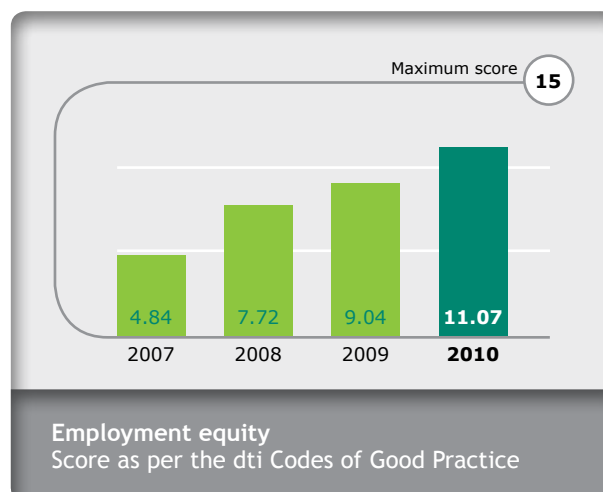
### >> Management and control

The management and control of OMSA is gradually being transformed at the very top of our organisation. We have black executive board members as well as black independent non-executive board members. Our management and control score against the dti Codes improved from 6.21 in 2009 to 7.46 in 2010 out of a potential of 10 points. We remain challenged by limited participation at the top management level of black people in general and black women in particular.



### >> Employment equity: Ensuring a fair chance for all employees to fulfil their potential

The purpose of employment equity is to address workforce imbalances that are an ongoing legacy of the past. The Codes encourage this through requiring a company's employee profile to reflect the economically active demographics in South Africa across all levels and occupational categories. The Codes furthermore encourage the advancement of black disabled people and black women. We achieved our improved score of 11.07 in 2010 (from 9.04 in 2009) through continuing to include employment equity as a focus in all human resource-related strategies and initiatives across all business units. This includes recruitment, retention,





skills development, learnership and management programmes.

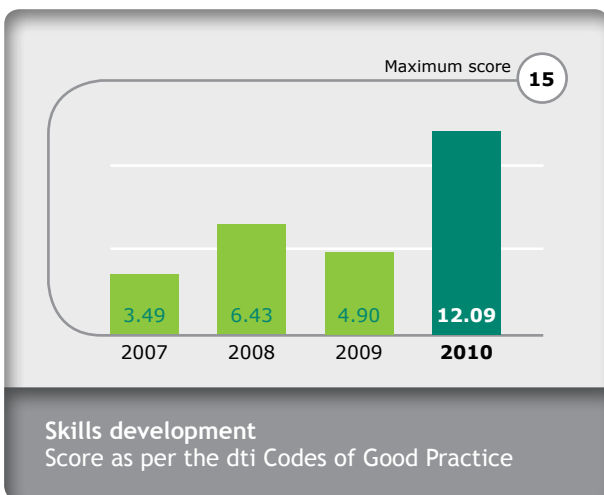
Through our employee surveys, we encourage our employees to identify any issues with regard to unfair discrimination, diversity and employment equity. Employment equity is also a focus of communication programmes to ensure that transformation of our workforce becomes ingrained in our culture.

The summary of the Employment Equity Report in terms of section 22 of the Employment Equity Act can be found on the website. We report on race and gender for top and senior management in the chapter on employees.

### Skills development: Providing opportunities for career growth

South Africa faces a shortage of skilled labour, particularly among the previously disadvantaged population groups. In addition to our desire to see true transformation in the country, Old Mutual has an interest in developing skills in order to provide for its own workforce. Further, by economically uplifting society, we are expanding the market base for our core business. This element of the Codes measures skills spent on black employees and black disabled employees, with a focus on the amount spent on black women and the participation of black people in learner programmes as defined in the Codes. In 2010, we scored 12.09 out of a possible 15 in the dti Codes, increasing significantly from 4.90 in 2009. The improved score is largely attributable to improved classification and accounting of our investments in this area. The decline in training spend over the period is largely accounted for by the completion in 2009 of a major Management Advancement Programme, which required the attendance of every employee across the organisation during 2008 and 2009.

Our internal skills development is further discussed in the chapter 'Our Workplace – Building a great place to work with people who do great things'. Our external skills development is discussed in the section below on the Old Mutual Academy for Financial Planners as well as in the sections on financial education (page 26), Masisizane (page 53) and corporate social investment (page 51).



### The Old Mutual Academy

Established in 2004, the academy addresses a specific need to grow new fully accredited and experienced black financial planners to address the financial planning needs of the growing black middle class and to provide market access for previously disadvantaged individuals. Adding to the academy's value proposition, it now offers Old Mutual franchise brokers the opportunity to achieve their accreditation through a 'recognition of prior learning' programme. From 2006, 130 learners have graduated and we have assisted in the placement of academy graduates with Old Mutual-friendly brokers and banks.

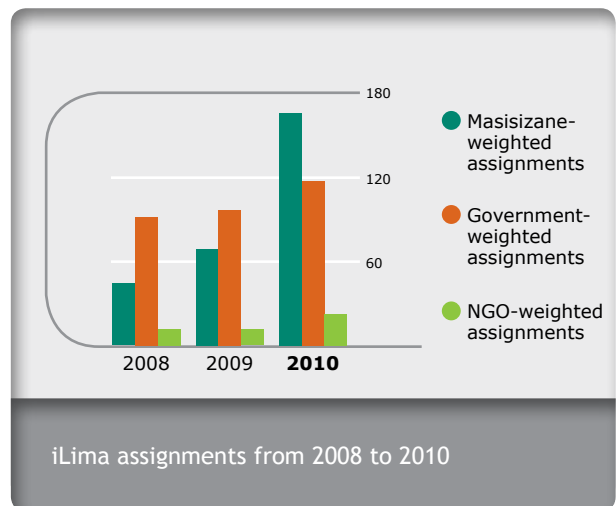
A challenge facing trainee financial planners is the requirement for business support to enable them to sell policies and products (under supervision) while they are going through the academy. This support is not being provided to the extent that it is needed, an area noted for attention in 2011.

A further key challenge is the increase in new recruits who have been blacklisted and have judgements against them. To address this, we have changed our recruitment process and will employ an updated and more comprehensive testing system in the selection of new candidates, including a panel of subject matter experts for selection and profiling.

### The iLima Trust

The iLima Trust was allocated R50 million from the Masisizane Fund to deploy retiring senior executives and managers from Old Mutual to members of national, provincial and local government that are struggling with service delivery challenges. The iLima Trust also assists owners of small and micro-enterprises who are supported by Masisizane to build their businesses in a sustainable way and provides community development training for those involved in poverty alleviation initiatives. These services are provided free of charge and undertaken on a short- or long-term basis.

The trust was due to close in December 2010, but due to savings made and continued income from a money market account, we will keep the trust open until the end of September 2011.



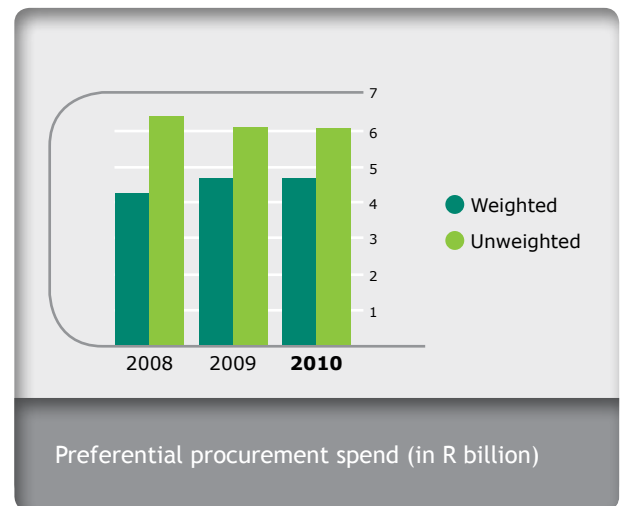
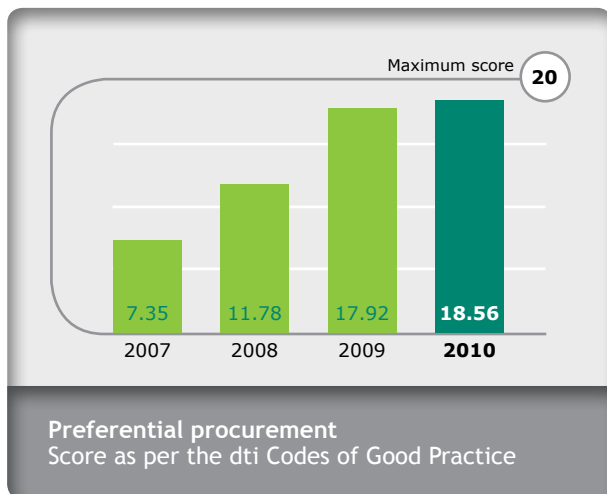
>> **Preferential procurement: Influencing positive change through how we buy**

OMSA's central procurement is driving to increase spending with vendors that have a BBBEE Level 4 rating or better. To assist in this drive, we are collecting and storing valid certificates from vendors, and these have increased from 87 in 2008 to 420 in 2009 and 2 037 in 2010. The increase in compliance will help Old Mutual to improve its proportion of preferential procurement spend as well as encourage potential vendors to become certified and improve their own BBBEE status, thus promoting the transformation agenda.

Internally, our strategy was to engage monthly with our business units where non-compliant vendors were used in certain categories and to direct spend towards BBBEE-compliant vendors. This increased the focus on preferential procurement across Old Mutual. Our 2010 score showed an increase from 17.92 to 18.56 out of a

possible 20. Our weighted spend\* for 2010 was R4.65 billion (which is 76% of compliance – above the dti target of 50%). Our projected target for 2011 is R5.26 billion.

While Old Mutual used 202 black-owned suppliers (BO) and 83 black women-owned (BWO) suppliers nationally, the non-availability of BO and BWO enterprises, particularly in Cape Town, remains a challenge. To address this, we are engaging with selected large vendors to encourage transformation of their ownership composition; we are identifying categories where BO and BWO suppliers can be sourced; and we are in the process of identifying existing BO and BWO suppliers whom we could help with their Old Mutual procurement processes.



\* The weighted spend shows the level of preferential procurement compliance

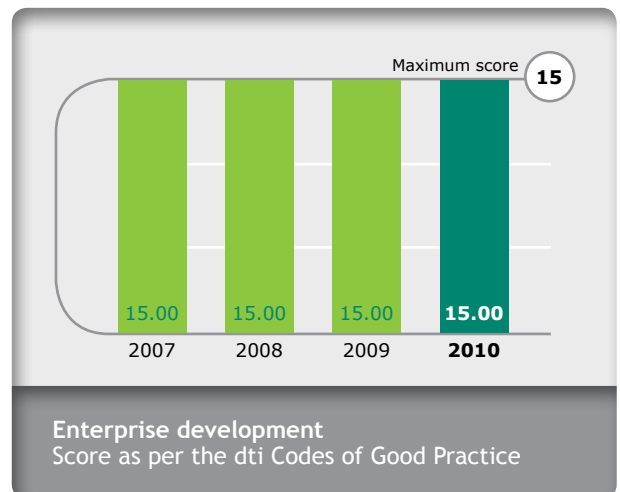
>> **Enterprise development: Providing finance and support for black economic empowerment deals**

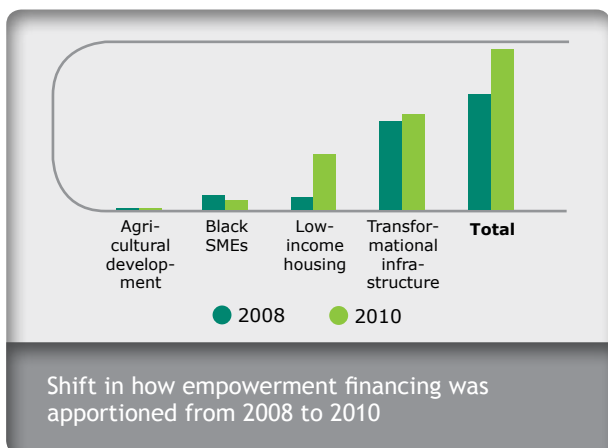
Enterprise development is crucial to the transformation of South Africa in that it helps to provide financing and support for:

- Black-owned businesses
- BEE equity deals
- Infrastructural development, particularly of disadvantaged communities.

Once again, we have achieved the maximum dti score of 15.

We have slightly adjusted the structuring of our empowerment financing between the end of 2008 and the end of 2010. We have significantly increased the financing provided to the development of low income housing from R530 million to R2.42 billion, a 357% increase, responding to the desperate need across the nation for low-cost housing. Transformational infrastructure still remains our biggest area of financing, with R4.14 billion provided in 2010.





Data is for the period December 2009 to end August 2010 (in Rand billion)

Case study

**Providing high quality transformational infrastructure: DIRCO Building awards**

The Department of International Relations and Co-operation (DIRCO) recently won the SAPOA award in the office development category for the OR Tambo building. Old Mutual Property was one of the strongest partners along with government in the Public Private Partnership (PPP) responsible for the project. This is the first successful PPP that Old Mutual Property has undertaken, as a developer and shareholder, with an investment of R23.75 million in a total project worth R1.37 billion.

Partnering with government has been an important focus for Old Mutual Property and stems from our stability as a company, for funding purposes as well as being leaders in the property industry.

Case study

**Old Mutual Property's new black-owned funds**

Old Mutual Property has partnered with two Greenfield management companies to support enterprise development in new and existing small enterprises in the property industry.

**Neo Africa Properties (Pty) Ltd** which intends to develop a fund comprising commercial properties leased to the government that will meet the Department of Public Works' BBBEE policy for ownership.

**Urban Growth Management Company (Pty) Ltd** which intends to develop a fund comprising property investments that incorporate the core principles of responsible investment. The scope of investments will include urban regeneration and township developments, health and education facilities and green buildings.

**Socio-economic development: Supporting our communities to do great things**

**Old Mutual Foundation**

From a corporate social investment (CSI) budget for 2010 of R30 million, we spent a total of approximately R22 million on activities (excluding an operational budget of R4.3 million), down from R27 million spent in 2009. Investments were largely limited by major beneficiaries not complying with funding requirements.

We support the creation of jobs through our activities, focused on enterprise development and skills capacity building.

**Enterprise development**

Our enterprise development projects in small-scale agriculture, manufacturing and the environment focus on green jobs and those initiatives that are labour-intensive.

Treepreneurs is a programme whereby facilitators from the Wildlands Conservation Trust teach individuals in townships and rural communities how to grow indigenous trees from seed and then care for the young saplings until they reach a certain height. The trees are then traded back to Wildlands for food, clothes, bicycles, agricultural goods and tools, school and university fees before being planted back in the community's environment, or planted out in Wildlands' forest restoration projects. The programme has grown from 300 Treepreneurs in 2004 to over 2 500 Treepreneurs in 2010, producing around 300 000 indigenous trees per annum.

**Skills capacity building**

Our projects focus on:

- **Product-to-market:** product, business and human capital development focused on the craft sector
- **Trades and artisans:** such as plumbers, carpenters and electricians
- **Sport:** supporting talented individuals to build a career in and represent South Africa in sport



BUILDING EQUITY >> Providing opportunities and platforms to address past imbalances in South Africa (continued)

The Old Mutual Legends Programme, facilitated by Fetola and Associates, operates as a 'virtual incubator' to support the growth and sustainability of small black-owned businesses and community projects in rural and peri-urban poverty nodes. The programme has grown from 10 sites in 2007 to 30 sites across the country in 2010 and was a finalist at the Mail & Guardian Investing in the Future Awards in October 2010.

**Education**

We focus on improving mathematics and science at secondary schooling level as well as supporting schools with regard to leadership and management, teaching functionality and infrastructure.

Our LEAP Science and Maths School programme comprises four independent high schools in Cape Town and Johannesburg focusing on Grades 9 to 12 and serving specific communities. While the schools focus on the high quality teaching of maths, science and English, they take a holistic perspective by ensuring good values, interaction with local communities, small classes, increased contact time with teachers (Saturday schooling and holiday programmes) and partnering with

successful schools. Of LEAP's 540 learners, 99% are black South Africans from economically disadvantaged households. LEAP has achieved extraordinary success in its relatively short history with a 95% average Grade 12 pass rate with 74% of our matriculants engaged in tertiary studies.

LEAP's 2010 Grade 12 learners achieved a 98% pass rate. We are especially proud of our first class of Grade 12 learners at LEAP 3 (Alexandra) who achieved a 100% pass rate with 74% of learners achieving bachelor qualifications. In March 2010, LEAP's first tertiary graduate was awarded a Bachelor of Commerce (Finance) from the University of the Western Cape and is now working for Allan Gray Asset Management. We are looking forward to this trickle becoming a flood of academically and personally enabled young people entering the work place.

We continue to support Dinaledi Schools, the government's programme to promote excellence in the teaching and learning of mathematics and science in five adopted schools across the country.

**Staff volunteerism**

	2010		2009		2008	
	Volunteers	Spend	Volunteers	Spend	Volunteers	Spend
Payroll Giving	1 164	1 205 386	1 232	1 086 906	994	854 955
Staff Community Builder	144	2 423 878	368	5 551 500	346	5 710 300
Care & Share	2 423	2 276 797	5 689	2 882 070	4 200	1 579 547



**Dinaledi Schools**

The top learner in Limpopo is from Dendron, an Old Mutual Foundation Dinaledi-supported school. Seventeen-year old Tsakane Ngoepe, who notched seven distinctions, is studying actuarial science at the University of Cape Town with a full scholarship from Old Mutual South Africa.



**Honouring Ubuntu**

Graça Machel was the guest speaker at the 2010 Old Mutual Staff Volunteerism Awards, which honoured all those staff volunteers who demonstrate and spread Ubuntu. "To have more than half our workforce actively involved in volunteerism demonstrates that our company has a deeply entrenched tradition of community involvement," says Kuseni Dlamini, CEO Old Mutual Emerging Markets.

Our staff volunteer numbers dropped significantly in 2010. This drop in numbers can be attributed to the introduction of new measures to ensure due diligence; changes in funding and programme structure; and the initial difficulty in adapting to these changes. We will address these issues during 2011.

Staff donations through payroll giving since inception of the programme in 2002 totals R6.4 million. The expansion of the programme from 2008 to 2009 was due to the visible involvement of top executive support for the programme, proving that leadership by example has the greatest impact. Contributors represent less than 10% of our workforce, so there is huge potential to expand this programme.

Our Staff Community Builder programme application process went through a transition in 2010, resulting in a reduced number of project applications coming through. We anticipate a steady increase in applications for 2011.

The Old Mutual Property Green Support Programme aims to encourage, support and recognise staff members who give of their time, energy and talents to play an active role in the development of their communities. Annually, Old Mutual Property staff can apply for a maximum of R3 000 to support projects that they are actively involved in around youth development, education, skills development and job creation, community development, health and welfare, early childhood development, special needs education and culture.

## Masisizane

Masisizane is a non-profit organisation focusing on initiatives geared towards generating sustainable economic and social benefit for communities across South Africa. These initiatives are financed from the sale of shares following the closure of the Old Mutual Unclaimed Shares Trust in 2006. The budget allocation for 2010 was R650 million.

Masisizane aims to:

- Provide affordable access to loan financing for entrepreneurs who are currently excluded from traditional funding sources.
- Help improve the long-term sustainability of small medium and micro-enterprises through skills capacity building and marketing assistance.
- Make a lasting social impact in communities nationally, while prioritising areas of greatest need.

### Breakdown of Masisizane fund allocation

Current Masisizane initiatives	Investment (R million)
SME financing	375
Financial education	60
iLima Trust	50
Technical and marketing support	40
Promotion	25
Micro-financing	100
<b>Total</b>	<b>650</b>

### Case study

## Supporting women in small-scale farming

While Mrs Ndusulwana enjoyed small-scale farming her whole life and bought a farm in 2008 under the Land Affairs Department's programme, she was struck by disaster in the form of a severe drought. Not able to borrow money from commercial banks, Mrs Ndusulwana approached Masisizane for a loan of R700 000, which enabled her to rehabilitate the boreholes on the farm, purchase 70 dairy cattle and a battery of chickens, replace milking machinery, buy extra feed to prevent malnutrition, and improve conditions at the abattoir. In addition to the loan, Masisizane provided technical support and guidance

on bookkeeping, business management practices and farming methods.

Through hard work and ongoing support from Masisizane, the farm is thriving with 200 000 broiler chickens, along with a dairy, piggery, meat processing plant and abattoir, vegetable tunnels and 30 hard-working employees.

Mrs Ndusulwana was named 2010 Female Farmer of the Year for the Eastern Cape.



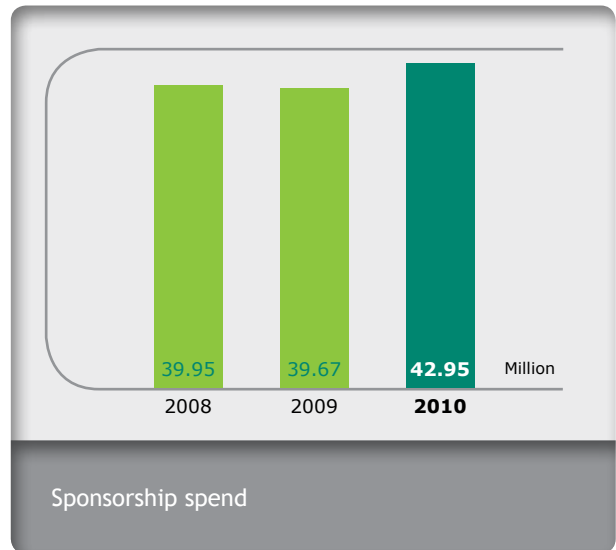
**BUILDING EQUITY >> Providing opportunities and platforms to address past imbalances in South Africa (continued)**

**Sponsorships**

While Old Mutual acknowledges that its sponsorship activities are primarily related to marketing the company and building its brand, these sponsorships, covering a wide range from sporting activities to arts and culture, build emotional links with various customer and population groups, as well as the broader community.

As can be seen from the accompanying graph, Old Mutual South Africa's sponsorship increased over the last three years, with the intention to maintain it at current levels through 2011.

Old Mutual's sponsorship portfolio is focused on road running, football, golf, arts and culture. Educational aspects of social and environmental awareness are also raised through these events through promoting volunteerism, the development of talent for the under-privileged, recycling, etc.



**Road running**

We are the title sponsor of the largest road race in Africa, the Old Mutual Two Oceans Marathon. This event attracts in excess of 27 000 runners with participants from South Africa, Africa and around the world; contributing approximately R230 million to the GDP of the Western Cape. We are also title sponsors of the Om die Dam Marathon in the North Western Province as well as the Buffs Marathon in the Eastern Cape. Old Mutual is also a sponsor of various smaller road races throughout South Africa.

**Arts and Culture**

For the past 23 years we have sponsored the Old Mutual National Choir Festival. This important event uses choral music to bring communities and cultures together. The festival was nominated for a Business and Arts South Africa (BASA) award in 2010, attracting over 17 000 choristers and nearly 150 000 attendees (including 4 110 Old Mutual staff and 320 Old Mutual staff volunteers). The Old Mutual concerts at Kirstenbosch, Emmerentia and the Durban Botanic Gardens provide the opportunity for South African bands to perform and display their talent to a diverse audience. Over 5 600 trees were planted to offset the environmental impact.



**Golf**

Old Mutual has a number of golf sponsorships with the largest being the Old Mutual International Pairs, the South African leg of the largest amateur golf event of

its kind in the world with nearly 1 000 players. We also sponsor the Old Mutual Schools Golf Challenge as well as the Nomads Golf Association.



**Football**

Old Mutual South Africa was the founding partner of the Dreamfields project along with BHP Billiton. This initiative assists communities by bringing sustainable soccer fields and equipment to disadvantaged communities across South Africa. Old Mutual is also the financial services partner to three PSL clubs, Ajax Cape Town, Bloemfontein Celtic and Moroka Swallows.

The Old Mutual Football Academy was formed in 2002 with the aim of giving talented young footballers from underprivileged backgrounds the opportunity to become professional footballers. To date, nine players from the Academy made it to the ranks of the Premier Soccer League.



**The Old Mutual Mangaung Cup**

The Old Mutual Mangaung Cup in Bothshabelo, a pre-season tournament, features the three PSL teams that Old Mutual supports and provides the local community with the opportunity to see top-class football. This sponsorship fulfils the company's intent to support local football as well as complements its business and socio-economic development initiatives in the region.

**Mangaung Cup fact sheet**

Number of attendees	22 500
Number of schools that hosted a Dreamfields event	24
Number of informal vendors supported	50
Number of staff attended	350
Contribution to Bothshabelo GDP	R4 million
Number of charity beneficiaries from event	6

## Promoting ethical behaviour amongst all stakeholders to ensure overall sustainability of the business



### Material issue

#### >> Combating fraud

Old Mutual prides itself on its ethical standards, with the board continuing to review the management of standards and striving to build and sustain an ethical corporate culture within

the Group. The number of fraud incidents reported has increased during 2010, primarily as a result of a spike in fictitious policies.

Financial losses due to fraud have, however, declined. The number of finalised and proven cases of fraud increased in 2010. Group Forensics Services (GFS) recovered or prevented R53.23 million in 2010.

Action taken against perpetrators increased in line with the number of incidents reported.

#### Anti-bribery, corruption and security sanctions

The new UK Bribery Bill, which will affect Old Mutual Emerging Markets business units and employees, updates and consolidates existing UK anti-bribery and corruption legislation, provides for new offences and extends the UK Government's territorial legislative reach. The Bill includes a new criminal offence, namely the failure of a commercial organisation to prevent a bribe being paid by it or on its behalf. In order to comply with the Bill and protect itself from potential prosecution, we must demonstrate that Old Mutual

#### >> Combating fraud

The Group's comprehensive, proactive anti-fraud strategy focuses on improving cyber-crime detection and prevention capability, as well as fraud reporting capabilities, thereby providing business units with early warning information on fraud trends and emerging fraud risks affecting their business sectors.

#### Incidence of fraud

On noticing a general increase in the submission of fictitious policies, the life assurance industry issued a press release urging consumers to check their bank statements and salary slips routinely every month. Old Mutual South Africa also experienced an increase in the incidents of fictitious business. The increase in the number of incidents of fraud from 2009 to 2010 is mainly as a result of two external matters involving the submission of large-scale fictitious business in the Retail Mass Market segment.



Emerging Markets has adequate prevention procedures in place. The main sections of the Bill are likely to be introduced in 2011.

Government-sanctioned legislation prohibits business relationships with named persons or entities, and has a potentially significant impact on the Group because breaches can lead to criminal prosecution and heavy regulatory fines. This risk is significantly increased by the Group's US presence and UK listing. We need to carefully consider the consequent impact on Old Mutual Emerging Markets.

The Group Business Protection Unit (GBPU) ensures that all the Group's business units have sufficiently robust controls in place to manage the risk of corruption. The programme requires business units to understand and document their bribery and sanctions risks, have policies in place that ensure compliance with relevant legislation and monitor these effectively, and ensure that CEOs sign off on these processes.

### The risk of bribery and corruption

Old Mutual South Africa, Colombia, Mexico, Africa and China have completed an assessment of their anti-bribery and corruption and sanctions risk. Where risks have been identified, actions to mitigate the risks have been specified. The risk assessments and adequacy of controls have been submitted to GBPU for review and approval.

Locally, Old Mutual South Africa's anti-bribery and corruption (ABC) risk is medium to low and is adequately mitigated both by South African legislation and Old Mutual policies. In our African Operations, ABC risk is high and ABC-specific legislation in the countries in which we operate is inadequate. Our policy framework in these countries does not sufficiently mitigate the corruption risk and is being addressed.

In Mexico, the ABC risk is rated high, and in Colombia and China medium. A mixture of appropriate training, due diligence and recruitment vetting processes have been developed and are being implemented.

For our African Operations, exposure to sanctions obligations is regarded as minimal and existing practices are regarded as adequate. In Mexico, specific residence restrictions required by legislation will be included in all future investment agreements. Our Colombia operations comply with US sanctions legislation. Specific measures are in place in China.

### Whistle-blowing strategy

Old Mutual has in place a comprehensive, proactive strategy to prevent fraud. The strategy integrates policies covering the Code of Ethics, fraud, theft, corruption, cyber-crime and internal irregularities,

conflicts of interest, moonlighting, gifts and whistle-blowing. Group Forensic Services (GFS) is mandated by Old Mutual's board of directors with implementing the strategy, and independently and objectively investigates all suspicious activity and reported incidents.

The policy applies to all employees within the Group. Every employee has a general duty to act in the best interest of Old Mutual and report any dishonest or unethical conduct. Reports can be made directly to GFS, or anonymously. Confidentiality is respected throughout.

Old Mutual communicates extensively with its employees on its Code of Ethics and whistle-blowing policies. The number of tip-offs received by the independent anonymous fraud reporting hotline, Tip-Offs Anonymous, decreased in 2010.

In Kenya, Namibia, Malawi and Swaziland, all branches were sent posters promoting our confidentiality campaign. Old Mutual Zimbabwe now also subscribes to the whistle-blowing facility and staff training will take place early in 2011.

Old Mutual's annual employee engagement survey includes an assessment of employees' views on the company's values. One of these values is integrity, which can be used as a proxy for attitudes towards ethical behaviour. In 2010, improvements in the integrity rating were made across the category with 'acknowledgment of mistakes' showing the greatest year-on-year increase.

In a wider context, we communicate research on fraud trends to business units and continue to develop and communicate fraud-related policies.

### Old Mutual compliance with regulations

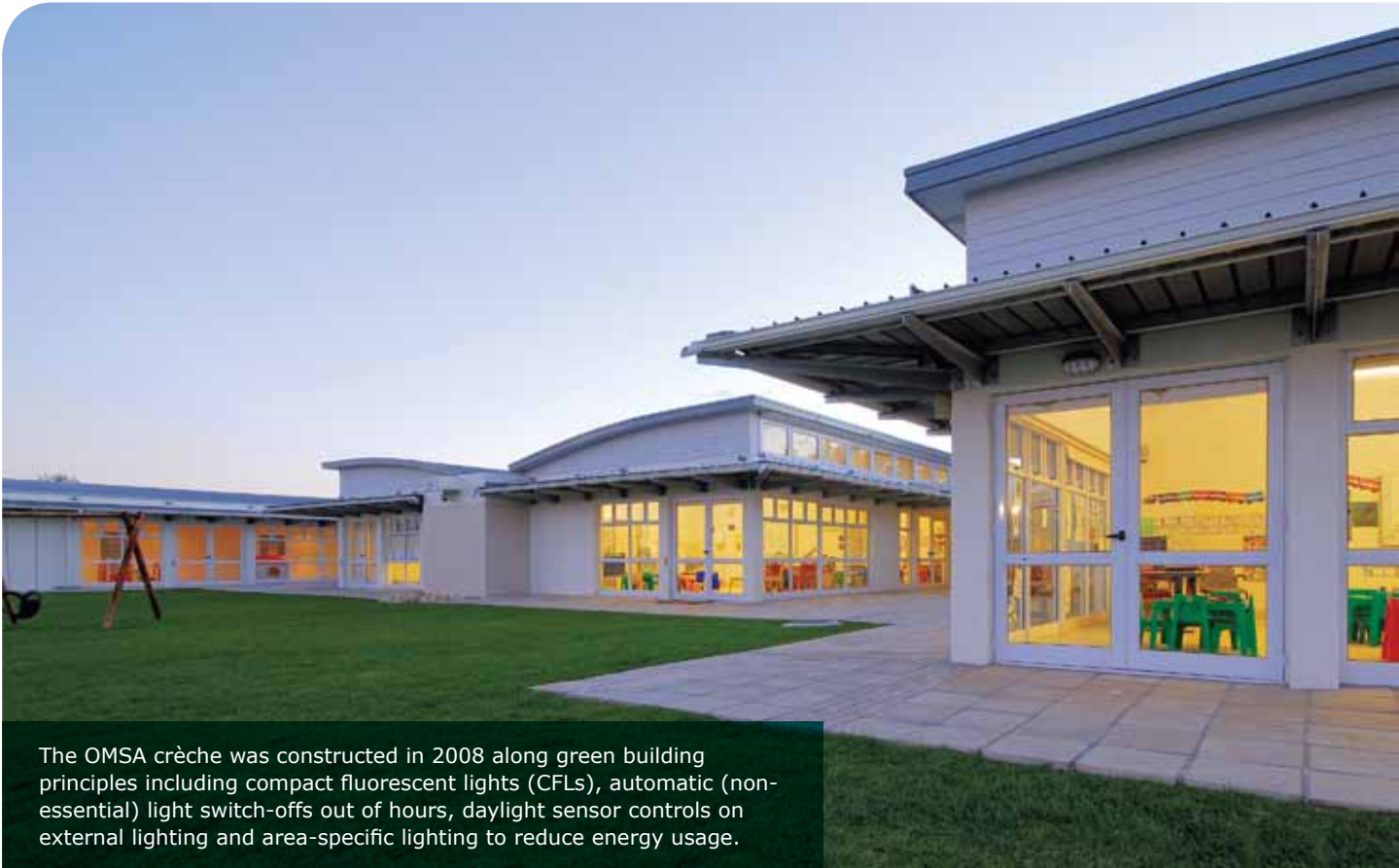
In upholding our ethical standards, we will comply with various items of legislation that have recently been promulgated, or are imminent, and which will affect our business processes. Legislation includes the Protection of Personal Information, amendments to FAIS and FICA Acts, amendments to the FAIS Conflict of Interest regulations and voluntary compliance with the UK Treating Customers Fairly initiative. We will in future comply with the South African TCF requirements once these have been put in place.

Old Mutual is also preparing to respond to closer attention by regulators. We expect increased requests for information and tighter controls from the Financial Services Board (FSB). The Group has dual reporting requirements, about which the FSB is particularly sensitive. The cost of compliance is escalating – in itself a risk – and managing the mass of existing and new legislation with existing resources will be a challenge.

*“While the writing of fictitious policies is of concern to the life insurance industry, the good news is that most large financial services companies have dedicated forensic departments that will assist with the speedy investigation and prosecution of advisers submitting fictitious policies. And you will receive a refund of the premiums deducted from your salary or bank account.”*

**Peter Dempsey:** Deputy CEO of the Association for Savings and Investment South Africa (ASISA)

# Impacting positively on the environment



The OMSA crèche was constructed in 2008 along green building principles including compact fluorescent lights (CFLs), automatic (non-essential) light switch-offs out of hours, daylight sensor controls on external lighting and area-specific lighting to reduce energy usage.

## Material issues

- >> Conducting our business in a more environmentally-friendly manner
- >> Raising employee awareness to influence all Old Mutual stakeholders towards environmentally-aware decisions
- >> Contributing positively to the environment through the way we manage our properties
- >> Contributing positively to the environment through the properties we develop
- >> Influencing positive environmental change through investment decision-making\*

\* Covered in the 'Investing responsibly' chapter

At Old Mutual we recognise that we affect the environment both directly and indirectly and acknowledge that we should reduce negative impact and contribute positively wherever possible. Many of the Old Mutual initiatives in this area have been rolled out by an Old Mutual Property task team. These involve looking at how we do our business, raising awareness of environmental issues and improving our environmental performance through the

way we manage and develop properties. These initiatives have now been combined into an approved Old Mutual Property strategy which will now be expanded to include the entire Old Mutual Emerging Markets (OMEM). This more structured approach will help us to leverage greater improvements, to communicate more formally with our stakeholders and to encourage positive environmental impact.

The table below lists the indicators we have chosen to measure our environmental performance. Our aim is to reduce our emissions by 20% by the year 2020. As we are using 2010 as our base year for comparison, not all figures are available for prior years.

## Indicators

	2010	2009	2008	
<b>Emissions from the business*</b>				
Travel carbon emissions (tonnes)	3 632			□
Amount of printing – measured in number of tree equivalents	49	60		●
Glass recycled (kg)	230 560	229 093	316 700	●
Paper and cardboard recycled (kg)	1 618 250	1 962 396	1 523 700	●
Plastic recycled (All types) (kg)	326 510	312 306	241 700	●
Metal and cans recycled (kg)	116 510	45 270	104 400	●
<b>Emissions from the property portfolio**</b> (information only for Mutualpark)				
Electricity consumption (kWh)	597 962 230	552 364 472	270 985 920	●
Water consumption (kl)	4 199 181	4 100 604	1 068 302	●
Waste not recycled (kg)	4 354 480	4 698 320	–	●
Waste recycled (kg)	2 291 830	2 549 065	2 186 500	●

\* These results would ultimately be expressed per employee to aid with comparisons

\*\* These results would ultimately be expressed per m<sup>2</sup> area under management

● Improved ● No change ● Needs attention □ First year 2010

## Conducting our business in a more environmentally-friendly manner

Old Mutual recognises the importance of reducing its environmental impact and enhancing the environment through the way it conducts its business. Old Mutual can best maximise its sustainability contribution by co-ordinating its environmental strategy with the three main thrusts of the Group's climate change strategy:

- To continually improve the comprehensiveness and accuracy of our emissions data.
- To create initiatives to engage all stakeholders and enable participation.
- Set a target at Group and local level in 2011.

Old Mutual's environmental policy therefore aims to ensure that it complies with all relevant legislation and avoids the use of environmentally-harmful materials in the conduct of its business, limits consumption of natural resources and practises effective recycling, promotes environmental awareness among its employees, and supports community activities that promote environmental awareness and protection.

Realising the strategy involves the development of climate change initiatives with strong and reliable performance measurement indicators built in. Old Mutual Property, for example, goes further, aiming to deliver a 20% reduction in emissions per employee and a 20% reduction in emissions per m<sup>2</sup> by 2020 from the 2010 base.

In 2009, Old Mutual Property established a pilot green travel policy. By the end of 2010, we had already achieved a R5.7 million saving in travel costs and

prompted the monitoring of business travel-related carbon emissions throughout Old Mutual South Africa, providing a baseline figure for future reductions. We have followed this up in 2010 with the purchase of a Microsoft collaboration tool that allows local and international instant messaging and conferencing to further enhance travel savings within the Group.

Since 2009, all printing within Old Mutual Property has been measured and the total amount of paper printed annually is converted into the number of trees used. A minimum of the equivalent number of trees is then planted to neutralise the effect of printing. As an example, in 2009, Old Mutual Property printed the paper equivalent of 60 trees, and planted 250 replacement trees. Awareness drives and printing double-sided in 2010 resulted in an 18% reduction in printing over 2009 figures.

Old Mutual uses its sponsorship activities to promote environmentally-sustainable practices. Awareness-raising and provision of recycling facilities at the Old Mutual Two Oceans Marathon resulted in 83% of all waste produced being recycled. Recycling efforts at the Old Mutual concerts in the Western Cape recovered 15 706 kg of waste and Old Mutual sponsorship resulted in the planting of 5 623 trees in 2010.

*“As the challenges posed by climate change become more evident it is clear that no business can ignore the environmental impacts of its own operations.”*

**Helen Wilson:** Head of Corporate Responsibility:  
Old Mutual Group

In 2010, the Group completed its fourth public submission to the Carbon Disclosure Project and maintained its place on the FTSE and JSE leadership index. The Group plans to develop tools and frameworks to help the business units deliver the Group climate change strategy. Geographically, 97% of Old Mutual's carbon emissions originate in southern Africa, followed by the UK with 1.3% (2009 Scope 1 and 2 emissions, including property portfolio). The long-term savings business generates 86% of this. An overall carbon metric will be developed in 2011 to enable tracking of progress across the Group and it plans to expand the data-collection processes across all business units.

The 360 trees planted will result in 135.3 tonnes of carbon dioxide being sequestered over the next 15 years. The trees improve quality of life by providing shade and food, and the project provides training to community-based educators, short-term employment and environmental awareness education.

The Old Mutual Property stand at the South African Council of Shopping Centres in Cape Town in 2010 was constructed and run on a completely carbon-neutral basis by using wind power to power the stand. As part of the exhibit, we initiated a tree planting programme and showcased a 'living wall' which is now growing well in our head office exhibition area. We distributed a Green Paper promoting Old Mutual Property and containing thought leadership articles on the environment and sustainability. Finally, instead of collecting business cards, we used iPads to electronically capture potential customer details.

Old Mutual Property has set the standard for carbon neutral exhibition stands and it is our intention to continue the practice as a green signature. The Green Paper was very successful and we plan to compile it quarterly, not only to promote Old Mutual Property, but also to continue playing a sustainability mentoring role in the property industry.

### >> Raising employee awareness to influence all Old Mutual stakeholders towards environmentally-aware decisions

Old Mutual is committed to raising employees' environmental awareness so that they can become environmental champions and a positive influence on the actions of the wider stakeholder community. We recognise further that we need to develop a culture of sustainability within Old Mutual that is driven by key people within the business who can create and maintain employee commitment. Initially, internal communications around sustainability will focus on developing an understanding of sustainability and its links to Old Mutual's value proposition. Subsequently, we will focus on promoting a sustainability mindset along the value chain, allowing us to better engage with vendors, suppliers, tenants and investors on sustainability.

In November 2010, 360 trees were planted in River Park, Alexandra, as part of a joint initiative between Old Mutual Corporate and Food and Trees for Africa.

### >> Contributing positively to the environment through the way we manage our properties

Historically, buildings and properties account for some 7% of carbon emissions in a typical economy. Property management activities therefore present an ideal opportunity to improve the company's carbon footprint. Our focus in 2010 has been on stabilising the projects that we have implemented to ensure that savings are maintained. Following this, we aim to replicate the successes across portfolios as and where applicable.

We are aware of our shortcomings in measuring and monitoring our resource use, especially at our leased offices. We need to ensure thorough and accurate monitoring, develop carbon emission baselines and targets and put in place robust performance indicators in a documented management system for all the buildings that we manage. This will enable us to focus our efforts in a structured manner and report more accurately and thoroughly.

### e-Filing to reduce paper usage and office space

In 2009, we started Project Caterpillar, which originally looked at how Old Mutual utilises office space. As the project developed, opportunities for improving the sustainability of Personal Financial Advisers' (PFA) work styles became apparent. These included flexitime working to reduce congestion-period commuting and a paperless e-Filing initiative, which reduces printing and paper use and the need for paper storage dramatically. Remote access through e-Filing also reduces commuting by improving the PFAs' access to client information from outside the office, and is expected to generate a forecast annualised office space rental saving after our first year of R7.2 million. We plan to introduce an additional three pilots in 2011, which will translate into a forecast 30% of our adviser force using e-Filing and storage by the end of 2011.

*"The principles of protection and sustainable growth underlying our tree planting initiative can equally be applied to financial resources in the form of retirement savings. Our sustainable investment philosophy is aimed at achieving similar protection and sustainable growth for our customers' retirement savings."*

**Bongani Madikiza:** Managing Director, Old Mutual Corporate

Old Mutual Property recognises the benefits of employing new technologies and management techniques to improve the resource efficiency of its buildings. While more robust data collection has increased our overall energy consumption figures, we have, over the course of 2010, managed to maintain and marginally increase our savings in energy and water use.

The use of advanced air-conditioning controls helped us maintain energy savings at five Old Mutual buildings in the Western Cape and realised savings at the Menlyn Park Shopping Centre in Gauteng of approximately 875 000 kWh per month.

We have continued to implement high efficiency lighting replacement initiatives; one trial delivered a 30% reduction in lighting energy consumption. We have increased the use of timers, zoned sensor lighting and perimeter sensors for natural daylight adjustment. In addition, we are investigating the use of thermal storage to assist electrical load shift and are upgrading lift motors to high efficiency machines with regenerative drives and energy-saving destination control systems.

We are working to reduce the water used in the properties that we manage through air-conditioner and rain water harvesting, using treated effluent for irrigation and upgrading toilet facilities with low-flow taps and, where appropriate, automation.

## ➤ Contributing positively to the environment through the properties we develop

Property development offers an opportunity to invest in a more environmentally-friendly manner and to create a built environment with a smaller environmental footprint than in the past. Old Mutual Property recognises that it has a significant role to play in persuading investors, asset managers, developers and contractors of the merits of green building, and continues to develop its ability to define the benefits of green star-rated buildings. This in turn entails addressing the challenges of measuring the impact of green development in order to inform strategies, goals and initiatives more accurately. The fact that 10% of the key performance indicators for Old Mutual Property managers and teams are linked to green building philosophies and standards is proof that we intend to succeed in achieving our green goals.

Our environmental strategy has provided us with a structured approach to improving the environmental sustainability of the buildings we develop. We have developed our thinking and the approach we adopt towards the investor market in order to promote green buildings, to define green building strategies for buildings in our existing portfolio, and to integrate green building elements in the buildings that we are constructing.

The strategy has a framework and targets to reduce the resource consumption and environmental impact of Old Mutual Property as a business and its buildings

### Case study

#### Windhoek green building

We officially opened our 21-storey Mutual Tower in Windhoek in May 2010. The building is one of the first commercial green buildings in Namibia, consuming 40% less energy than conventional office buildings. This was achieved through maximising the use of natural light and creating a cascading curtain of plants to provide protection from the Sun. The building also uses energy-efficient light sources and control systems to reduce consumption, an evaporative fresh air cooling system, solar energy for heating purposes and ground water use to reduce consumption from the city's main supply by 50%. A recycling system is also in place.

under management. For our existing portfolio, we plan to develop a Green Building Strategy for each building, including defined carbon emission targets. We will also investigate the implementation of green leases and levies, using examples of green leasing from Europe to introduce the discussion to the building industry in South Africa.

Old Mutual Property is a member of the Green Building Council of South Africa (GBCSA), which offers an ideal forum for the setting of benchmarks for the industry in South Africa. We attend the GBCSA's annual conference to learn and to help foster a green building culture change within Old Mutual Property. Old Mutual has applied these GBCSA's Best Practice Guidelines Matrix and Implementation Framework in the design and development of Mutual Place, its proposed new Sandton head office premises. And furthermore, these principles, although not legislated, were applied to the design of Namibia's Mutual Tower head office, which has been built along green lines (see case study).

Lastly, acting in our capacity as a financial institution, we have worked to help the mining industry fulfil its statutory environmental asset rehabilitation obligations by devising contribution strategies which ensure that sufficient funds are set aside in the event of premature mine closure.

## ➤ Influencing positive environmental change through investment decision-making

(covered in the 'Investing responsibly' chapter on page 30)

In June 2010, Zonk'isizwe, a mixed-use development in the Old Mutual Property pipeline, was announced as the winner of the 2010 Global RLI Future Project Award. The design sets a new standard for the future of eco-friendly South African developments and has been chosen as one of the initial 16 projects of the global Climate Positive Development Programme.

# Integrating Sustainability into Emerging Markets beyond South Africa



Our 21-storey Mutual Tower in Windhoek opened in May 2010.

In addition to having operated in South Africa for 165 years, Old Mutual has been operational in other African countries for over 100 years. We have also operated in Colombia and Mexico since the 1950s and have more recently established joint ventures in China and India. The New Markets reporting changed in 2010 from Old Mutual plc. Both African Operations (through the African Operations Central Unit) and New Markets (Colombia, Mexico, China and India) report into the CEO of Old Mutual Emerging Markets and governance processes have been aligned accordingly.

## New Markets country overviews

- Colombia
- Mexico
- China
- India

## African Operations country overviews

- Kenya
- Malawi
- Namibia
- Swaziland
- Zimbabwe

### Scale of New Markets country operations

Country	Number of employees	Date of establishment	% Old Mutual ownership
China	341	2004 (change of JV partner: 2010)	50%
India	4 307	2001	26%
Colombia	360	1953	100%
Mexico	557	1959	100%

Breakdown of New Markets operations

### Scale of African country operations

Country	Assets under management		Number of employees		Number of clients		Date of establishment
	2010	2009	2010	2009	2010	2009	
Kenya	R6.9 billion	R7 billion	1 249	700	28 696	25 230	>80 yrs
Malawi	R1.86 billion	R2 billion	101	100	11 734	11 724	>80 yrs
Namibia	R20 billion	R17 billion	576	535	142 444	137 000	>80 yrs
Swaziland	R150 million	R52 million	33	20	10 722	10 656	>3 yrs
Zimbabwe	R7.5 billion	R7 billion	823	837	753 500	515 365	>100 yrs
Total	R36.41 billion	Approx R33.5 billion	2 782	2 192	947 369	699 975	

Breakdown of African operations

We have a significant competitive advantage in our emerging markets, being able to leverage off our South African capability and often customising products to suit various markets. We are the dominant (i.e. number one) savings and investment company in Namibia, Zimbabwe, Swaziland and Malawi. In Colombia and Mexico, we service more than a third of the voluntary pensions market and the growth of our businesses in Mexico and India is outpacing industry growth. Increasingly, Old Mutual Emerging Markets is looking to provide administrative support to all emerging market regions from South Africa.

A number of material issues affect the sustainability of our business in emerging markets. These include risk

and governance issues, the need to provide affordable products and services to lower income customers, the responsible investment of policyholder funds, the increased pressure for skills and leadership capability, the need to uplift communities (and thus create future markets), while ensuring protection of vulnerable natural environments.

While this report includes elements of the African Operations and New Markets, in 2011 the reporting from all Emerging Market operations needs to be more incorporated to ensure that we are managing and reporting on sustainability in a holistic and effective manner.

## A selection of sustainability activities in Emerging Markets in 2010

### The framework for managing sustainability:

- All African Operations and Emerging Markets will fall under the Group Operating Manual (GOM), which provides a framework within which governance and risk management of the Group is formalised and strengthened.
- Old Mutual Emerging Markets is currently evaluating its operations in other African and Emerging Markets to assess the level of alignment with King III and to identify changes that would be effective in ensuring the required level of governance and control.
- Old Mutual Emerging Markets' revised stakeholder engagement approach will cover OMSA and the Emerging Markets.
- In accordance with the Group requirements, Group Internal Audit interacts with the various governance groups within Emerging Markets and identifies and helps manage significant legislative or regulatory issues impacting Emerging Markets.

### Promoting ethical behaviour to ensure overall sustainability of the business

- As of 2010, Old Mutual Group Forensic Services (OMGFS) exercises oversight of African Operations and Emerging Markets.
- The Old Mutual Africa business has placed a considerable emphasis on embedding a sound risk management, governance and control environment over the past four years.
- OMSA, Colombia and Mexico, Africa and China have completed an assessment of their Anti-bribery and Corruption (ABC) and Sanctions Risk. Where risks have been identified, actions to mitigate the risks have been specified. The risk assessments and adequacy of controls have been submitted to GCFPS for review and approval. The ABC risk in our African and Mexico operations is rated as high and in our Colombian and Chinese operations it is rated as medium.
- A total of 6 756 employees across Kenya, Namibia, Malawi and Zimbabwe were provided with newsletters raising awareness on the confidentiality campaign. We also trained 7 751 employees on the Protection of Personal Information changes to FAIS and Old Mutual Zimbabwe now subscribes to the whistle-blowing facility.

### Building a great place to work with people who do great things

- The Old Mutual Emerging Markets People Plan focuses on building human resources for both the short term and long term for all Emerging Markets operations. Multinational leadership competence, knowledge and skills will be partly facilitated through increased employee mobility.
- The growth in Emerging Markets will present challenges and opportunities relating to diversity – different cultures, with different governance and leadership styles and skills.
- The rest of the Emerging Markets (i.e. beyond South Africa) were included in the engagement survey for the first time in 2010, with a 57% participation rate.
- The subsidiaries have adopted a common approach to business planning, financial management, audit, risk and remuneration.
- The ACT NOW! Leadership Actions will be rolled out to all Emerging Markets operations during 2011.
- There are currently five secondments from South Africa to Emerging Markets and seven secondments from South Africa to other operations in Africa.

### Impacting positively on the environment

Old Mutual Property's commitment to green construction is not new and in fact commenced 20 years ago, with the construction of Eastgate Centre in Harare, which used design methods inspired by indigenous Zimbabwean masonry and the self-cooling mounds of African termites.



## New Market country overviews

### Colombia and Mexico

Skandia Colombia was launched in 1953 and employs 400 people across seven cities in Colombia. The company is recognised as a premium brand that offers long-term saving and investment products and services to the market. Skandia Colombia is also a professional portfolio asset manager, providing financial advice to affluent clients as well as portfolio management to some larger institutional investors.

On the Risk and Governance side we have a well-established ARC for Skandia's businesses in Colombia and Mexico that works within GOM. Issues regarding taxes, regulatory compliance, accreditation of advisers and promotion of ethical behaviour are all dealt with under governance in the ARCs. The ARC reports through to the OMLACSA ARC.

Due to significant changes in regulation, Skandia Colombia needed to strengthen the skills development programmes for and certification of its financial advisers and employees. To address this, we created a training programme aimed at e-learning for the distribution force, employees and customers. We also implemented a diversity programme for employees during the year.

Skandia Mexico was launched in 1959 and has 500 employees operating in 14 Mexico cities. About 350 of these employees are financial planners. The company aims to become the leader in long-term savings in Mexico. It offers retail affluent and corporate products and services.

Skandia's businesses in Colombia and Mexico's CSI programme is focused on providing education and support to underprivileged and vulnerable children, with projects such as:

**Building the Future Together** – Working with adolescent orphans from a safe house to provide them with the practical skills required to function in working life.

**Nelson Mandela Day Celebration** – To celebrate Nelson Mandela Day, at Skandia's businesses in Colombia and Mexico, employees donated their time to help those in need.

2010 was the Skandia Green year. We developed different activities to protect and raise awareness of the environment, including campaigns for recycling, saving resources and sorting waste. Through these activities, we are working to establish an atmosphere of respect and care of resources beyond the workplace.

### China

A joint venture was started by Skandia in China seven years ago, but in early 2010, Old Mutual teamed up with a new partner, China Guodian Capital Ltd, a leading national company with interests in alternative energy as well as financial services. The new joint venture is called Old Mutual Guodian, of which we own 50%. The joint operation employs 400 people, with distribution largely through Chinese banks. Old Mutual also has a stakeholder relations office in China.

### India

Old Mutual entered the Indian market 10 years ago by forming a joint venture with Kotak Bank. The joint venture is called Kotak Old Mutual Life Assurance Company, of which we own 26%. Major regulatory changes in India in 2010 presented new challenges, but also great opportunities.

In our Indian operations, we are educating and encouraging employees to become more environmentally-friendly through a programme called 'One World. Handle With Care'. We also encourage employees to conserve resources by recycling and making use of recycled materials wherever possible. We have saved approximately R2 million through our energy reduction initiatives.

### China and India governance

On the Risk and Governance side, both China and India have active audit, risk and compliance (ARC) committees that apply high levels of governance standards. These committees meet and report on a quarterly basis to the respective boards in each country. The OMLACSA Board as well as our joint venture partners' Boards receive these reports. To promote good governance and business sustainability and to assist in protecting our interest in these joint ventures, Old Mutual chairs the ARC in China and vice-chairs the ARC in India.

*“Recently we changed the web page, with the aim of customers knowing more about the products that we offer and consulting with customers so they're closer to Skandia. We'll be on Twitter very soon and we will launch a Channel Guide too.”*

**Florencia Zorrilla:** Head of Legal and Compliance, Skandia Colombia and Mexico

## African operations country overviews

### Kenya

Launched 80 years ago, Old Mutual Kenya pioneered unit trusts and offshore investments in the country and continues to lead in both asset management and unit trusts. The business currently services 28 788 retail clients and 181 corporate clients and has assets under management of about R7 billion.

Corporate sector products and services include unit trusts, group life cover and annuities and pension fund management. The Retail sector offers private wealth management, unit trusts, risk products and annuities. A mass market risk product aimed at providing for the needs of the uninsured populace with life cover, education and investment plans has been provided since 2009.

We are committed to high standards of corporate governance. Old Mutual Kenya has a zero tolerance position on corruption and employees must perform their duties in accordance with the best interests of Old Mutual Kenya and not use their positions or knowledge gained through their employment with Old Mutual Kenya for private or personal gain.

We use stakeholder engagement to collect feedback and to help us enhance our relations. We therefore map and interact with our stakeholders regularly and ensure that we communicate with different groups in ways that are meaningful to them and understood by them. We provide financial education in an effort to increase financial literacy and develop fair pricing models that deliver real value to customers. We also market our products in a responsible manner and ensure that each solution which we provide matches our customers' personal circumstances and risk profiles. Our financial advisers are provided with frequent in-house training to enhance their professionalism and quality of service to our customers.

Old Mutual Kenya has a recently-developed corporate social investment programme which maintains a focus on sustainability and impact. The programme profiles Old Mutual as a leader in corporate social investment, positions Old Mutual Kenya as a caring corporate citizen, provides support for the needy and builds strong associations with projects close to communities' hearts. Staff are also heavily involved in the company's CSI activities.

In order to impact positively on the environment, we encourage staff to adopt environmentally-friendly practices by recycling reusable resources, avoiding the production of waste and saving energy used at work.

### Malawi

Old Mutual Malawi was established more than 80 years ago, with 56 employees currently serving 11 734 customers and assets under management of R2 billion.

Risk management and governance systems and procedures are well established and in alignment with the Group Operating Manual.

To ensure that our stakeholder engagement is undertaken in a structured and effective manner, EXCO members and Managers mapped out 12 categories of stakeholders that are managed on a weekly, monthly and quarterly basis according to a stakeholder engagement plan. Our major stakeholder is government and we sit on the pension reform committee with the Reserve Bank of Malawi and the trade unions.

The principal regulators for the Old Mutual Malawi business are the Reserve Bank of Malawi, the Ministry of Finance, the Registrar of Insurance and the Commissioner of Taxes as the Registrar of Pensions. A robust system is in place that monitors changes in the regulatory environment that might affect our business activities.

Our customers are managed through financial advisers who communicate all changes to rates, regulatory requirements, business and reforms on a regular basis. Old Mutual Malawi provides continuous training and refreshers for financial advisers and agents to ensure knowledge growth and better service to existing and potential customers.

In terms of corporate social investment, in 2010 we provided funding to support a cancer initiative at the Mwaiwathu private hospital, visited and donated items to the elderly and people living or affected with HIV/Aids in Chipagala village and supported NAPHAM, a local NGO.

## Namibia

Old Mutual Namibia was established 80 years ago and is currently one of Namibia's most dominant financial services companies and a leader in life insurance, asset management and pension fund administration. A group of over 200 financial advisers and 150 contracted independent advisers provide financial advice and education to customers. Old Mutual Namibia has R20 billion in total assets under management.

Governance and control has been made a strategic focus area for Old Mutual Namibia. We have a compliance function that is embedded in the business and is being strengthened as part of the brief of the new Governance Executive. In order to ensure integrity of our business, we conduct routine forensic investigations to detect and root out fraudulent business that could adversely affect our business sustainability. We also ensure that any fraudulent sales people are barred from practising by the industry regulator so as to protect members of society from unscrupulous financial advisers.

We have an alternative investments fund to support domestic infrastructural investments which has invested approximately R300 million since its inception in 2004. We have also embarked on a property development strategy that will be effective in 2011 to further support economic development.

Our investment strategy ensures customer security at all times but also meets customer needs in line with individual risk appetites. In addition, we share information across our offices in a routine manner to provide a more comprehensive and consistent service to our customers. All our advisers are comprehensively trained and equipped with the necessary equipment to do business.

Old Mutual Namibia allocates 1% of after-tax profit to Corporate Social Investment (CSI) initiatives annually. We provide bursaries to 10 students annually to study at higher education institutions and provide financial support (soft loans) and accredited training in business management to small-scale businesswomen, with seven beneficiaries targeted annually.

Old Mutual Namibia's new 21-storey head office is the first 'green building' in Namibia. The building relies heavily on natural sunlight, uses 40 percent less energy, has halved its reliance on Windhoek's underground water supply and uses an evaporative cooling system that further significantly reduces electricity and carbon emissions. We are also planning to utilise green principles as we expand our property portfolio by developing new shopping centres in various towns in the country.

## Swaziland

While OMSA had serviced clients in Swaziland from South Africa for several years, in 2008 OMSA chose to establish a fully-fledged business in the country. The company currently employs 23 people who serve 10 731 customers and has assets under management of R150 million, significantly up from R52 million in 2009.

We actively engage with our stakeholders to ensure that we are aware of regulatory changes and that we remain compliant. We are actively driving towards the investment of 30% of assets in the local market, have obtained a local shareholder investment of 15% in the business and have widened our offering to the corporate market in Swaziland. We ensure the provision of professional financial advice through regular training for all our employees and brokers.

Old Mutual Swaziland's involvement in CSI initiatives included adopting the Khayaletu Emmanuel Orphanage in Mbabane and donating 76 blankets, party packs and a large number of story books to the orphanage. Old Mutual Swaziland was also involved in the "Warm Up a Child Campaign", where we made a donation of school uniforms to learners at Maloma Primary School.

We have made improvements in providing recognition to staff for contributions made during the year and we have greatly improved our climate survey score. In addition, our performance and talent management practices have matured and we are encouraging staff to understand the wider business through multi-skilling.

## Zimbabwe

With R7.5 billion in assets under management and an increase in customer numbers from 515 365 to 753 500, Old Mutual Zimbabwe remains the largest financial services company in the country and is the largest single investor on the Zimbabwe Stock Exchange. Our services are provided by a staff compliment of 823 people.

We regularly engage with the regulators (Commissioner of Insurance), the ministries of Finance, Indigenisation and Empowerment, the Zimbabwe Association of Pension Funds (ZAPF) and Life Offices Association (LOA) on issues that concern the insurance industry. We consider governance issues in investment decisions and consider environmental and social issues in terms of deciding which type of project to invest in. Financial advisers are provided with regular training and support and insist on the ethical conduct of all employees based on the Code of Ethics.

We undertake a number of projects to impact positively on communities. In December 2010, we commissioned the Old Mutual Technology Centre in Mzilikazi, Bulawayo to provide access to computers and services such as internet and e-mail to children and the wider community.

# Global Reporting Initiative (GRI) G3 Index

In preparing this year's report, we have drawn on the GRI's G3 reporting guidelines. A review of Old Mutual South Africa's status against each of the GRI G3 and GRI Financial Services Sector Supplement reporting criteria as covered in the 2010 sustainability report is provided in the table below.

GRI Indicator	Source	Page
<b>STRATEGY AND PROFILE</b>		
1.1	Statement by the CEO Long-term Savings, Old Mutual plc; and Chairman, Old Mutual Emerging Markets	8, 9
1.2	About this report	IFC
	Material issues table	2
2.1-2.4, 2.6 & 2.9	Governance	10
	About Old Mutual Group	4
	Customers	18
	Old Mutual plc Annual Report	
	Environment	58
	Emerging Markets	62
	<a href="http://www.oldmutual.co.za/about-us/company-profile/old-mutual-south-africa.aspx">www.oldmutual.co.za/about-us/company-profile/old-mutual-south-africa.aspx</a>	
2.5	Emerging Markets	62
2.7	Customers	18
	Emerging Markets	62
2.8	Our workplace	36
	Emerging Markets	62
2.10	Throughout the report	
3.1-3.4 & 3.6-3.13	About this report	IFC
3.5	Governance	10
	Material issues table	2
4.1-4.7	Governance	10
	Environment	58
4.8-4.9	Ethics	56
	About this report	IFC
	Governance	10
4.10-4.17	Environment	58
	Governance	10
<b>MANAGEMENT APPROACH AND PERFORMANCE INDICATORS</b>		
<b>ECONOMIC</b>		
EC1	Investing responsibly	30
	Building equity	44
	Our workplace	36
EC2-EC5	Environment	58
	Full GRI table in web report	
EC6	Building equity	44
EC7	Emerging Markets	62
EC8	Investing responsibly	30
	Building equity	44
EC9	Customers	18
	Building equity	44

● GRI Additional Indicator ● Financial Services Sector Supplement Core Indicator

GRI Indicator	Source	Page	
<b>ENVIRONMENTAL</b>			
EN1, EN4-EN5, EN7-EN8, EN14, EN16-EN18, EN22, EN26, EN29	Environment	58	
EN2-EN3, EN9, EN11, EN19, EN23-EN25, EN27, EN30	These are not regarded as material for Old Mutual		
EN3, EN10-EN13, EN15, EN20-EN21, EN30	These are not reported on by Old Mutual		
● EN6	Investing responsibly	30	
EN28	Governance	10	
<b>SOCIAL</b>			
LA1-LA5, LA8-LA14	Our workplace	36	
	Emerging Markets	62	
● LA6-LA7	These are not regarded as material for Old Mutual		
HR1-HR2, HR4, HR6-9	These are largely unreported. Full GRI table in web report		
● HR3, HR5	Our workplace	36	
SO1	Building equity	44	
	Investing responsibly	30	
SO2-SO4	Ethics	56	
SO5	Governance	10	
● SO6-SO8	Full GRI table in web report		
● FS13-FS14	Access to the disadvantaged	Customers 18	
● FS1-FS5	Management of products for environmental and social aspects	Environment	58
		Investing responsibly	30
		Governance	10
● FS6-FS9	Proportion of business with social and environmental benefits	Customers	18
		Investing responsibly	30
		Building equity	44
● FS10-12	Ownership aspects re social and environmental components	Investing responsibly	30
PR1-PR2	These are not regarded as material by Old Mutual		
FS15-FS16 & PR3-PR9	Customers	18	

● GRI Additional Indicator ● Financial Services Sector Supplement Core indicator

### GRI G3 application level requirements

In applying the GRI G3 indicators to our material issues in this report, Old Mutual South Africa is self-declaring at a C Level application. The following table provides a summary of the GRI's requirements for different levels of compliance.

Report Application Level	C	C+	B	B+	A	A+	
Standard Disclosures	G3 Profile Disclosures	Report on: 1.1 2.1 – 2.10 3.1 – 3.8 3.10 – 3.12 4.1 – 4.4, 4.14 – 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 – 4.13, 4.16 – 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures	Not required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators and Sector Supplement Performance Indicators	Report on a minimum of ten Performance Indicators, including at least one from each of: social, economic and environment areas		Report on a minimum of 20 Performance Indicators, including at least one from each of: economic, environment, human rights, labour, society and product responsibility areas		Respond to each Core G3 and Sector Supplement Indicator with due regard to the Materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission	

# Detailed list of stakeholders

We need to engage with a range of stakeholder groups to understand their concerns, communicate with them and learn from them. These groups include:

## Society

- Our people: Old Mutual plc board of directors, OMLACSA board of directors, provincial management boards (PMB), sales force and all employees in the Group
- Faith-based organisations
- Media: local and international
- Local communities

## Business

- Customers: policyholders/customers and corporate clients (both locally and internationally)
- Shareholders
- Employees
- Distribution: IFAs, brokers and other intermediaries
- The investment community in general
- Specific sectors of the investment community (e.g. FTSE4Good)
- Companies and institutions in which we are invested
- Suppliers
- Business partners
- Black business partners (BBP) – WIPHOLD and Brimstone
- NGOs and SMMEs supported by the Foundation and Masisizane

## Government

- Government: National, provincial and local
- State-owned enterprises (SOE)
- Institutions of democracy
- Financial Services Board South African Reserve Bank (SARB)

## Political parties

- All political parties

## Trade unions

- All trade unions representing over 5 500 employees

## Organised Business Bodies

- Association for Black Accountants in SA (ABASA)
- Association for Black Securities and Investment Professionals (ABSIP)
- Association for Savings and Investments SA (ASISA)
- Black Management Forum (BMF)
- Business Arts South Africa (BASA)
- Business Leadership SA (BLSA)
- Business Women Association (BWA)
- Business Unity South Africa (BUSA)
- Institute of Directors in South Africa (IoDSA)
- National Business Initiative (NBI)
- NEPAD Business Foundation
- South African Chamber of Commerce and Industries (SACCI)
- South African Savings Institute (SASI)

# BEE certification

Independent Credible Assurance.

# AQRate

VERIFICATION SERVICES

## MEASURED ENTERPRISE

Company Name	Old Mutual (South Africa) Limited <small>Refer Annexure A for subsidiaries included in the verification</small>
Trade Name	OMSA
Location	Jan Smuts Drive Pinelands, Cape Town
Registration Number	1998/012276/06
Vat Number	4880103785
Certificate Number	OLD 00726 - REV 3

## B-BBEE SCORE PER ELEMENT

Equity Ownership	17.81
Management & Control	7.46
Employment Equity	11.07
Skills Development	12.09
Preferential Procurement	18.56
Enterprise Development	15.00
Socio Economic Development	5.00
<b>Total Score</b>	<b>86.99</b>

## B-BBEE STATUS

BBBEE Procurement Recognition Level	125%	<div style="width: 125%; background-color: #c0c0c0; height: 10px;"></div>
BBBEE Status	Level Two Contributor	
Black Ownership	32.57%	
Black Female Ownership	11.45%	
Value- Adding Supplier	Yes	
Enterprise Development Beneficiary	Yes	
Beneficiary Category	Category B	
Applicable Scorecard	Generic Scorecard	
Applicable BEE Code	Gazetted Codes 29617	
Verification Date	22 October 2010	
Expiry Date	21 October 2011	



  
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**Turchian Davie**  
Verification Manager



BVA 021

[www.aqrate.co.za](http://www.aqrate.co.za)

AQRate has assessed and verified the relevant B-BBEE Elements of the above mentioned enterprise, to provide an independent and impartial opinion on the BEE status of the enterprise, based on the Broad-Based BEE Codes of Good Practice (Codes 000-800).

# Glossary

ABASA	Association for Black Accountants in South Africa	IFA	Independent Financial Advisers
ABC	Anti-bribery and corruption	ILO	International Labour Organisation
ABSIP	Association for Black Securities and Investment Professionals	IoDSA	The Institute of Directors in Southern Africa
AIIF	African Infrastructure Investment Fund	JSE	Johannesburg Stock Exchange
AIIF2	African Infrastructure Investment Fund 2	JSE SRI	JSE socially responsible investment
AIIM	African Infrastructure Investment Managers (Pty) Ltd	KIEF	Kagiso Infrastructure Empowerment Fund
ARC	Audit, risk and compliance	KTI	Kagiso Trust Investments
ASISA	Association for Savings and Investment South Africa	KYC	Know Your Client
BASA	Business and Arts South Africa	LOA	Life Offices Association
BBBEE	Broad-based Black Economic Empowerment	MAP	Management advancement programme
BBP	Black Business Partners	MBA	Masters of Business Administration
BEE	Black Economic Empowerment	NAFCOC	National African Federated Chamber of Commerce
BLSA	Business Leadership SA	NAMPOL	Namibian Police
BMF	Black Management Forum	NBI	National Business Initiative
BO	Black-owned	NEDLAC	The National Economic Development and Labour Council
BUSA	Business Unity South Africa	NEPAD	The New Partnership for Africa's Development
BWA	Business Women Association	NGO	Non-governmental organisation
BWO	Black Woman-owned	NHFC	National Housing Finance Corporation
CABS	Old Mutual Zimbabwe	NOCCI	Northern Cape Chamber of Commerce and Industries
CCA	Committee for Customer Affairs	NPS	Net promoter score
CCMA	The Commission for Conciliation, Mediation and Arbitration	NURCHA	National Urban Reconstruction and Housing Agency
CNY	Chinese Yuan Renminbi	OLG	Open learning group
CoGTA	Cooperative Governance and Traditional Affairs	OMAM	Old Mutual Asset Managers
Comanco	Community Growth Management Company (Pty) Ltd	OMBUS	Old Mutual Business School
COSAS	The Congress of South African Students	Old Mutual	Old Mutual Emerging Markets
CSI	Corporate social investment	OMF	Old Mutual Finance
DIRCO	The Department of International Relations and Co-operation	OMGFS	Old Mutual Group Forensic Services
DoE	Department of Education	OMIGSA	Old Mutual Investment Group South Africa
DSM	Eskom Demand Side Management	OMLACSA	Old Mutual Life Assurance Company South Africa
dti	Department of Trade and Industry	OMSTA	Old Mutual Service Technology and Administration
EE	Employment equity	PERCCI	Port Elizabeth Chamber of Commerce and Industries
EMS	Economic and management sciences	PFA	Pension Funds Adjudicator
ESG	Environmental, social and governance	POA	Principle Officers Association
EVF	Entrepreneurial Ventures Fund	PPI	Protection of Personal Information
FAIS	Financial Advisory and Intermediary Services Act	PWM	Personal Wealth Management
FSB	Financial Services Board	REFIT	Department of Energy's Renewable Energy Feed-in Tariff
FSC	Financial Sector Charter	RMM	Retail mass market
FSP	Financial Service Providers	SABCOHA	SA Business Coalition on HIV/Aids
FTE	Fixed-term employees	SACCI	South African Chamber of Commerce and Industries
FTFA	Old Mutual Corporate and Food and Trees for Africa	SAFPS	South African Fraud Prevention Service
FWP	The Financial Well-being Programme	SAIBPP	South African Institute of Black Property Practitioners
GBCSA	Green Building Council of South Africa	SAIF	South Africa Infrastructure Fund
GCFPS	Group Financial Crime Prevention and Security	SA-NCC	South Africa-Nigeria Chamber of Commerce
GFS	Group Forensic Services	SAPS	South African Police Services
GIA	Group Internal Audit	SASBO	The Finance Union
GOM	Group Operating Manual	SASI	South African Savings Institute
GRI	Global Reporting Index	SRI	Socially Responsible Investment
HIFSA	Housing Impact Fund for South Africa	TCF	Treating Customers Fairly
HP	High performance	TES	Temporary employment services
IC	Independent contractors	TOPP	Training outside of public practice
ICASA	The Independent Communications Authority of South Africa	UNGC	United Nations Global Compact
iCRaFT	Integrated Capital, Risk and Financial Transformation	UNPRI	United Nations Principles for Responsible Investment
IDEAS	Infrastructural, Developmental and Environmental Assets Managed Fund	WILF	Women in Leadership Forum
IEFM	Empowerment Fund Managers	WITS	University of the Witwatersrand
		WWF SA	World Wide Fund for Nature South Africa
		ZAPF	Zimbabwe Association of Pension Funds





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\*The Programme for the Endorsement of Forest Certification (PEFC) is an international non-profit, non-governmental organisation dedicated to promoting sustainable forest management.  
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