



## MUTUALISM

SUSTAINABILITY MEANS DIFFERENT THINGS TO DIFFERENT PEOPLE. BUT A FEW RECURRENT THEMES CONNECT THESE DEFINITIONS. WE HAVE FRAMED THIS YEAR'S SUSTAINABILITY REPORT AROUND ONE OF THEM.

MUTUALISM AROSE WELL BEFORE THE DAWN OF HUMAN HISTORY, AND THERE IS LITTLE DOUBT THAT AS LONG AS THERE IS LIFE ON THIS PLANET, IT WILL CONTINUE.

MUTUALISM REQUIRES THAT WE ARE OPEN TO THE POSSIBILITY OF GREATER VALUE EMERGING WHEN WE TAKE ACCOUNT OF OTHERS' NEEDS.

mu·tu·al·ism (mych--lzm)  
n. An association between organisms of different species in which each member benefits.



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■ “Now more than ever we need to stick to our motto of ‘Amicus certus in re incerta’, or loosely translated as ‘a certain friend in uncertain times’ – for our customers. If we can truly put our customer at the heart of our business, create the right culture to make the most of the talents of our people, and run an effective and efficient business – we will not only weather the storm, but will continue to grow and prosper as a Group.”

JULIAN ROBERTS  
Group Chief Executive

## About this report

This report provides a succinct overview of the governance, management and performance of Old Mutual Emerging Markets (OMEM) in relation to sustainability issues. The review outlines our key focus areas, highlights a number of achievements and developments, as well as identifying some areas for improvement.

The report covers the 2011 financial year (January 2011 to December 2011) and deals largely with the activities of Old Mutual South Africa (OMSA), being the most established and prominent division within OMEM. All Emerging Market operations report to the Chief Executive Officer of OMEM. However, until we further enhance our reporting systems for African Operations (Kenya, Malawi, Namibia, Nigeria, Swaziland and Zimbabwe) and New Markets (China, India, Colombia and Mexico), these operations are reported on in limited depth.

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).

A detailed response to each of the GRI criteria is available in a separate document on our website. We consider our report to be in accordance with a GRI Application Level C. External assurance is provided for financial performance only. OMEM continues to improve its monitoring of quantitative data relating to its other areas of sustainability performance.

Building on our 2010 sustainability report, we continue to make progress in managing sustainability issues as envisaged by King III. However, we are not yet in a position to report on the complete integration of a sustainability strategy across our business.

This report is aimed at those of our stakeholders who have an interest in our sustainable development performance, and serves to record our response to issues most material to Old Mutual and its stakeholders. Additional information on our sustainability performance is provided on our sustainability reporting website ([www.oldmutual.co.za/about-us/sustainability-report](http://www.oldmutual.co.za/about-us/sustainability-report)).

# Creating value in changing times

Old Mutual has grown from a 19th century Cape Town-based mutual insurer to a modern global finance group with subsidiaries in Europe, Africa, the Americas and Asia today.

Old Mutual Emerging Markets (OMEM) focuses the Group's operations in Africa, Latin America and Asia. Old Mutual South Africa (OMSA) is the most established and prominent division within OMEM.

The Old Mutual Group has been in existence for more than 166 years. Over the years, we have learnt that assuming 'more of the same' is not a sufficient business strategy. This is truer today than ever.

Our world is changing fast. The coming decade will require adaptability, connectivity and innovation like never before.

How do we create mutual value in this context? What does this mean for a company focused on long-term savings and investment in emerging markets? Where is our leverage to be part of positive change? What risks and opportunities are facing our value drivers as we track the decline in natural resources, expanding consumption levels and the increase in disparity across the world? What do our stakeholders think about these issues?

This is our sustainability report for 2011.

This sustainability report is supplementary to our Annual Report, and forms part of the integrated reporting cycle.

- The **Annual Report** seeks to provide a high-level view on our performance that takes account of the overall commercial, social and environmental context in which we operate.
- The **Sustainability Report** provides a more in-depth analysis of our response to the emerging **environmental, social and governance (ESG)** trends that are impacting our business.
- In the **sustainability section** of our website, you will find further details on how we are engaging sustainability challenges in emerging markets.

The sustainability report focuses primarily on the ESG issues that impact on our ability to create value for our stakeholders over the short, medium and longer term.

## Why is this useful?

For various reasons, business systems across the globe are more attuned to creating, tracking and reporting financial value. By contrast, an organisation's contribution to longer-term social value or the extent to which it impacts a country's natural capital are often inadequately presented. It also can lead to companies underestimating the impact of ESG trends on their financial performance. This is the case even with the global shift towards integrated reporting: like many companies, we are still on the path of learning what this means in practice.

Over the past year, the free-market model itself has become the subject of growing debate in the mainstream media. While not questioning the ability of the system to generate wealth, a wide spectrum of commentators – from the Occupy movement to the Financial Times' *Capitalism in Crisis* series – are asking to what extent our capitalist economic system has weakened community ties, eroded natural resource stocks and made economies more vulnerable to recessions.

As an organisation that seeks to create long-term value for a diverse range of stakeholders, we believe this debate is important for us, particularly in the emerging market context. We also believe that it will continue into the future. As these debates unfold, supplementary sustainability reporting will continue to be an important element of our annual reporting process.

In line with best-practice sustainability reporting, our focus is on ESG issues that are material to our core business. This means we only report on those issues that have a significant impact – either positive or negative – on our ability to create value for our stakeholders.

The issues we report on are those we consider will impact our competitiveness going forward.

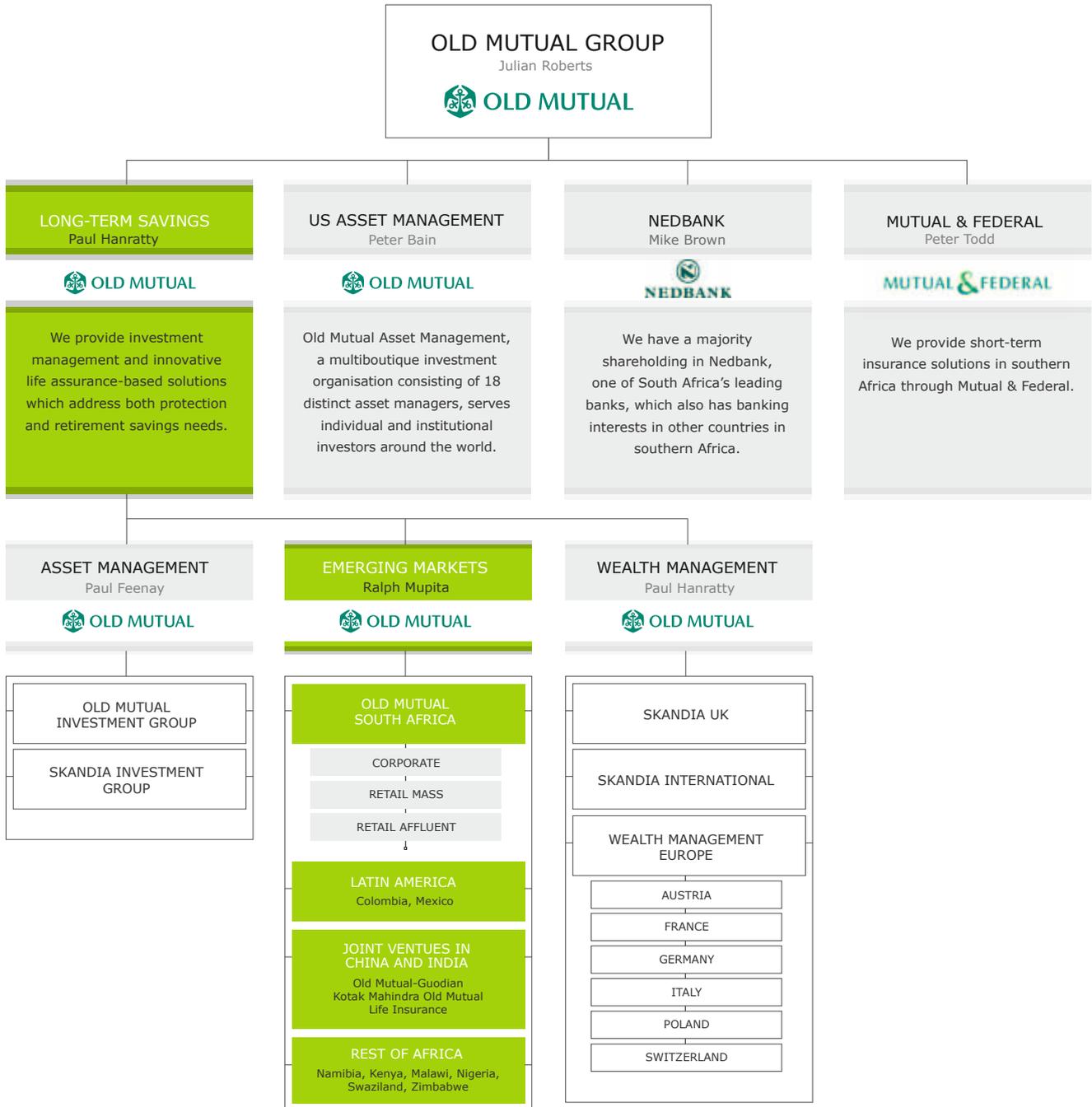
This report also seeks to share a story – a readable and thought-provoking commentary on what 'creating mutual value' really means. We invite you to share in this story. What do you think?

Please send your comments to us at:  
[sustainabilityreportfeedback@oldmutual.com](mailto:sustainabilityreportfeedback@oldmutual.com)

# About Old Mutual Group

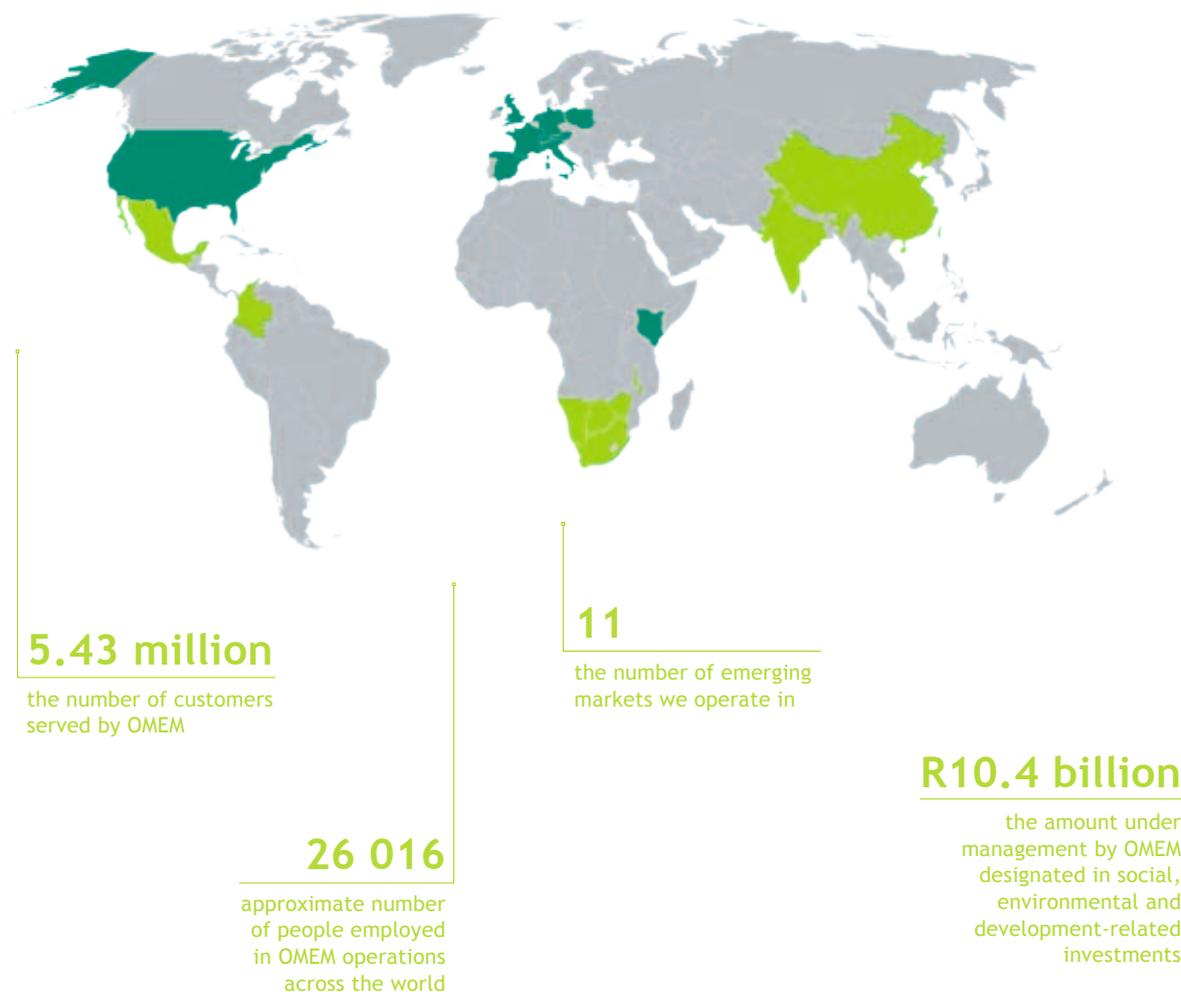
Old Mutual is an international long-term savings, protection and investment Group.

This sustainability report focuses on the Emerging Markets Division within the Long Term Savings Business.



## Old Mutual Emerging Markets

Old Mutual South Africa (OMSA) remains our largest contributor in Emerging Markets, providing individuals, businesses, corporates and institutions with long-term savings, protection and investment solutions. Because we are now leveraging the business into other high-growth economies, we have combined it with our Latin American, Asian and African businesses.



- In **Latin America** we currently operate in **Mexico** and **Colombia**.
- In sub-Saharan Africa we operate across a broad range of countries including **Swaziland**, **Namibia**, **Zimbabwe**, **Malawi**, **Kenya** and **Nigeria**. The proposed acquisition by Old Mutual's partner Ecobank Transnational Incorporated (ETI) of Nigerian insurer Oceanic Life, forms part of our strategy of expanding our presence in sub-Saharan Africa. Operations will commence in Nigeria once all regulatory approvals have been received and the transaction has been finalised.
- In Asia we operate joint ventures with Kotak Mahindra in **India** and Guodian Corporation in **China**.

# Message from the Chairman

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This is Old Mutual's third annual sustainability report, which tracks the upward trajectory of the Company's operations in meeting sustainability challenges. This reaches across the disciplines of business operations, customer service, social development and the environment.

The effort invested in this at all levels of our operation is a clear signifier of our commitment to our investors, shareholders, clients, colleagues and other stakeholders. We're cognisant though, that no single agency or brand can achieve significant social change on its own.

We're guided in this by the Dinokeng Scenarios, which examined possible futures for South Africa. The "Walk Together" scenario is in line with recommendation enshrined in the government's national plan developed by the National Planning Commission.

"Walking together" is by far the preferred scenario for enabling all our citizens to attain the dignity and

livelihoods to which they're entitled, and it's also the optimum environment in which to grow our business.

After more than 166 years of business in South Africa, we're more conscious of this imperative than ever. Old Mutual intervenes at every level of social development, helping create an upward spiral of poverty alleviation, education, enterprise development, and financial literacy and security. The majority of our staff are critical in this intervention through their own volunteerism efforts.

This focus remains an overwhelming priority as the Company navigates demographic shifts, changes in consumer behaviour, regulation and legislation, and technological development. We continue to help forge socio-economic viability in society in the knowledge that this is not only a moral imperative, but that it's good for business. In other words we don't just do "responsible business," we *are* a responsible business.

## **Paul Hanratty**

Chief Executive Officer: Long-Term Savings, Old Mutual plc  
and Chairman: Old Mutual South Africa

# Message from the Chief Executive Officer

The last year has seen seismic shifts in economic power and growth, and with that, some stock-taking on business's role in sustainability, socio-economic development and responsibility, both locally and in the emerging markets in which we operate.

While some players have found this volatility and change to be unsettling, Old Mutual has embraced the opportunity to become a better corporate citizen. This is a result of the Company's long-standing commitment to sustainability across all aspects of its operations, and willingness to, at times, ask hard questions about our performance in the sector.

Sustainability has long moved from being an intangible concept to becoming an imperative, with performance being measured on a par with all other aspects of business. Our efforts can be broadly framed as:

- **RESPONSIBLE INVESTMENT**, which includes implementation of the Code for Responsible Investing by Institutional Investors in South Africa (CRISA), and its equivalents in our other markets as asset owners and asset managers alike.
- **RESPONSIBLE CUSTOMER SERVICE**, which includes the Treating Customers Fairly initiative. Broad-ranging initiatives such as these demand significant investment and, like the much-debated FAIS regulatory examinations – which Old Mutual supports vigorously – are crucial to improving customer service.
- **RESPONSIBLE TO OUR COMMUNITIES**, which is implemented at a number of levels of corporate social investment, especially the payroll giving initiative. This massive volunteerism effort is undertaken by thousands of our colleagues who freely give their time and money to breathe life into the ethos of helping our country and its communities and citizens to do great things. Old Mutual's support for socio-economic development through the Old Mutual Foundations has also undergone a step-change, with a more refined focus on supporting projects which help create economically viable communities, especially in the poorest and most under-resourced areas of South Africa and the rest of Africa.
- **RESPONSIBLE ENVIRONMENTAL MANAGEMENT**, which addresses not only operational issues such as reducing our carbon footprint, but also the ethos of environmentally responsible investing as mentioned before.

These efforts are underpinned by our core values of integrity, respect, accountability and a willingness to push beyond our boundaries, to achieve our vision of being our customers' most trusted partner.

We are, as always, proud of the 26 016 Old Mutual employees at every level and location who give unselfishly in their communities. We hope you'll share our excitement at these achievements and the prospects for the coming years.

## Ralph Mupita

Chief Executive Officer: Old Mutual Emerging Markets



# Sustainability performance overview

## Delivering stakeholder value

- Engaged in national and global dialogue on developmental issues
- Worked with Kumba employees on managing their R2.3 billion shares payout
  - Maintained insight into national savings culture through the OM Savings and Retirement Monitors
- Partnered with SABC2 Morning Live and e.tv to open debate on hot topics

## Building skills, leadership and a transformative culture

- Creating a culture of leadership
  - Strengthening our position as an employer of choice
    - Building skills for emerging markets
- Enabling true transformation – going beyond the numbers
  - Launched a leadership development partnership with INSEAD business school in France
  - Numbers of employees using our well-being programme increased by 10%
    - The number of employees undergoing training increased by 24% from 2010
- We maintained a high response rate (70%) in our in-house culture survey across all emerging markets operations

## Responding to environmental pressures

- Managing resource use in property development and management
  - Considering environmental costs / benefits in our investment decisions
- Encouraging employees to be a voice for environmental change
  - Reducing resource use in our business operations
    - The environmental strategy was expanded to include all OMEM operations
- Business units across the Group set up taskforces to improve measurement and reporting on carbon reductions
  - The 2011 carbon footprint analysis was extended to include three Old Mutual Property Funds
  - 10% of the KPIs for OMP managers and teams are linked to green building philosophies and standards

## Good governance and ethical practice

- Introduced the group-wide iCRaFT (integrated Capital, Risk and Financial Transformation) programme
  - Detailed risk methodology training provided to 761 individuals across OMEM
- Moderate decline in number of fraud incidents reported, following a spike in 2010
  - Increased usage of our anonymous fraud reporting hotline
- The application of King III and the GOM principles within business processes
  - OMSA Deloitte Fraud Health Check Survey conducted in 2010/2011





**Creating value for our customers**

- Engaging with customers to improve service delivery
- Offering the right products and services
- Providing financial education
- Increasing the accessibility and professionalism of financial advisors
- OMSA rated first in Ask Afrika's Orange index for customer service excellence
- OM Finance branches increased by 46% from 2010
- The number of people trained through FSC guideline programmes increased by 57% on last year
- Fluctuation and overall decline in the proportion of experienced advisers

**Investing responsibly**

- Incorporating ESG issues in investment decisions
- Using our investments to drive transformation in South Africa
- Leveraging investments to drive social development
- Sharing our learning across emerging new markets
- Appointed a full-time ESG analyst at OMIGSA
- Assests totalling R32.04 billion are under management in 11 SRI funds, down from R32.77 billion in 2010
- Futuregrowth awarded Socially Responsible Investor of the Year in 2011

**Investing in an equal South Africa**

- Supporting economic stability
- Distributing ownership fairly
- Promoting employment equity
- Enterprise development and preferential procurement
- Corporate social investment
- Maintained our B-BBEE Level 2 status
- Employee equity increased slightly, while equity ownership decreased slightly from 2010
- Preferential procurement scores increased slightly and we revamped our procurement database warehouse
- We spent R29.6 million on CSI activities, an increase of 35% over 2010

# Strategic overview

## OMEM business model and strategy

As a provider of long-term savings products and investment management services the OMEM business model is naturally aligned with the sustainability agenda.

Sustainability issues cut across each of our building blocks and the strategic priorities of our six point plan.

<b>OUR VISION</b>	To become our customers' most trusted partner – passionate about helping them achieve their lifetime financial goals.					
<b>BUILDING BLOCKS</b>	<b>1</b> Passionate about customers	<b>2</b> Exceptional at delivery	<b>3</b> Responsible to stakeholders			
<b>STRATEGY</b>	Responding to Emerging Markets customers' needs we are building a long-term savings, protection and investment group by leveraging the strength of our people and capabilities in South Africa and around the world. We will focus, drive and optimise our businesses to enhance value for customers, shareholders and the communities we serve.					
<b>THE 6 POINT PLAN</b>	<b>1</b> Strengthen our customer proposition and experience	<b>2</b> Deliver high performance	<b>3</b> Enable the leveraging of our capabilities, skills and experience across the Group	<b>4</b> Operate as the most trusted partner in the communities in which we offer solutions	<b>5</b> Build a culture of excellence	<b>6</b> Grow our penetration of and presence in selected Emerging Markets
<b>VALUES</b>	Integrity	Respect	Accountability	Pushing beyond boundaries		

The OMEM business strategy provides an overarching framework for the material issues covered in our sustainability report.

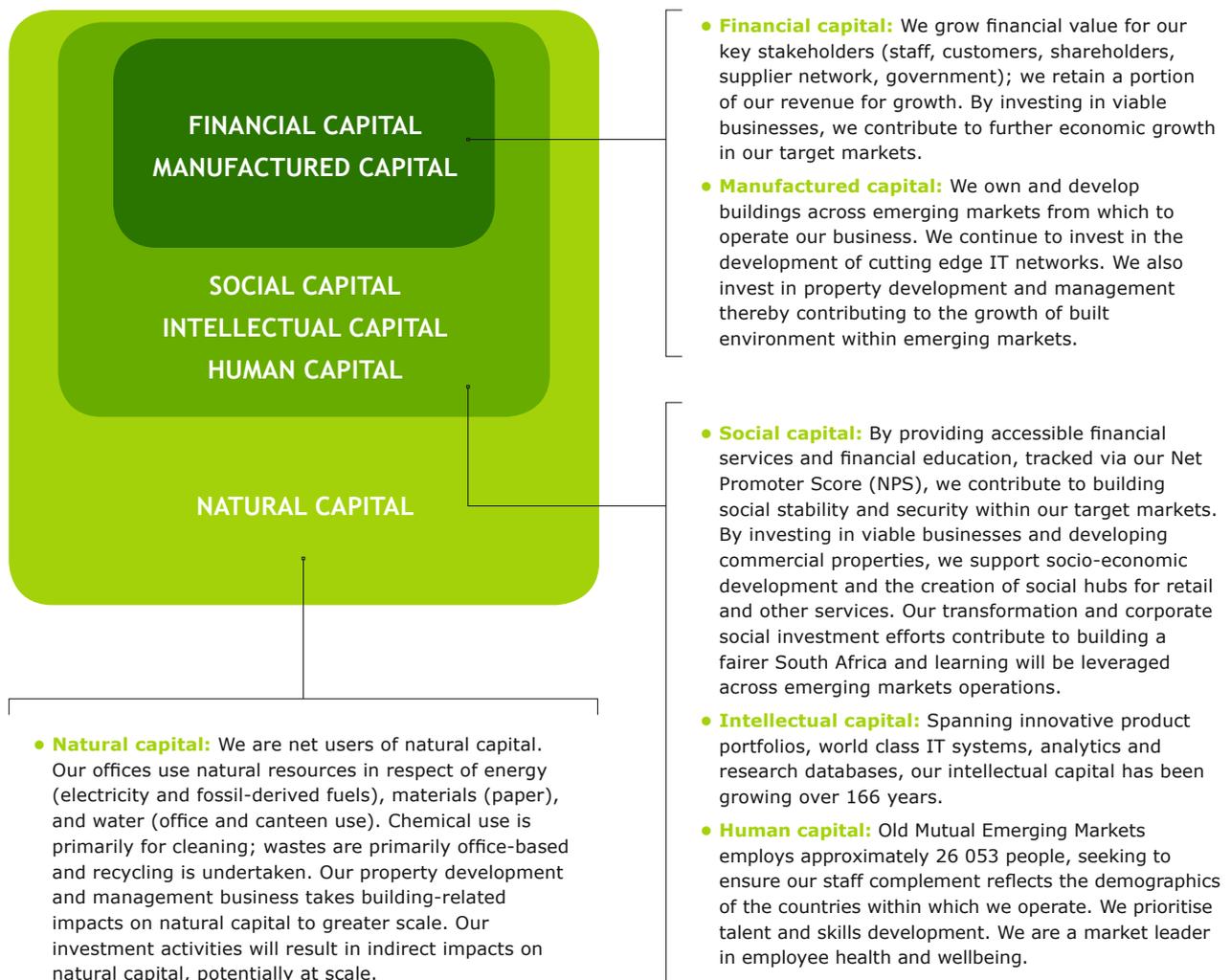
- Our **commitment to stakeholders** is one of the three building blocks of the strategy ('Responsible to stakeholders' - building block 3);
- **Good governance and ethical practice** informs our vision of being "our customers' most trusted partner";
- **Value for our customers** arises from strengthening our customer proposition and experience (point 1);
- **Investing responsibly** underpins our commitment to delivering high performance (point 2);
- **Investing in an equal South Africa** is critical to building trust and a culture of excellence (points 4 and 5);
- **Building skills, leadership and a transformative culture** informs our commitment to leveraging our skills across the Group and a 'culture of excellence' (points 3 and 5), and
- **Responding to environmental pressures** enables us to build trust with many stakeholder groups (point 4).

## Delivering stakeholder value

As a long-term savings and investments business, our overall impact on society is likely to be net positive. Net impact is, of course, difficult to measure. How do we weigh up the direct social benefit of financial security against the possible risks of investing in a business that relies on fossil fuels?

Assessing value contribution with respect to a broad spectrum of financial, social and natural capital resources is a challenge for all companies. We continue to explore this challenge, in partnership with our parent company Old Mutual plc.

On a generalised level, our contribution to building long-term value across a broad range of capital stocks is as follows:



■ “We pursue commercial success in ways that uphold ethical values and respect society and the natural environment.”

DON SCHNEIDER  
Group Human Resources Director,  
Old Mutual Group

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## Sustainability risks and opportunities

We live in a world that is characterised by rapid change. Technology is changing rapidly, economies and investment markets are volatile, significant socio-political changes can occur in a short space of time, major regulatory changes can materially alter the business environment, and the natural environment is subject to unexpected events, such as extreme weather patterns and the devastating impacts of earthquakes. Such change brings with it both risks and opportunities. Sustainability requires businesses to be able to manage and respond quickly to such change.

The recent 2012 World Economic Forum held in Davos, Switzerland, under the theme “The Great Transformation: Shaping new models”, underscored the high priority given to change by business and political leaders today. Companies that want to survive and thrive in the present world of constant economic, political and environmental change, have to acquire a quick-response-to-change capability.

Recognising the significance of these challenges, the International Integrated Reporting Committee (IIRC) recommends that companies consider their commercial prospects in the full context of environmental, socio-economic and governance trends that are increasingly impacting markets world wide.

Sustainability risks in the financial sector tend to be associated with investment market volatility, reputational issues and the broader socio-economic climate.

### Environmental trends impacting our business

While environmental trends are important in the world, these tend to impact our business indirectly rather than directly, through their impact on market volatility. Other than this, issues requiring a focused response include:

- Integration of environmental criteria into investment decision-making; and
- Optimising energy use, particularly in properties under management.

■ **“We view risk not only as a threat or uncertainty, but also as an opportunity to grow and develop the business, within the context of our risk appetite.”**

GARY PALSER  
OMEM Risk & Actuarial Director

### Socio-economic trends impacting our business

Socio-economic trends are characterised by shifting demographics with growing economic empowerment in emerging markets; continued income disparity and high levels of unemployment; lower levels of trust in big business as well as government; higher levels of social activism; and the emergence of green consumerism.

Building on more than 166 years of experience in South Africa, OMEM is well placed to take advantage of the higher GDP growth rates in emerging markets. As emerging markets develop, average incomes rise and the requirement for financial services evolves from simple funding and transactional products to more sophisticated protection and savings products.

Accessibility to our products through a wide range of socio-economic groups and treating customers fairly are important reputational risk areas and underscore the importance of building trust. Our vision – to become our customers’ most trusted partner – speaks directly to this challenge.

While financial institutions in emerging markets have not been the targets of social activism evident in the developed countries, we have also seen some demand for overtly green products within these markets. Interest in Socially Responsible Investment (SRI) is growing.

## Governance trends impacting our business

Governance trends are emerging in the form of significant regulatory changes; ethical and transparency pressures; and an increase in sustainability-related standards.

Within financial services, we have seen increased regulatory intervention over the past few years and we expect this to continue. We have anticipated and prepared for many of the regulatory changes ahead, including Solvency II in Europe and Solvency Assessment and Management (SAM) in South Africa, and Treating Customers Fairly developments. We have extensive training plans and other measures in place to help our advisors pass their regulatory examinations by the respective deadlines.

The South African market is implementing various sustainability-related standards, with the King III governance codes and an early publication of integrated reporting guidance. This direction is consistent with global trends, supported by the International Integrated Reporting Committee (IIRC) and existing Global Reporting Initiative (GRI) guidelines. This trend is reflected also in the emergence of the Code for Responsible Investment in South Africa (CRISA).

By aligning ourselves with these South African requirements, the requisite governance competencies will also be developed and shared across our other emerging market operations.

■ **“We know how to design and distribute products in emerging markets. We are experienced in running tied agency forces which we believe are key to distribution in Africa, but we are also harnessing new distribution channels such as cell phones.”**

JULIAN ROBERTS  
Group Chief Executive

## Managing risks and opportunities arising from ESG trends

The identification and analysis of sustainability risks is included in our overall risk analysis and the risks are managed according to the requirements of our Risk Management System. More detailed information is available in the Governance and Ethics section of this report.

Building on more than 166 years of experience in South Africa, OMEM understands customer needs as well as the sustainability risks that need to be managed in order to keep offering customers financial solutions ranging from simple savings products to more sophisticated insurance and investment products.

As we respond to changing market conditions it is with the client as our most trusted partner in mind, whether it be to make products available through mobile technology or investing in socially responsible companies. Our products are directly concerned with a social good – the provision of long-term financial security to our clients in South Africa as well as other emerging markets. We are already capitalising on the higher growth rates seen in emerging markets by expanding our operations in Africa, Latin America and Asia.

### OMEM's top risks and challenges

- The impact on competitive investment performance of slow economic growth and continued market volatility for a protracted period.
- 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.
- Competition from both traditional and new entrants may result in below target growth in new business.
- Rapid change in the businesses, and our role in providing leverage to the rest of the Group, may stretch our skills and delivery capability.
- Ability to respond cost effectively to the various legislative and regulatory requirements across multiple geographies.

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## Leveraging our contribution

Addressing sustainability challenges requires not only innovative thinking about risks, products and impacts, it also requires that companies take their good thinking to scale. Where can we scale our contribution to change? How can we use our powerful business engines to shape a sustainable and equitable future?

We have three obvious leverage points.

### 1. SCALE OF OUR CUSTOMER NETWORKS

Our products and services already address social issues by providing greater financial security and stability into the future. A scaled solution would be to ensure financial services are accessible to a greater spectrum of people, particularly those who are unable to afford traditional financial services. This is clearly both a societal obligation and a business opportunity.

### 2. THROUGH OUR INVESTMENTS

Initiatives such as the United Nations Principles for Responsible Investment (UNPRI) and local CRISA encourage asset owners and investment managers to consider ESG factors in their investment and ownership decisions.

### 3. PROPERTY DEVELOPMENT AND MANAGEMENT

Here, we have the opportunity to influence the use of energy, materials and water at every stage of the building life-cycle.



- “As an organisation we have committed ourselves to playing a significant role in ensuring the sustainability process of our company, our communities and our country by entrenching the principles enunciated in such important documents as the UNPRI, CRISA, and KING III into the fibre of our business operations. We have embarked on our journey to move beyond the business of compliance to making a meaningful contribution to the socio-economic development of our country.”

DR PANDELANI MATHOMA  
General Manager: Corporate Affairs

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## Using materiality to determine our sustainability focus areas

Given consideration of our value contribution, leverage points, risks and opportunities, and stakeholder perspectives, what material issues should focus our sustainability efforts?

Our primary materiality assessment was conducted in 2010 and included a series of robust dialogues with 135 OMEM managers. Our review of these issues has indicated that they remain material to our business, impacting our ability to create long-term value.

We have grouped the material issues into five focus areas:

- Creating value for our customers;
- Investing responsibly;
- Investing in an equal South Africa;
- Building skills, leadership and a transformative culture, and
- Responding to environmental pressures.

These focus areas align well with the Old Mutual Group's Responsible Business Strategy.

## How we manage sustainability

Sustainability cannot exist as a simple line function. The scope of material issues requiring our attention underlines the need for a crosscutting initiative. The results of all sustainability initiatives across various business units within OMEM, are co-ordinated via the Corporate Affairs division.

We have recognised that sustainability thinking is happening across our business and that this movement requires further co-ordination. While we have learnt much in our journey over the past few years, we are still building the foundations of this transition.

Going forward we will:

- Consolidate our strategic focus and its links to our core business purpose;
- Strengthen links to our products and responsible investment activities, and
- Enhance our sustainability communications to ensure they contribute to building trust in our brand, products and business.

■ **“The definition of ‘value’ has evolved from its traditional measure in financial terms. It is no longer appropriate for institutional investors to focus on only monetary benefit to the ultimate beneficiaries of investments to the exclusion of factors that impact on long-term sustainability.”**

CRISA CODE, 2011

# Creating value in Emerging Markets:

<b>CLIENTS AND BUSINESS PARTNERS</b>	<b>KEY CONCERNS</b> <ul style="list-style-type: none"> <li>• Growing financial value through investments</li> <li>• Good governance and accountability</li> <li>• Product and service innovation</li> <li>• Access to affordable financial services</li> <li>• Financial education</li> </ul>	<b>OUR RESPONSE</b> <ul style="list-style-type: none"> <li>• Developing products for lower-income market e.g. Money Plan, Easy Benefit Plan</li> <li>• Appropriate pricing of risk and savings products</li> <li>• Financial education workshops for business segments and Provincial Management Boards</li> <li>• Financial education impact study undertaken in 2011</li> </ul>
<b>INVESTORS AND ANALYSTS</b>	<b>KEY CONCERNS</b> <ul style="list-style-type: none"> <li>• Long-term shareholder value</li> <li>• Capital allocation</li> <li>• Response to ESG risks and opportunities</li> <li>• Product and service innovation</li> <li>• Talent and skills development</li> <li>• Communicating progress on sustainability goals and performance</li> </ul>	<b>OUR RESPONSE</b> <ul style="list-style-type: none"> <li>• Aligning with the new CRISA</li> <li>• Integrating ESG requirements into decision-making for listed equities</li> <li>• Building ESG capacity within OMIGSA</li> <li>• Engaging on national and global platforms, such as the World Economic Forum (WEF)</li> </ul>
<b>COMMUNITY ORGANISATIONS</b>	<b>KEY CONCERNS</b> <ul style="list-style-type: none"> <li>• Good governance and accountability/transparency</li> <li>• Environmental responsibility in investment decision-making</li> <li>• Social/community development through socially responsible investments</li> <li>• Financial education</li> <li>• Access to affordable financial services</li> </ul>	<b>OUR RESPONSE</b> <ul style="list-style-type: none"> <li>• Managing a suite of SRI funds to leverage our social contribution</li> <li>• Working with Kumba employees on managing their R2.3 billion shares payout</li> <li>• Aligning CSI activities with national priorities (enterprise development, skills capacity building, and promoting maths and science education)</li> </ul>
<b>BLACK BUSINESS PARTNERS</b>	<b>KEY CONCERNS</b> <ul style="list-style-type: none"> <li>• Driving empowerment and transformation through ownership</li> <li>• Growing financial value through investments</li> <li>• Talent and skills development</li> </ul>	<b>OUR RESPONSE</b> <ul style="list-style-type: none"> <li>• Increased black shareholding in our South African businesses</li> <li>• Finance and support to black-owned businesses, for BEE equity deals and for infrastructural development</li> <li>• Engagement on developmental agenda, e.g. nationalisation and NHI</li> </ul>

# Delivering value to our stakeholders

	KEY CONCERNS	OUR RESPONSE
<b>MEDIA</b>	<ul style="list-style-type: none"> <li>• Good governance and accountability/transparency</li> <li>• Financial education</li> <li>• Progress on sustainability goals and performance</li> <li>• Response to ESG risks and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Partnered with SABC2 Morning Live and e.tv to engage with media as a Thought Leader on               <ul style="list-style-type: none"> <li>(a) Emerging Markets/BRICS</li> <li>(b) Financial Education</li> <li>(c) Investing in Africa</li> <li>(d) Savings Monitor</li> </ul> </li> </ul>

	KEY CONCERNS	OUR RESPONSE
<b>ORGANISED BUSINESS BODIES</b>	<ul style="list-style-type: none"> <li>• Contribution to economic growth</li> <li>• Good governance and accountability/transparency</li> <li>• Response to ESG risks and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring alignment with the South African governance processes (King III, JSE's Socially Responsible Investment (SRI) Index and the emergence of the Code for Responsible Investment in South Africa (CRISA))</li> </ul>

	KEY CONCERNS	OUR RESPONSE
<b>PUBLIC SECTOR AND REGULATORS</b>	<ul style="list-style-type: none"> <li>• Growth of financial value through investments</li> <li>• Contribution to economic growth</li> <li>• Growing intellectual capital</li> <li>• Talent and skills development</li> <li>• Access to affordable financial services</li> <li>• Empowerment and transformation through ownership</li> <li>• Financial education</li> </ul>	<ul style="list-style-type: none"> <li>• Successful management of our Infrastructure, Housing and Agricultural funds in Africa</li> <li>• Insight into the national savings culture maintained through the Old Mutual Savings and Retirement Monitors</li> <li>• Engagement with treasury on alignment with New Growth Plan objectives</li> <li>• Innovative product portfolios, world class IT systems, analytics and research databases</li> </ul>

	KEY CONCERNS	OUR RESPONSE
<b>INTERNAL LEADERSHIP (INCLUDING EMPLOYEES)</b>	<ul style="list-style-type: none"> <li>• Talent and skills development</li> <li>• Growing intellectual capital</li> <li>• Empowerment and transformation through ownership</li> <li>• Growth of financial value through investments</li> <li>• Communicating progress on sustainability goals and performance</li> <li>• Financial education</li> </ul>	<ul style="list-style-type: none"> <li>• Training provided to 12 590 employees</li> <li>• Total skills development contribution of R243 823 834</li> <li>• R197 891 502 allocated for developing black individuals</li> <li>• Increasing numbers of women in top and senior management levels</li> <li>• Extensive training plans to help our representatives with the new regulatory examinations</li> <li>• Innovative product portfolios, world class IT systems, analytics and research databases</li> </ul>



## MUTUALISM

THE PRAYING MANTIS EATS THE APHID  
PEST OFF OF THE PLANT, AND IN RETURN  
RECEIVES A MEAL.

# Good governance and ethical practice

Old Mutual prides itself on a longstanding reputation for upholding the highest standards of good governance and ethical practice, both of which are fundamental to our ability to create long-term value.

Following a thorough review last year of opportunities to strengthen our governance systems, we have taken decisive steps aimed at ensuring that our approach to risk and capital management will extend well beyond the requirements of existing and anticipated regulations.

As we strengthen our position to meet increasing governance demands, we have the opportunity to improve our management capacity and ability to create value, leveraging strengths across the Group. We continue to develop leadership on governance and sustainability throughout the Group, as well as enhance our ethical conduct, transparency and brand reputation.

## Accountability through good governance

### Strong oversight and control

Old Mutual plc, the ultimate holding company, has delegated to the Old Mutual Life Assurance Company South Africa (OMLACSA) Board the functions of oversight and control for all the OMEM operations, including OMSA's subsidiary companies, African Operations and New Markets. The Board assisted by, and through its committees discharges its responsibilities, including that of corporate governance within an ethical framework and provides leadership in the best interest of the company. A detailed overview of our Board and its Committees is available on our website.

### Overarching governance structure

The Group has an overarching governance structure, incorporating principles of governance to facilitate effective management and oversight of a Group containing several regulated entities in different jurisdictions. These overarching governance structures, including an internal operating framework, are set out in the Group Operating Manual (GOM), to which OMLACSA adheres.

OMEM'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 GOM last year resulted in a complete review of how we manage risk. During the year OMEM has further strengthened and embedded the operational GOM framework especially in the African and Latin-American operations.

### Observing the King III Code of Governance Principles

Our system of governance is informed by the King III. OMEM has adopted the vast majority of these principles and is satisfied that during the year, it has made every practical effort, under the guidance of the King III project steering committee, to apply all relevant principles, practices and guidelines of King III in so far as they are applicable to wholly-owned subsidiaries.

### Internal audit and control

The Group Internal Audit (GIA) function continues to interact with the various governance groups within Emerging Markets, including the Board Audit committee, and identifies and helps manage significant issues impacting OMEM. 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, environment 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.

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## Governance of information technology

Information technology 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 strategy of the Group.

## Prevention of fraud and corruption

Old Mutual'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. The strategy integrates the Code of Ethics and the OMSA Financial Crime Policy, which fall under the Code of Conduct. This was revised in 2011 as an integrated replacement for previous separate policies for fraud, theft, corruption, cyber-crime, 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 anti-fraud strategy, and independently and objectively investigates suspicious activity and reported incidents.

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.

## Ensuring regulatory compliance

Compliance with applicable laws, codes and regulations is an ethical imperative for the Company. The Group's 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 Risk Committees.

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 (TCF) initiative. We will in future comply with the South African TCF requirements once these have been put in place.

## Group remuneration policy aligned with company strategy

Rigorous oversight of the Group's remuneration and HR policies (including specific conditions) has been formalised through the GOM. Disclosure of the remuneration of each individual director and certain prescribed officers is made in the Annual Financial Statements of the Company. <http://ar2011.oldmutual.com/governance/summary-of-the-remuneration-report>

■ “The recent financial crisis and continued failure of certain prominent organisations around the globe has served to highlight the need for proper governance of business. Given a Board's overall responsibility and accountability for same, the focus and need for effective governance has never been greater. The Institute of Directors in Southern Africa (IoDSA) sums this up well - ‘better Directors, better Boards and better Business’.”

RICHARD FOSTER

Group Company Secretary of Old Mutual Emerging Markets and Chairman of The Institute of Directors in Southern Africa (IoDSA)  
Member of The King Committee on Corporate Governance and member of the Committee for Responsible Investing in South Africa

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## Risk management

Risk Management is an integral part of the management decision-making process and the Company's overall risk strategy aims to ensure that risk taking is a conscious strategic decision. The pursuit of shareholder value requires the Company to balance the risk assumed, as reflected in capital required, with the aim of providing higher risk-adjusted returns within an acceptable level of risk assumed and capital required.

Significant progress has been made to implement a framework where risk, capital and value are fully aligned with commercial objectives and with the new Solvency Assessment and Management (SAM) regulations taking effect from 1 January 2014 (the iCRaFT programme is described later in this section).

### Risk management system

Managing risk is not only about managing the risks that may adversely affect the Company's ability to achieve its objectives. It is also about identifying and seizing new opportunities while ensuring that the risks are understood, evaluated, appropriately taken on and managed.

OMEM operates a risk management system which contains the following components:

- Risk vision: Defining how enterprise risk management integrates with other processes in the organisation in order to ensure that value is created for customers and shareholders.
  - Risk strategy and appetite: Provides a structured and organised way of thinking about risk so that business decisions are made within appropriate risk limits.
  - Risk categorisation model: The purpose of this model is to define all the risks that we are exposed to as a business and it assists us to consistently categorise risk exposures across different business units so that we can correctly quantify our exposure to risk.
  - Risk governance: Facilitates a systemic approach to decision making. It is ultimately concerned about the integrity of risk information and the process of collecting, analysing and communicating this information to decision makers and functions with risk oversight responsibility. A risk governance model complements the formal governance structures described at the end of this section. This model distinguishes between functions that own and manage risks; functions that oversee the risk management process and develop and maintain the Enterprise Risk Management System; and functions that provide independent assurance to the Board of Directors.
- Risk value chain: Defines the key steps in the risk management process. It supports a consistent approach supported by minimum standards. The risk value chain also gives recognition to the fact that not all risks can be quantified. There are risks which are deemed to be 'qualitative' in nature but are important to Old Mutual nonetheless. Reputational and customer risks are two prime examples.
  - Risk management processes: These are specific methodologies and standards that we have adopted to assist us with the process of identification, assessment, monitoring, management and reporting of risks. The Risk and Control Self Assessment methodology and Key Risk Indicators are two examples.
  - Risk reporting: The different stakeholders who require risk information to support them in the fulfilment of their risk oversight, regulatory and management decision making responsibilities have been identified and these stakeholders receive regular information structured to meet their specific needs.
  - Risk culture: A risk based culture is promoted that implies a balanced approach to risk management that values and demands transparency and is aligned with sound business growth.

All of these risks are substantially affected by the way that we deal with the material sustainability issues we have identified for Old Mutual, as reported on in this report. A risk is essentially the downside consequence of not managing a material sustainability issue effectively.

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## Enhancing our governance systems

### Integrated Risk, Capital and Finance Transformation Programme (iCRaFT)

The iCRaFT Programme is an Old Mutual plc Group-led initiative to ensure the Group, including the Old Mutual Emerging Markets (OMEM) business, aligns to, and complies with the emerging European Union Solvency II regulatory framework which is due to be implemented in January 2014. The Group is also using iCRaFT to further develop and implement common methodologies and tools for risk and capital management, with the main objective of improving the information at the disposal of business decision-makers.

A considerable amount of work has been done to understand how the new approach to calculating available and required capital will impact the solvency and management of the business. An OMLACSA internal capital model is being tested and refined in the lead up to the regulatory implementation dates.

The iCRaFT Programme is also providing new capabilities and tools to further improve decision-making and the use of the internal capital model in the following key areas of the business:

- Business Strategy and Planning – Align business and risk strategy using a common framework and metrics, in order to more clearly understand the impact on available and required capital of key strategic business decisions and plans.
- Risk Management – Integrate use of quantitative and qualitative components of risk management, set risk appetite limits for the business, and improve the identification, assessment, measurement and monitoring of risks, and reporting of risk information.
- Balance Sheet Management – Implement new solvency measures for the business, and further develop stress and scenario testing capabilities to better understand potential impacts and prepare appropriate management responses.
- Performance Targets and Management – Link performance targets and incentives of the business and its key decision-makers to agreed risk adjusted metrics that take into account the impacts of risks assumed and capital required.
- Reporting – Develop and align internal and external reporting to the new regulatory requirements while also ensuring that the key business decision-makers

obtain the correct information in a timely manner to facilitate better decisions.

- Product Development and Pricing – Use the new risk and capital metrics to assist with the development, evaluation and review of products, ensuring the impacts of risks assumed and capital required are understood, and products correctly priced.
- Business Engagement – Drive a risk culture change across the business, including at Board, executive, senior management and general employee levels, creating a common understanding of the value and consequences of good risk management.

### Responding to pressure by developing capacity

The proliferation of regulatory standards and new indices puts pressure on regulatory compliance-related costs, as well as demands on our human resources, both in terms of time, and training, required. This year we have invested significantly in staff training, as a long-term investment in building our internal capacity to manage governance in a more informed and integrated way. During 2011, detailed risk methodology training was provided to 761 individuals, and system training for 529 users, across OMEM.

### Our approach to managing our responsibilities across the Old Mutual Group

Our Responsible Business Committee, with representatives from Human Resources, Risk, External Communications, Brand and Marketing, Financial Crime and the Company Secretariat, co-ordinates our approach and shares information between Group Head Office and OMEM. Its work is supported by a series of taskforces and committees across the Group.

The Responsible Business Committee meets quarterly and its chairman, Don Schneider, Group Human Resources Director, is a member of the Group Executive Committee.

The Responsible Business Committee also reports twice a year to the Board. The Committee's work is underpinned by our Group Responsible Business Policy, which sets out responsible business compliance requirements for each business unit. This is complemented by our recently updated Group Code of Conduct, which sets out the behaviours expected of every Old Mutual employee.

## Governance checks and balances

### Assessing our resilience to bribery and corruption

The Old Mutual plc Group conducts an annual Anti-Bribery and Corruption (ABC) self-assessment to ensure the Group has sufficiently robust controls in place to manage the risk and to ensure there is a strong compliance framework in place.

The last OMEM ABC self-assessment was completed in December 2011, and resulted in an overall risk rating of "medium" to "medium/high". Specific risk areas were identified and related management action plans agreed to further mitigate these risks. The main focus areas for corrective action included:

- Internal policy improvements (particularly the Financial Crime, Contracting and Sponsorship policies)
- Further training and awareness activities
- Improved recruitment and selection procedures
- Conducting due diligences on prospective business partners

The levels of bribery and corruption risk vary across the OMEM business operations, with legislation in certain countries being inadequate. Where appropriate we use our internal policy framework to mitigate this risk, coupled with additional interventions in the areas described above. Our exposure to international sanctions regulations is also assessed, and where required, measures are put in place to ensure compliance.

### Fraud Health Check

Group Forensic Services (GFS) requested Deloitte to conduct a Fraud Health Check survey across OMSA in 2010-2011. The survey found that approximately 21% of the respondents believed that they would not be adequately protected from potentially negative consequences if they reported incidents of fraud, notwithstanding Old Mutual's clear commitment to protecting employees against harassment, victimization or unfair labour practices in the event of legitimate whistle-blowing.

This perception raises concerns about the effectiveness of existing whistle-blowing processes, and has highlighted the risk that fraud could go unreported even if it is identified by our own employees. This trend in perceptions is confirmed in external industry reports and indicates that senior management must do more to assure employees of their commitment to protecting whistle-blowers who act in good faith.

Other issues raised as a result of the survey include low levels of fraud awareness in certain areas of the business and a lack of understanding on how to identify fraud. Deloitte has made recommendations on how to address these areas of concern.

### Levels of fraud

The number of fraud related incidents reported to GFS increased significantly in 2010, with a moderate decline taking place in 2011. The total number of incidents reported in 2010 amounted to 5 279 with a total of 4 771 in 2011. The biggest contributor to these statistics is the submission of fictitious new business. The decline in 2011 suggests that efforts to address this phenomenon are beginning to take effect.

We are pleased to report a further decline in financial losses due to fraud related incidents. The number of matters finalized and proven in 2010 amounted to 6 147 (1 141 internal and 4 952 external), compared to 5 788 in 2011 (974 internal and 4 810 external). GFS recovered or prevented potential financial losses in collaboration with the business amounting to R46 million in 2011, compared to R53 million in 2010. We continue to take disciplinary, criminal and civil legal actions against suspected perpetrators of fraud.

### Whistle-blowing

Our independent anonymous fraud reporting hotline known as "Tip-offs Anonymous" is managed by Deloitte in South Africa, and supports our business operations in South Africa, Kenya, Namibia, Malawi and Swaziland. The Old Mutual businesses in Zimbabwe have a local contract with Deloitte and their statistics are excluded from the results referred to below. These statistics reflect an increase in the usage of the facility, with a consistent increase in the number of reports referred to GFS for investigation. During 2011, a total of 125 reports could not be taken further by GFS due to insufficient information supplied by the reporters.

Fraud reporting hotline	2011	2010
No. of calls to fraud reporting hotline	3 122	2 873
No. of reports referred by Deloitte to GFS	360	312
Resulting investigations	235	182



## MUTUALISM

THE OXPECKER EATS TICKS OFF THE RHINO, ACQUIRING FOOD FOR ITSELF AND IN TURN REMOVING THE HARMFUL TICK FROM THE RHINO.

# Creating value for our customers

Customers are the basis of our business. Delivering highly valued services is at the centre of everything we do. Our customers provide us with keenly appreciated feedback, enabling us to improve our products and service delivery.

MATERIAL ISSUES	HOW DOES THIS CREATE BUSINESS VALUE?	HOW DOES THIS CREATE SOCIETAL VALUE?
<p><b>Engaging with customers to improve service delivery</b></p>	<ul style="list-style-type: none"> <li>• Enhanced ability to attract and retain customers</li> <li>• Efficiency improvements</li> <li>• Employees become a key brand interface</li> </ul>	<ul style="list-style-type: none"> <li>• Helping customers to understand their financial needs</li> <li>• Providing best financial services</li> </ul>
<p><b>Offering the right products and services</b></p>	<ul style="list-style-type: none"> <li>• Productivity gains</li> <li>• Business continuity</li> <li>• Reputational gains</li> </ul>	<ul style="list-style-type: none"> <li>• More affordable products and services</li> <li>• Facilitating access in remote areas</li> <li>• Helping customers to buy products that suit their circumstances</li> </ul>
<p><b>Providing financial education</b></p>	<ul style="list-style-type: none"> <li>• Developing existing and potential markets</li> <li>• Reputational gains</li> </ul>	<ul style="list-style-type: none"> <li>• Empowering society to make wise financial decisions</li> <li>• Promoting a savings culture</li> </ul>
<p><b>Increasing the accessibility and professionalism of financial advisers</b></p>	<ul style="list-style-type: none"> <li>• Continuity of service over the long term</li> <li>• Productivity increases</li> <li>• Reputational gains</li> <li>• Retain investment in skills</li> </ul>	<ul style="list-style-type: none"> <li>• Supporting financial advisers' businesses</li> </ul>

We engage with customers for mutual benefit – to help existing or potential customers to understand more about our products and services, and to help us to better understand if and where we are falling short in terms of providing the service they expect.

Developing the customer proposition and experience is a strategic priority for OMEM. We seek to deepen our customers' trust in us through exceptional products, advice, service and investment performance and rely on continuous feedback from our customers to help us to improve our processes, products, and service offerings. Growing our sales force continues

to be a priority, as does promoting a savings culture, designing and adapting great products, and providing easier access to financial services.

## IN THE HEADLINES

Voted best customer service organisation in long-term insurance sector in SA in Ask Afrika Orange Index, 2008-2011. We also moved up from 35<sup>th</sup> to 11<sup>th</sup> position across all service industries.

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## Engaging on service delivery

Customer feedback on our performance is highly valued. This includes monitoring complaints, measuring customer satisfaction through the NPS (Net Promoter Score), persistency (retention), and staying aware of general perceptions about the Company and our competitors. We also measure our performance against international financial services industry benchmarks.

### Customer surveys

Customer surveys are a useful tool for engaging with customers and assessing our performance. The Ask Afrika Orange Index®, the annual largest and most respected service excellence benchmark in South Africa, saw Old Mutual voted the best customer service organisation in the long-term insurance sector in South Africa in 2011, for the fourth consecutive year.

■ **“Winning this award again is a great example of ‘doing the right things’ and is strongly aligned to our vision of becoming our customers’ most trusted partner – passionate about helping them achieve their lifetime financial goals.”**

ROSE KEANLY  
Director LTS Customer Service and administration

The Old Mutual Group globally uses the NPS as a key customer loyalty barometer and tool to help meaningfully improve the quality of customer experience across the Group. The NPS is an easy to understand measure that provides an assessment of our customers’ experience of the organisation. Customers are asked a single question: “How likely are you to recommend Old Mutual (based on this interaction)?”, on a rating scale of 0 to 10. Introduced two years ago, the NPS is being entrenched into the different business units. Not only are NPS targets set but the feedback from customers is analysed to extract learnings and prioritise action to further improve service.

### Customer retention

Customer retention provides a valuable indicator of customer satisfaction with Old Mutual products and services. We have seen steady improvements in persistency for both risk and savings products over the last two years. This improvement is the result of initiatives including incentives and better customer and advisor communication.

### Customer complaints

Our focus on listening to customers, understanding the root causes of complaints, addressing these sustainably and ensuring that the customers’ experience continues to improve, is positively reflected in a steady decrease in complaints since 2008, with a marked 43% decrease in the number of complaints received this year, on last year. This includes complaints received from the various Ombudsman schemes and Regulators. Encouragingly, the number of complaints received from the FAIS Ombud in 2011 shows a 19% decrease on levels in 2010.

OMSA continued to receive a number of complaints regarding financial advisers relating to advice, misselling and misrepresentation. An increase in industry complaints resulting from fraudulent business written by independent brokers to Mass Foundation Market customers continued to be a concern in 2011 and remains a focus area.

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.

## Focusing on the right products and services

Developing appropriate products and services to address the needs of emerging market clients is both a business opportunity and our societal obligation. Building on positive feedback from our existing customers, we continue to develop more accessible channels for engagement, and products to meet a strong demand for easily understandable and affordable financial products.

Customer feedback directly influences and shapes the design of services and products at Old Mutual. In recent years we've developed a number of products in response to lower-income market needs in South Africa. Our Mass Foundation Cluster products cover savings, education, funeral cover, life cover, accident cover, disability cover, and lending.

Expansion of our branches – located in central business districts, shopping centres, townships and rural areas – is driven by these offerings from Old Mutual Finance, which was established to provide holistic finance services to our customers by providing loan finance and by empowering them to manage their finances. Responsible lending is ensured through affordability assessments, risk assessments and regularly benchmarking with the industry. Sales incentives are based on quality of book rather than quantity.

■ **“It’s about listening to and striving to respond to our customers’ needs and preferences – we need to offer them the right products through the right distribution channels, while providing unrivalled customer service.”**

MARSHALL RAPIYA  
CEO Old Mutual South Africa

### Increasing access to the right products and services

The tables below reflect the variety and growth in scale of the channels through which we engage with existing and potential customers, and increase the number of customer interactions.

Indicators	2011	2010	2009
Number of Old Mutual Finance branches	172	117	65
Unsecured loan book in Old Mutual Finance	R4.5 billion	R2.5 billion	R839 million
Number of unsecured accounts with Old Mutual Finance	166 035	81 010	23 652
Gross credit life premium written by Old Mutual Finance	R291 million	R109 million	R16.8 million
Number of employees in Old Mutual Finance	1 421	866	501

## Engaging with our customers

Communication channel	Number of customer interactions		Number of intermediary interactions		Medium
	2011	2010	2011	2010	
Client service branches	2.25 million	2.05 million	82 branches, 143 service desks	81 OMCS branches (20 of which are dual OMSC/Old Mutual Finance branches) 102 Old Mutual Finance (Old Mutual Finance) service desks	Face-to-face
Contact centres	4.1 million	4.23 million	16 call centres	11 call centres	Telephony
Self-service	1.15 million	1.05 million	4.2 million	3.3 million	Electronic
Mobile communication	343 000	27 627	177 000	0	Mobile phone

### Fair pricing and responsible marketing

Mindful that the integrity of the financial sector remains under close scrutiny, Old Mutual recognises its responsibility to make fairly priced products accessible to all and to market its products and services in a responsible and appropriate manner.

In our efforts to create and preserve value for our customers, various indicators, including pricing, are measured regularly and reported on to the Committee for Customer Affairs.

Old Mutual's overall product range is positively rated by all financial advisers and continues to be one of the highest rated. We are continuously improving

transparency and disclosure of pricing models to clients in order to aid understanding of our product offering. Our biggest challenge is providing affordable and secure products, while increasing legislative requirements add significant costs to product development and distribution, and training, as well as demands on human resources. More detail on our approach to ensuring appropriate pricing of our risk products and savings products is provided on our website.

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.

## IN THE HEADLINES

Old Mutual Namibia awarded a Diamond Arrow (the highest accolade) and ranked number one in the 2011 PMR Awards for Life Insurance, Pension/Retirement Fund Administrators and Investment Services.

Pay-when-you-can family funeral plan launched at Shoprite and Checkers stores across South Africa. A first of its kind in the market, aimed at customers whose income is irregular, it allows customers to pay for benefits as and when they can afford it.

## Empowering customers through financial education

Providing financial education to empower customers with the knowledge and skills they need to make informed decisions about their finances is a primary area where we create social value. We focus on addressing the pressing need for education on financial matters especially the value of saving through regular contribution to pension funds. Financial education is also an essential component of our lending solutions, and is embedded in the way customers are assisted through the application process.

Our insight into the national savings culture is maintained through the Old Mutual Savings and Retirement Monitors. These monitors provide detailed data about the savings behaviour of working metro households in South Africa. These research tools also have valuable educational potential, helping us to tailor our educational programmes more closely to needs, and share insightful information with the government, to assist with shaping legislation and publishing the findings more widely for the broader empowerment of society.

This year we reviewed the effectiveness of our various financial education programmes and revised our approach in some areas to be more strategic.

### Financial education impact study

This year we commissioned a financial education impact study to gather perceptions on whether financial education is beneficial. For instance, does it improve participants' financial knowledge and understanding of financial concepts? Does it assist in household financial planning and savings management? Approximately 1300 surveys were conducted in 13 geographic areas in the Eastern Cape and KZN, across diverse socio-demographic groupings. There is little evidence to date for assessing the impact of these programmes and the findings of our study will be useful in informing the debate going forward, and in shaping our own initiatives.

### Indicators – providing financial education

	2011	2010	2009
Number of people trained through Financial Services Charter (FSC) guideline programmes	35 998	22 976	20 849
Number of Masisizane clients provided with financial education	5973 (training over 3-month period only*)	14 298	17 458
Number of individuals directly trained through OMSA's financial well-being programmes	19 151	16 335	11 457
Spend on financial education against FSC guidelines (R million)	8.69	8.89	12.12

\*Masisizane has continued to grow its SMME assistance through successful penetration of the under serviced rural market, particularly agriculture and the service sector. The broad financial education programme has also been amended to make it more focussed on entrepreneurship development and mentorship.

## Strengthening our network of financial advisers

The advice we give our customers regarding our financial products and services and their financial planning and needs, is provided largely through our network of 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 advice tool embedded in our sale process, and robust internal and external complaints processes.

In striving to ensure that we provide sufficient qualified and compliant advisers to cover all potential customer needs, geographic areas and language groups, we focus on the following:

- Increasing access to qualified and compliant financial advisers – a key challenge is attracting enough black African advisers to OMSA
- Supporting the sustainability of financial advisers’ businesses – to ensure we retain our investment in skills, build trust with our customers and can provide them with continuity of service over the long term
- Raising the quality and professionalism of financial advice – providing our advisers (both tied agents and brokers) with the right skills and ensuring they are updated on changes in legislation, in order to provide the highest quality of financial advice

Old Mutual serves the market through a combination of tied agents and independent brokers. The tied agency force consists of full-time employees (PFA), an agency franchise model and a small contingent of private wealth management (PWM) advisers. We have the majority of brokers supporting our products, accounting for a substantial amount of our annual premium income.

### IN THE HEADLINES

Our market share in the Mass Foundation Cluster improved from 35% in 2009 to 38% in 2011.

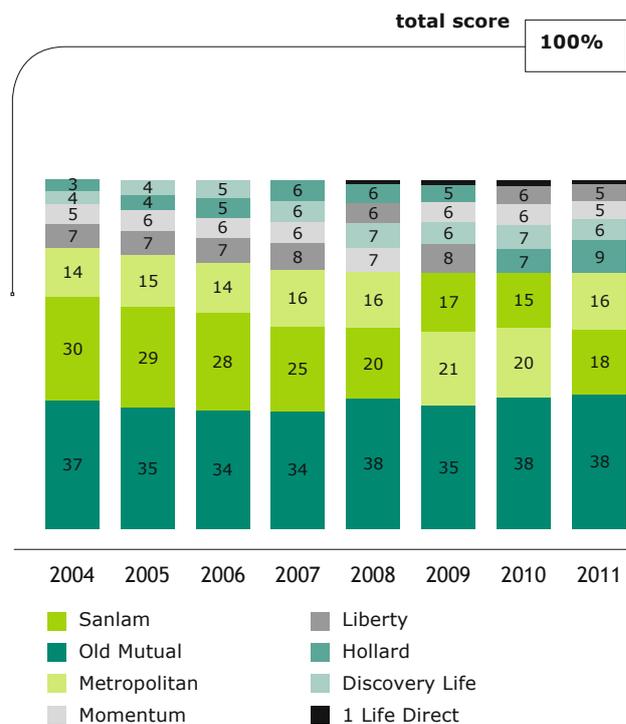
Compared to the traditional competitors, our market share has remained strong.

Traditional Competitors -  
Market share for income bracket R3 000 - R11 999

### Trends and challenges

Since the upturn in the global economy, we have steadily improved our levels of retention of tied agents and increased our manpower. We anticipate further growth in 2012 despite the impact of increased regulation and more stringent qualification criteria. Key challenges include:

- Increasing legislation and increasing customer service expectations;
- Addressing a decrease in the proportion of black to white financial advisers over the last three years primarily by targeting graduate students in their second year to start working part-time as advisers, and
- Fluctuation and overall decline in the proportion of experienced advisers (over three years). We are addressing this situation by recruiting aggressively.





## In conversation with Marshall Rapiya, Chief Executive Officer: Old Mutual South Africa

**Q Retail Mass Cluster sales were up 28% and the prospects look good. Do you see this trend continuing across all OMEM markets?**

**A** This was driven largely by increased manpower and productivity. In the immediate term the impact of Level 1 regulatory examination will have some adverse impact on sales as we will lose some of our productive advisors. We are managing this by bulking up with more advisors and increasing the recruitment of new advisors. In the rest of Emerging Markets there are huge opportunities in the growing Retail Mass segment. We will certainly be leveraging our Retail Mass competencies in South Africa to drive our penetration of Retail Mass segment in the rest of EM.

**Q Is there a conscious sense of OMEM's Retail Mass Cluster products helping to address disparity/ poverty by targeting underserved markets in the financial sector?**

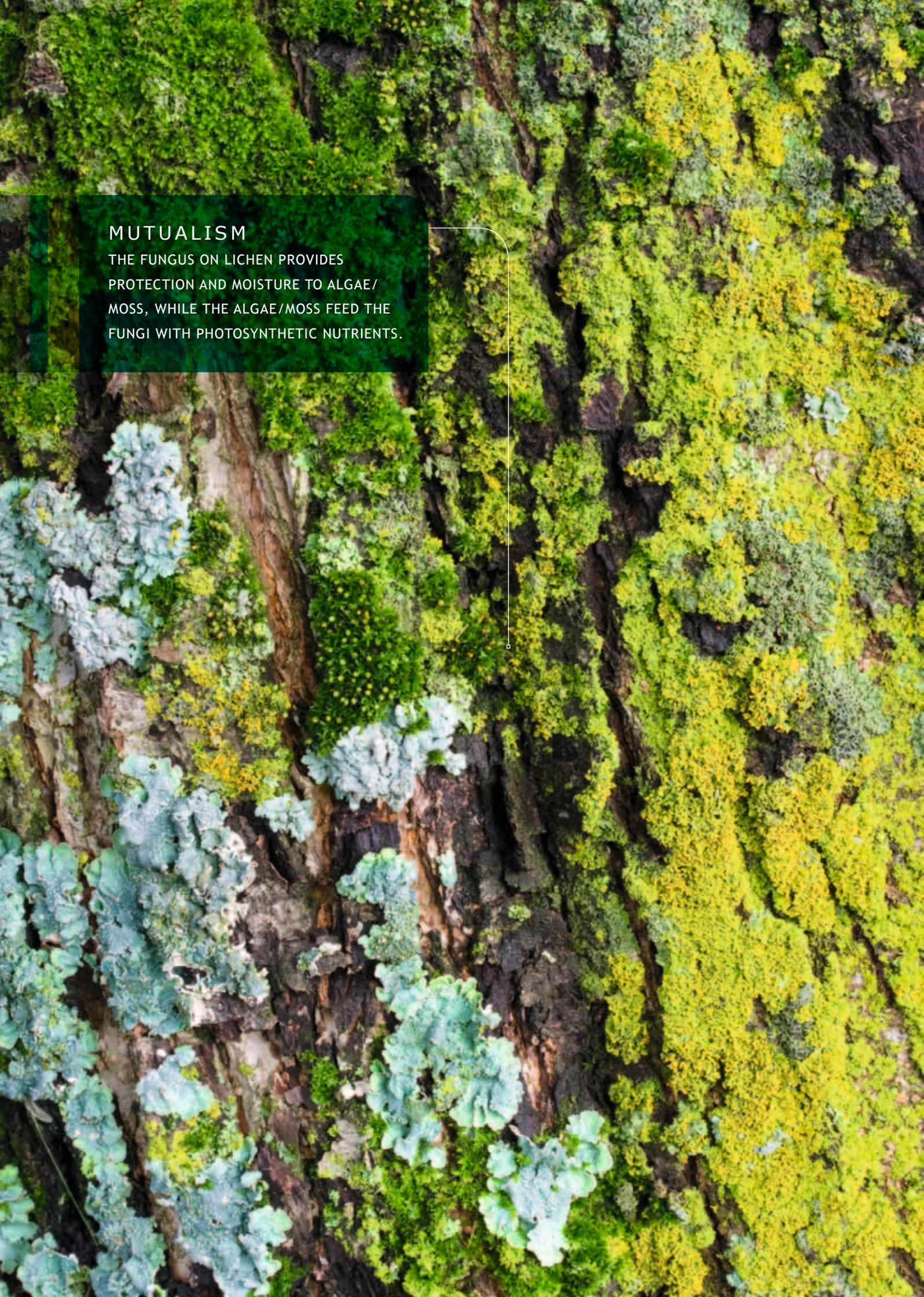
**A** What is good for South Africa is good for Old Mutual. Our Retail Mass segment has enabled a low cost model and we pass the savings on to our customers. Our savings products help people to save and accumulate capital to educate their children or start up their businesses. Poor people are also more vulnerable to volatilities, including market volatilities. Our smoothed bonus products protect our customers against these volatilities whilst giving them an opportunity to gain good investment returns.

**Q There are several initiatives around financial education – do you see this focus continuing, and are you seeing returns on this investment?**

**A** Yes, there will be a continuous focus on financial education. Our customers want to understand their financial choices. Life insurance is a long-term business and the choices our customers make will have long-term impacts. To treat our customers fairly, we must be committed to helping them to make informed decisions. An informed customer is less likely to cancel their policy and this increases the amount of business we get in return. Financial education also increases the customer base by bringing on-board customers who would not buy insurance under normal circumstances as they may simply not be aware of financial products.

**Q What new products do you foresee emerging across this segment in coming years? Will there be an increasing focus on mobile banking going forward?**

**A** As technology usage in the mass segment increases we are going to see more products that integrate easily with technology. Technology will be used as long as it can reduce the cost of transactions; of course it also reduces transport impact and is more convenient for our customers. In Kenya we distribute through mobile networks. Today there are more people with cellphones than bank accounts. As this trend continues, we will see more distribution and claim payments through mobile phones to reach the unbanked population.



## MUTUALISM

THE FUNGUS ON LICHEN PROVIDES PROTECTION AND MOISTURE TO ALGAE/ MOSS, WHILE THE ALGAE/MOSS FEED THE FUNGI WITH PHOTOSYNTHETIC NUTRIENTS.

# Investing responsibly

Sustainability challenges are shifting the competitive landscape. Companies that are able to respond to these trends with innovation will have stronger growth prospects, enhanced efficiency, lower cost of capital and better skills retention. We are convinced that this amounts to a stronger investment case over the medium and longer term.

MATERIAL ISSUES	HOW DOES THIS CREATE BUSINESS VALUE?	HOW DOES THIS CREATE SOCIETAL VALUE?
<p><b>Incorporating ESG issues in investment decisions</b></p>	<ul style="list-style-type: none"> <li>• Reduced compliance risks</li> <li>• Addresses potential investor concerns</li> <li>• Aligns to local and global trends</li> </ul>	<ul style="list-style-type: none"> <li>• Minimising negative impacts associated with development of assets</li> </ul>
<p><b>Using our investments to drive transformation in South Africa</b></p>	<ul style="list-style-type: none"> <li>• B-BBEE compliance</li> <li>• Enhances reputation</li> <li>• Builds more stable operating environment</li> </ul>	<ul style="list-style-type: none"> <li>• Supports national transformation goals</li> <li>• Builds social capital</li> <li>• Addresses disparity in society</li> </ul>
<p><b>Leveraging investments to drive social development</b></p>	<ul style="list-style-type: none"> <li>• Responds to investor interest</li> <li>• Potential innovations in product development</li> <li>• Reinforces our social licence to operate</li> </ul>	<ul style="list-style-type: none"> <li>• Supports national development agendas</li> <li>• Builds social capital</li> </ul>
<p><b>Sharing our learning across emerging new markets</b></p>	<ul style="list-style-type: none"> <li>• Skills development</li> <li>• Capacity development in new markets</li> <li>• Supports OMEM's growth objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Contributes to local skills development</li> <li>• Enhances access to financial services</li> </ul>

For us, investing responsibly has two aspects. The first is to drive the inclusion of environmental, social and governance criteria into our mainstream investment decision-making. The second is the development of socially responsible investments through the creation of SRI funds and products.

Although we are still at the beginning of this movement globally, the emerging markets and South Africa in particular have much to contribute to the thinking and practice of responsible investment. At OMEM, we are committed to playing a leadership role in investing responsibly in South Africa and in other emerging markets.

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## Incorporating ESG issues into investment decisions

### Responsible investment in South Africa

Aligning with the new Code for Responsible Investing in South Africa (CRISA), we focused most of our efforts during 2011 on integrating ESG requirements into the investment and ownership decision-making processes in our listed equity capabilities.

This included formalisation of an in-house approach to ESG integration across research and valuations and engagement with brokers to direct an ESG research focus and scoring of brokers based on ESG coverage. We have also appointed an international ESG service provider to ensure we keep abreast of all relevant ESG data, news feeds, research and ratings.

Building our ESG capacity with OMIGSA Equity Analysts has resulted in greater engagement with investors on ESG issues. Issues included health and safety, climate change and sustainability reporting.

We continued to engage with the responsible investment agenda at an industry level. We have contributed a presentation on responsible investments for the Institute of Retirement Funding, engaged with the Emerging Markets Disclosure project and presented an ESG master class to Trustees.

Our ESG analyst, Jon Duncan, sits on a range of Industries bodies, including the CRISA Committee, the Association for Savings & Investment South Africa (ASISA) Responsible Investment Committee, and the Institute of Directors in Southern Africa Sustainable Development Forum.

As part of deepening and focusing our Responsible Investment (RI) journey OMIGSA undertook the following key activities in the past financial year:

- Appointed a full ESG analyst with responsibility to drive RI across OMIGSA;
- Formalised governance structure for RI through the creation of the OMIGSA Responsible Investment Committee (RIC), chaired by the OMIGSA CEO, and
- In line with the commitments of CRISA, we have made public the OMIGSA group guideline on RI and ownership processes. (Available on our website and in the appendices to this report.)

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## CASE STUDY

### Futuregrowth Asset Management: Responsible Investment in practice

Futuregrowth, a fiduciary asset manager, is seeking to further incorporate ESG criteria into investment analysis and decision-making processes by assessing companies against specific ESG criteria. This is achieved through:

- Screening investments using the ESG factors as part of the due diligence process;
- Evaluating ESG risks;
- Monitoring the ESG activities of companies;
- Measuring how companies improve over time;
- Engaging with companies when risks are identified, and
- Reporting to stakeholders on ESG issues in our investments in a transparent and accountable manner.

As active owners we seek to engage investee companies on ESG matters. This engagement encourages companies to think about the impact of their own operations and their approach to integrating, disclosing and reporting on ESG issues.

Futuregrowth, an OMIGSA boutique, was awarded Socially Responsible Investor of the Year, Global Pensions Awards for Socially Responsible Investing, Imbasa Yegolide Award as SRI Investor of the Year and Africa Investor Agribusiness Fund of the Year Award.

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■ “I am conscious of the role that companies like ours need to play in the wider communities in which we operate. I am therefore particularly pleased to see the success of our Infrastructure, Housing and Agricultural funds in Africa and the real difference these are making to local people.”

PATRICK O’SULLIVAN  
Group Chairman

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## Looking forward

Last year, we anticipated a strengthening of demand in line with the growing significance of the UNPRI. OMIGSA did see an increase in levels of interest shown by existing and potential clients regarding how we integrate ESG factors into our investment and ownership decision-making processes.

We continue to anticipate growing global demand for SRI investment products, especially in listed vehicles. Responding to this demand will require that we significantly increase the proportion of investments screened on the basis of ESG criteria.

Looking ahead, we will have a formal disclosure around CRISA integrated into our 2013 Annual report (covering the 2012 period). OMIGSA will also make public its Responsible Ownership guidelines and listed equity proxy voting guidelines. OMIGSA's focus for the coming year will be on furthering ESG integration for our Alternatives Investment Boutique. We will continue to strengthen our listed equity ESG integration processes.

## Leveraging investments for social development

We recognise the value that developing our suite of socially responsible investment funds brings to our business. SRI forms a subset of our RI strategy and reflects the intentions of investors to do good by consciously investing to make a positive impact on the environment and broader society, with the aim of preservation for current and future stakeholders.

The market for SRI funds is still developing and there remain significant challenges in this area. According to our Old Mutual Retirement Monitor, a significant majority of members, are unwilling to trade short-term profits for longer-term responsibility considerations. Currently, these funds and products still represent only a small proportion of our total investments.

In the South African context, SRI also encapsulates the infrastructural and developmental needs of our country with the aim of making an impact, effecting change and realising risk adjusted returns for investors.

A suite of 11 SRI funds are used to leverage our investments towards positive contributions to social development. A total of R32.04 billion is presently invested in these funds, with further details available on our website.

### Using our investments to drive transformation in South Africa

For information on our investments in transformation, please see our chapter on investing in an equal South Africa.

## IN THE HEADLINES

We launched the Old Mutual Global Emerging Markets (GEM) Fund to tap into the growth potential of select emerging market companies.

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## CASE STUDY

### Symmetry Social Impact Fund

The Symmetry Social Impact Fund was launched in July 2006 and presently has Assets Under Management (AUM) of R101 million. The fund has a long-term performance objective of Consumer Price Index (CPI) +4%. The Fund is multi-managed and focused on investing in assets that are deemed to have a positive social impact.

It focuses on transformational projects that support social and economic development in under-developed areas and contribute towards equitable access to economic resources in the following sectors:

- Infrastructure (roads, dams, schools, bridges, hospitals, sewage, water, electrification);
- Agriculture (developing black farmers);
- Low-income housing, and
- SMME financing.

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## Sharing our learning across emerging markets

Our South African operations benefit from a relatively strong national focus on responsible investment. Sharing this learning across our operations presents significant opportunities and challenges for OMEM. We need to align products, governance and learning processes across diverse operations within diverse regulatory and cultural contexts.

Our main advantage in these markets lies in our ability to leverage South African capacity, experience and expertise. Successfully transferring skills allows us to address significant issues, including:

- risk and governance;
- 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, and
- the need to uplift communities (and thus create future markets), while ensuring protection of vulnerable natural environments.

We remain the dominant savings and investments company in Namibia, Zimbabwe, Swaziland and Malawi. We have established Nigeria as a hub for our expansion into West Africa and similarly plan to expand into East Africa from our established base in Kenya. Further leverage opportunities are being rolled out across the rest of Africa, Columbia and Mexico (Colmex).

Over the past year, we have established some of the foundation stones for responsible investment by:

- extending our Group Operating Manual to all OMEM markets, and
- completing the rollout of ACT NOW! Leadership Actions to all OMEM markets.

Opportunities to learn continue to emerge in response to local issues. Stakeholder engagement has shown that the issue of indigenization is of major concern to investors in Zimbabwe, for example. How we address this issue will provide for shared learning and experience across all OMEM operations.

### Responsible Investment in other African countries

**Kenya:** 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.

**Zimbabwe:** Old Mutual is actively participating in setting up the National Housing Fund, which is aimed at easing the accommodation shortage in the country through a partnership between Zimbabwe Association of Pension Funds, Insurance and Pensions Commission (IPEC) and Ministry of Finance.

Old Mutual Zimbabwe is also working hard to create employment opportunities for the young people of Zimbabwe through the provision of funding for youth projects. Recently, Old Mutual Zimbabwe signed a memorandum of understanding with the Government of Zimbabwe on a Liquidity Fund which will go towards supporting businesses in Zimbabwe to access capital for operations and expansion.

**Namibia:** We embarked on a property development strategy in 2011 to further support economic development, which will result in a new shopping centre development being started in 2012.

**Malawi:** Operating in Malawi since 1954 risk management and governance systems and procedures are well established and in alignment with the GOM.

**Swaziland:** Old Mutual Swaziland achieved compliance with the 30% local investment requirement by launching two Unit Trust Funds in 2011. These are the Old Mutual Swaziland Balanced Fund and Old Mutual Swaziland Enhanced Money Market Fund. Customers have benefited greatly from the expanded product offering.

Further information on our specific operations in New Markets and African country operations can be found on our website.



## In conversation with Jon Duncan, ESG Analyst: Old Mutual Investment Group South Africa

### **Q** What is the primary focus of your role?

**A** There are many investment managers in OMIGSA applying their minds to future risks and opportunities, and building models to assess a company's fair value. But it is imperative that the lens they use for making these future assumptions includes a sustainability element. My role is to work with analysts to integrate material environmental, social and governance (ESG) issues into their analysis of listed companies. We do this by factoring ESG issues into our understanding of the macroeconomic drivers within a particular sector and secondly by using ESG factors to interrogate the cash flow forecast assumptions within the analysts' models.

### **Q** Are you seeing any particular sector being impacted by ESG issues more strongly?

**A** Probably the resources sector from a social and labour perspective; industrials, resources and manufacturing in relation to energy cost increases and possibly carbon taxes into the future. Since we started engaging with our brokers, there has been a growing realisation that ESG issues have the potential to meaningfully impact on a company's fair value. They know we are serious about this topic and will be looking to them for coverage on these issues.

### **Q** What does it mean "to play a leadership role in responsible investment"?

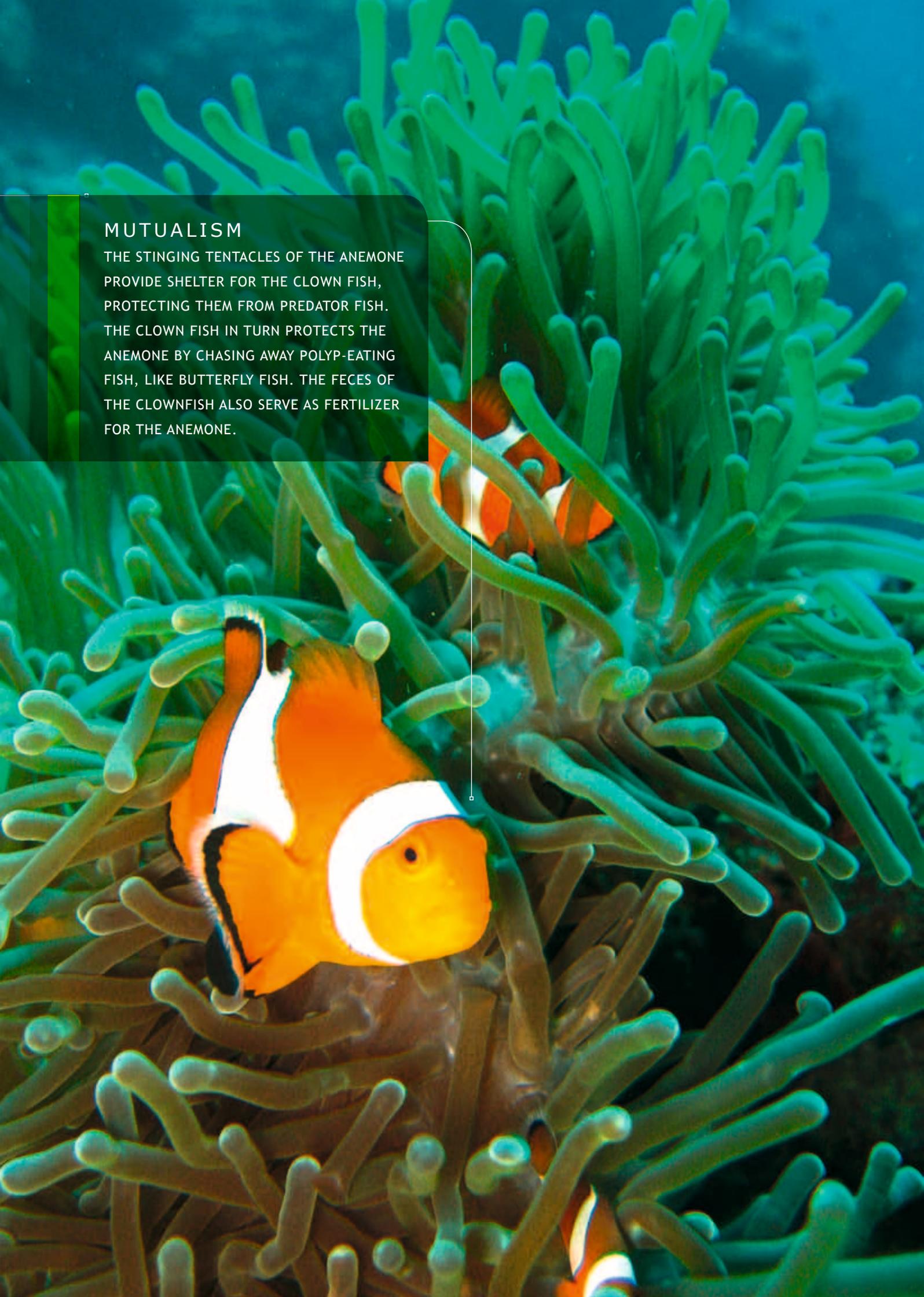
**A** We see it as playing a role within the investor community through participation in the development of the Code for Responsible Investment South Africa (CRISA) and through rating brokers on their ESG coverage. We also work with the buyers of our services. Buyers such as pension fund trustees who generally have a long-term perspective. Networking with the trustee community is mutually beneficial – we sponsored a one-day ESG master class for pension fund trustees and we all learnt together. And even within the pension fund, you will find tensions emerging on these issues. Intergenerational equity is a case in point. Lastly at the investment level we engage with the management of investee companies to ensure adequate disclosure and transparency with regards to material ESG issues. Leadership means being aware that we sit at the confluence between several pivotal stakeholders.

### **Q** What are some of the challenges for you?

**A** The lack of capacity at the asset owner and asset consultant level regarding sustainability and responsible investment is challenging. Fortunately the IFC is currently funding a study looking at what responsible investment means from an asset owner perspective. As the level of understanding increases I expect to see greater demand for asset managers who adopt a responsible investment approach. As an emerging market economy, South Africa can be proud of its efforts to drive a more sustainable approach to investment.

## MUTUALISM

THE STINGING TENTACLES OF THE ANEMONE PROVIDE SHELTER FOR THE CLOWN FISH, PROTECTING THEM FROM PREDATOR FISH. THE CLOWN FISH IN TURN PROTECTS THE ANEMONE BY CHASING AWAY POLYP-EATING FISH, LIKE BUTTERFLY FISH. THE FECES OF THE CLOWNFISH ALSO SERVE AS FERTILIZER FOR THE ANEMONE.



# Investing in an equal South Africa

In South Africa, achieving a fairer distribution of wealth is a social and a business imperative. Economic empowerment has a significant role to play in the future of the country, and drives OMSA in its endeavours.

MATERIAL ISSUES	HOW DOES THIS CREATE BUSINESS VALUE?	HOW DOES THIS CREATE SOCIETAL VALUE?
<b>Supporting economic stability</b>	<ul style="list-style-type: none"> <li>• Business sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Local economic contributions</li> <li>• Supports the national developmental agenda</li> </ul>
<b>Distributing ownership fairly</b>	<ul style="list-style-type: none"> <li>• Access to expanded client base</li> <li>• Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Builds a fairer South Africa</li> <li>• Provides role-models of transformation</li> </ul>
<b>Promoting employment equity</b>	<ul style="list-style-type: none"> <li>• Builds on employee potential</li> <li>• Leverages skills development</li> <li>• Improved decision-making through diversity</li> </ul>	<ul style="list-style-type: none"> <li>• Builds social capital</li> <li>• Supports the national developmental agenda</li> </ul>
<b>Enterprise development and preferential procurement</b>	<ul style="list-style-type: none"> <li>• Enhanced relations with supplier base</li> <li>• Improved supplier performance through training</li> </ul>	<ul style="list-style-type: none"> <li>• Supports B-BBEE enterprises</li> <li>• Creates jobs</li> </ul>
<b>Corporate social investment</b>	<ul style="list-style-type: none"> <li>• Supports social right to operate</li> <li>• Enhances community relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Builds social capital</li> <li>• Supports the national developmental agenda</li> </ul>

Our commitment to promoting transformation and diversity both within our operations and more broadly strongly underpins our strategy and reflects our values of integrity, respect, accountability and pushing beyond boundaries. By promoting diversity within our business and partnerships, we celebrate a multicultural society, developing relevant products and services that ensure mutual benefit to society and to our business.

Our commitment to driving transformation tracks the seven focus areas of the Department of Trade and Industry's (dti) Codes of Good Practice for Broad-based Black Economic Empowerment (B-BBEE) (the Codes).

This year we sustained our Level 2 B-BBEE contributor status (as measured according to the Codes) achieved last year. In 2010 we made a significant leap from

a Level 4 status in 2009, becoming the first large financial long-term savings institution to reach Level 2.

A key factor contributing to our B-BBEE Level 2 was the implementation of a fully diverse Transformation Committee structure with a comprehensive Terms of Reference framework. The CEO of OMSA, appointed as the chair of the committee, takes full accountability for the transformation agenda of the organisation. The personal attention and focus of the committee has assisted significantly in driving our strategic transformation goals.

We continue to monitor the ongoing alignment process of the Financial Sector Charter (FSC) and the dti Codes. Once the new Financial Sector Code has been developed and promulgated, we will be ready to make the transition to the new framework.

## Our progress against the dti Codes

The table below provides an overview of how we have progressed in terms of our dti scoring year-on-year towards achieving B-BBEE Level 2 status for the last two years.

The indicators below show OMSA's scores against the dti's Codes of Good Practice for Broad-based Black Economic Empowerment (B-BBEE). 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.

OMSA B-BBEE JOURNEY 2007-2011						
	Weighting	2011	2010	2009	2008	2007
Ownership	20	17.01	17.81	13.40	17.61	18.82
Management and control	10	6.51	7.46	6.21	6.32	5.34
Employment equity	15	12.33	11.07	9.04	7.72	4.84
Skills Development	15	12.31	12.09	4.90	6.43	2.87
Preferential procurement	20	19.21	18.56	17.92	11.78	5.96
Enterprise development	15	15.00	15.00	15.00	15.00	15.00
Socio-economic development	5	5.00	5.00	2.83	4.28	3.16
<b>OMSA B-BBEE Score</b>	<b>100</b>	<b>87.37</b>	<b>86.99</b>	<b>69.30</b>	<b>69.13</b>	<b>55.99</b>
<b>OMSA B-BBEE Contributor Level</b>		<b>2</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>6</b>

The B-BBEE verification certificate and the detailed dti Scorecard are available on our website.

Our overall score increased from 86.99 in 2010 to 87.37 in 2011. The accompanying graph illustrates our achievement over the last five years.

In this section we focus on our contribution to a more equal South Africa through supporting economic stability, promoting equitable ownership, preferential procurement, enterprise development and socio-economic development. Our efforts and performance relating specifically to our employees – diversifying management and control, employment equity and skills development – are further discussed in the next chapter in this report.



## Supporting economic stability

We contribute towards a stable economy – the foundation for the sustainability of our business – by creating value for our shareholders and other stakeholders. While we generate wealth for our shareholders, we also distribute significant wealth by procuring from local businesses, paying wages to employees, capital payment fees, taxes and community investments. The OMSA Value Added Statement (VAS) below summarises our primary direct economic contributions to our principal stakeholders.

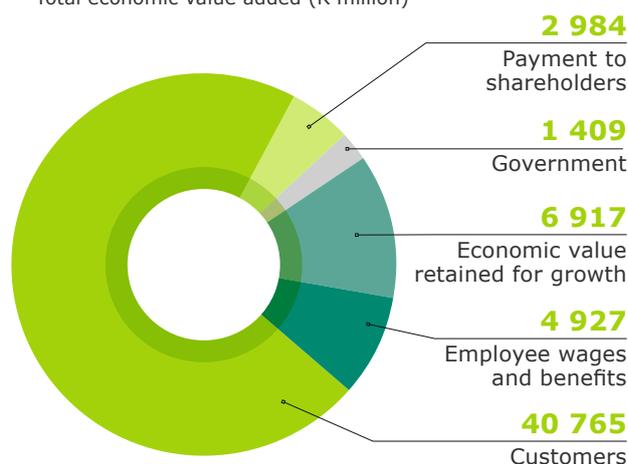
### Old Mutual South Africa Value Added Statement

The VAS is a composite table of indicators that show how OMSA has apportioned the direct economic value generated from its business amongst its stakeholders.

Markets depend on a stable financial services sector. The financial services industry supports the economy through the role it plays in allocating capital resources. We collect premiums from our customers, in return offering them security against an uncertain future, and managing the capital to generate value.

We pursue growth strategies, diversifying through developing new markets, in order to ensure continued strong economic performance across our business.

Total economic value added (R million)



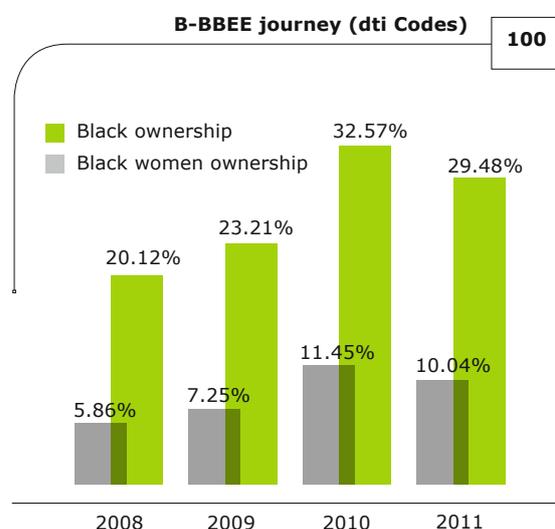
Indicator	2011	2010	2009
Direct economic value generated: revenues including interest and investment income (R million)	66 125	77 028	71 312
Operating costs (including suppliers; excluding staff costs)	9 122	8 229	7 736
<b>Total economic value added</b>	<b>57 003</b>	<b>68 799</b>	<b>63 573</b>

## Distributing ownership fairly

Our equity ownership score this year was 17.01 (of a maximum weighting of 20), a slight decrease on 17.81 in 2010. Levels of black ownership and black female ownership are reflected in the table below.

Our drive to diversify ownership began in 2005 when Old Mutual Group decided to increase the black shareholding of its South African businesses. This resulted in transactions structured according to a set of principles aimed at sustainable broad-based empowerment.

The transactions involved the issue of new ordinary shares in Old Mutual plc, Nedbank and Mutual & Federal 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. Further information on the principles of subsequent transactions, and the participants involved, is provided in the sustainability section of our website.



## Workplace representation

Our activities aimed at improving equitable representation across all levels in our workforce are discussed in the next chapter of this report: Building skills, leadership and a transformative culture. Following is a summary of our dti scorecard performance in the relevant areas:

dti scorecard performance	2011	2010
Management and control	6.51	7.46
Employment equity	12.33	11.07
Skills development	12.31	12.09

The decreased score in management and control was impacted by structural changes at executive level, reflecting our efforts to leverage the strength of our South African capabilities across emerging markets.

## Effecting change through procurement

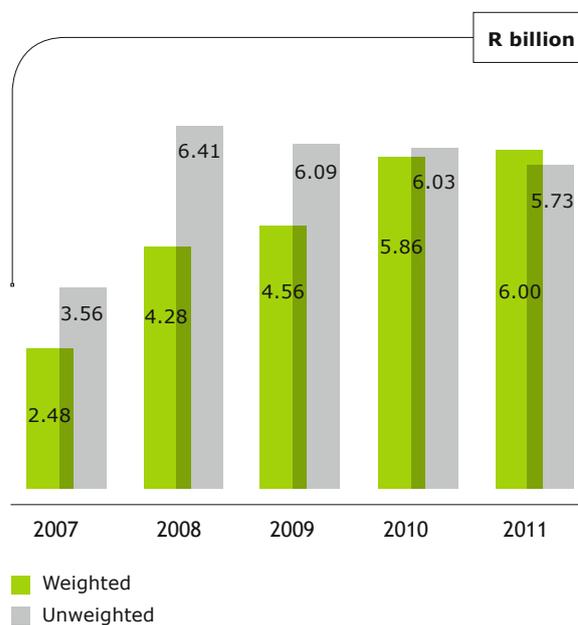
We are committed to influencing positive change through the way we buy. OMSA's Central Procurement pursues an increase in spending with vendors that have a B-BBEE Level 4 rating or better. To assist in this drive, we continue to collect and store valid certificates from vendors; numbers of these increased from 2 037 in 2010 to 2 167 in 2011.

The increase in compliance will help us to achieve our goal as well as encourage potential vendors to become certified and improve their own B-BBEE status.

Our preferential procurement dti scoring continues to improve. In 2011 our score was 19.21 (maximum 20 weighting), up from 18.56 in 2010. This year we undertook a clean-up of our vendors' database; the business now has access to an organised procurement data warehouse that demarcates preferred vendors, vendors with BEE ratings and vendors that are not BEE compliant. This process assists in preventing inappropriate spending and encourages more organised and informed expenditure.

Our weighted procurement spend (showing the level of preferential procurement compliance) for 2011 was R4.01 billion (before removing VAT), achieving 84.04% of compliance – compared to the 50% target for procurement from B-BBEE suppliers – and the full 12 points were accordingly awarded.

Preferential procurement spend (in R billion)



### IN THE HEADLINES

Launched the Imfundo Trust, a R20 million scholarship initiative to grow the number of black investment professionals.

In line with the Codes, we maintain a focus on improving levels of procurement from black owned and black women owned vendors.

## Supporting enterprise development

For the fifth consecutive year we have achieved the maximum dti score of 15 for the enterprise development element of the scorecard, as a result of our continued provision of finance and support to black-owned businesses, for BEE equity deals and for infrastructural development, particularly within disadvantaged communities. A principal focus is investing in much needed affordable housing nationally. In 2010 OMI GSA launched the Housing Impact Fund of South Africa (HIFSA), aimed at improving access to housing for people in the affordable market earning up to R16 000 per month. A key development in Zimbabwe has been the launch by Old Mutual Zimbabwe of a US\$15 million housing scheme which will see the construction of 3 100 low income housing units in Harare's high density suburb Budiriro where there is a housing shortage.

Our Development Impact Funds of South Africa (DIFSA) – aimed at providing opportunities to invest in assets

that benefit disadvantaged individuals and communities, while generating a commercially acceptable return for investors - have grown strongly over the years and we currently have R11.4 billion committed and R7.2 billion under management. OMLACSA's commitment to the DIFSA amounts to R7.85 billion. In 2011, the newest addition to the DIFSA was launched. The Schools and Education Investment Impact Fund of South Africa (SEIIFSA) of R1.2 billion aims to support the expansion of independent low-fee schools for the affordable market. Transformational infrastructure remains our biggest area of financing. Through the Old Mutual Investment Business, the Transformational Infrastructure portfolio exceeded the 3% of NPAT requirement of the dti Codes.

Old Mutual will continue to make investment contributions in Equity Investments, SMEs and Low Income Housing amongst others.



### In conversation with Mohale Ralebitso, Director: Marketing, Communications and Corporate Affairs

**Q Do you have any comments on the new B-BBEE legislation, and its potential impact on your business and industry?**

**A** We've been at transformation for 18 years and we're not where we need to be. The new Codes are government's response to that. We welcome the shifts, and particularly the greater focus on empowerment financing and access to finances. These are critical levers for the economy.

**Q Do you see OMEM gaining competitive advantage or positioning from its positive B-BBEE stance?**

**A** Absolutely. If we are to be a trusted partner, we have to live these values. A competitive B-BBEE status is about putting your money where your mouth is. A South African certificate may have no impact on the global market, but transformation is about willingness to change. This is what will underscore trusted partnerships in all markets going forward.

**Q Can the learning be transferred into other emerging markets?**

**A** I believe it can. Every business in emerging markets has its own challenges and requirements. South Africans have been through our own hard school. Perhaps the challenges will not be the same, but BEE is basically about relationships, and our ability to respect people for who they are. This is the same whether we are in Malawi, Columbia, Mexico or China.

## Corporate social investment

In 2011 we sustained the maximum dti score for socio-economic development, achieved last year as a result of centralisation of all corporate social investment (CSI) activities spend within Old Mutual, improved tracking and recording of our initiatives.

Old Mutual Foundation is the CSI arm of OMSA. We seek to align our socio-economic activities aimed at supporting our communities, with the sustainability strategy of the business. The Foundation focuses on the following key areas:

- Promoting enterprise development and skills capacity building – to address the national priorities of job creation and wealth creation. Our enterprise development projects in small-scale agriculture, manufacturing and the environment focus on green jobs and initiatives that are labour intensive.
- Supporting secondary level education projects – focusing on improving maths and science, as well as supporting schools with regard to leadership and management, teaching functionality and infrastructure.
- Staff volunteerism programmes – facilitating opportunities for our employees to make a compassionate difference in their local communities, thereby building our employee value proposition and brand reputation.

With a budget of R30 million for 2011, we spent R29.6 million on CSI activities (excluding an operational budget of R5.5 million), representing a significant increase on the R22 million spent in 2010.

For many years we have been actively involved in programmes that have a positive social impact and help facilitate sustainable access to the economy. Through our enterprise development and skills capacity portfolios, a total of 1 552 jobs have been created in 2011 (consistent with the 1 586 jobs created in 2010) and a total number of 2 400 people attended the On The Money training in collaboration with Old Mutual Financial Education.

Our sponsorship activities are primarily related to marketing the company and building its brand, yet play a meaningful role in building links with a range of customer and population groups, as well as the broader community. Our portfolio includes road running, football, golf, arts and culture. Educational aspects of social and environmental awareness are also raised through these events, for instance through promoting volunteerism, the development of talent for the under privileged, and recycling.

Following are examples of our leading CSI activities. A more comprehensive review of our CSI activities is provided in the sustainability section of our website.

### The Bulungula Incubator

A key project since 2009, the Bulungula Incubator situated in the Eastern Cape has seen the development of a farming co-operative growing commercial lemon grass. Initially started with 14 members, the co-op has expanded to 20 members each growing between 1 200 – 1 300 plants. Early successes include full organic certification and sales export to international rooibos merchants.





### Old Mutual Legends Programme

With our skills capacity building Old Mutual Legends Programme, facilitated by Fetola and Associates, we focus on growing small black-owned businesses in rural and peri-urban poverty nodes. The programme has 67 beneficiary businesses supporting 1 400 jobs of which 63% are black woman owners, across all nine provinces of South Africa. The Old Mutual Legends Programme has been selected as a finalist for the Ernst & Young Social Entrepreneur of the Year Awards (Nov 2011), the SMME Africa Awards (Oct 2011) and once more, for the Mail & Guardian Investing in the Future Awards. The Programme was also recognised at the World Demographic Forum in Switzerland.



### LEAP Maths & Science School

Our LEAP maths and science school programme is aimed at developing talented learners from grades 10 to 12 from disadvantaged backgrounds to achieve a university exemption with subjects including Science, Maths and English. Across six independent high schools, in 2011 LEAP saw a 94% pass rate for 116 Grade 12 learners, 88 distinctions and 109 students qualified for tertiary studies.



### Staff volunteerism

Our employees are actively involved in supporting our communities through well-established initiatives: Payroll Giving, Staff Community Builder and Care & Share. In 2011 our levels of staff volunteerism increased significantly, with approximately 35% of OMSA's workforce engaged. We were nominated as a finalist in the 2011 Mail & Guardian Investing in the Future Awards category "Best Corporate Employee Community Involvement Programme."

## MUTUALISM

THE LADY BUG EATS APHIDS OFF THE FLOWER, AND SOMETIMES THE POLLEN, HELPING POLLINATE THE FLOWER AND DISPERSE ITS SEED. THE LADY BUG MAY LAY EGGS ON THE PLANT, SO THAT WHEN THEY HATCH THE YOUNG LARVAE WILL HAVE A READY SOURCE OF FOOD: APHIDS.



# Building skills, leadership and a transformative culture

Global shifts and new competitive realities demand a continual response to shifting market conditions, and companies must hone their ability to identify and capitalise on opportunities to strengthen their services and value offering. This depends on having people who are inspired to do great work.

MATERIAL ISSUES	HOW DOES THIS CREATE BUSINESS VALUE?	HOW DOES THIS CREATE SOCIETAL VALUE?
<b>Creating a culture of leadership</b>	<ul style="list-style-type: none"> <li>• Enhanced decision-making</li> <li>• Clear vision and strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Providing mentorship and role-models</li> <li>• Upholding ethical practices</li> </ul>
<b>Strengthening our position as an employer of choice</b>	<ul style="list-style-type: none"> <li>• Talent retention</li> <li>• Productivity increases</li> <li>• Business continuity</li> <li>• Employees become brand representatives</li> </ul>	<ul style="list-style-type: none"> <li>• Providing employment opportunities</li> <li>• Ensuring health and wellness</li> <li>• Supporting fair labour practices</li> </ul>
<b>Building skills for emerging markets</b>	<ul style="list-style-type: none"> <li>• Building human capital</li> <li>• Building intellectual capital</li> </ul>	<ul style="list-style-type: none"> <li>• Development of emerging economies</li> <li>• Skills and talent development</li> </ul>
<b>Enabling true transformation – going beyond the numbers</b>	<ul style="list-style-type: none"> <li>• Compliance with regulations</li> <li>• Improved decision-making through considering diverse opinions</li> </ul>	<ul style="list-style-type: none"> <li>• Providing role-models of transformation</li> <li>• Contributing to broader societal transformation efforts</li> </ul>

Our growth in emerging markets presents both challenges and opportunities relating to diversity, leadership and skills development. Different markets hold different cultures, with different governance and leadership styles and skills. Our newer markets demand increasing talent development and transfer of skills, knowledge and leadership to ensure that skills shortages do not limit our growth prospects.

To achieve this we've focused on reviewing and revising our approach to leadership, talent, performance management and remuneration to ensure mutual benefits across the newer emerging operations. Regional diversity has presented only minor challenges to the coordination of our approach and efforts, and offers new opportunities in terms of training, development, shared learning and leadership.

We're building human resources for both the short and long term, for the local market and for international mobility – developing cross-boundary leadership competence and other skills. Drawing skills from our South African pool of experience to develop capability in our newer operations needs to be managed in balance with our commitment to improving employment equity at senior levels in South Africa.

We seek to attract talented high-potential individuals who reflect our values. Our efforts focus on strengthening our position as an employer of choice, offering diverse opportunities for skills development and growth within the Company, creating a culture of leadership to inspire future leaders and ensure a succession pipeline, and providing a rewarding environment to work in.

## Creating a culture of excellence

Developing leadership capability across all levels of the organisation remains a key priority. Our strategy is ambitious and long-term, requiring leaders who can work with and through others to achieve strategic goals and objectives.

We have a strong pool of leadership experience in our South African operations. We develop leaders through various talent development programmes, providing excellent learning opportunities in association with leading tertiary institutions. In 2011, our leaders participated in the Executive Education Programme, the Strategic Leadership Programme, and the Management Advancement Programme (offered in association with the WITS Business school, Johannesburg). Talent management and succession planning at senior management and executive levels include all the territories.

The Old Mutual South Africa Business School (OMBUS) offers a range of management and leadership workshops addressing core leadership skills at all levels of management. This year we delivered 150 programmes, compared to 187 last year, however the number of attending delegates in management roles across South Africa almost doubled, from 2 534 in 2010 to 5 035 in 2011.

Roll-out of the ACT NOW! Leadership Actions proceeded as planned, with all executive leadership, management and personal development programmes focused on embedding these behaviours. The development of leadership competence includes cross-boundary management skills, language skills and managing diversity in the broadest sense.

At leadership level, OMEM launched a partnership with the business school INSEAD in France to deliver leadership programmes that will specifically support the focus on creating a leadership culture of winning as one team and developing a synergistic approach to delivering on the OMEM growth strategy.

### Key achievements

- Rolled out ACT NOW! Leadership Actions across all executive leadership, management and personal development programmes;
- Partnered with the business school INSEAD in France to review our approach to delivering on the OMEM growth strategy;

## ACT NOW! Leadership Actions

- Aim high and take your team with you
- Customer first – they’re the reason we’re here
- Treat the business like it’s our own
- Need to listen carefully and talk honestly
- Own our decisions – decide and deliver
- Win together – help others to succeed

- Used the Barrett Culture and Values Tool to assess consistency of values and culture across the operations;
- Launched our employee value proposition roadmap with excellent recognition of our EVP efforts in independent surveys, and
- Further improved equitable representation in the workforce.

### Key challenges

- Optimum resource distribution – balancing the outflow from South Africa to drive growth in other operations, with meeting our transformation objectives in SA, and
- Increasing numbers of black females at senior level in South Africa.

### Key focus areas

- Fast tracking personal development;
- Developing leadership capability across all levels of the organisation;
- Ensuring a sustainable talent and succession pipeline to meet increasing requirements for Emerging Markets, Long Term Savings and Old Mutual Plc;
- Fostering opportunities for innovation;
- Leveraging opportunities in new markets for shared learning, training, development and leadership, and
- Cross cultural development: collectively working on employee recognition, clear communication and putting customers first.

The following table provides an overview of how OMSA has performed over the last three years against key performance indicators.

## Our employee performance indicators

Indicators	2011	2010	2009
Total headcount	16 386	*15 503	*15 318
Permanent employees	14 277 (includes 6 896 sales/BC staff)	13 619	13 433
Contingent workforce	2 109 (includes 172 sales staff)	1 884	1 885
Employee turnover (office staff)	6.7%	5.9%	15.2%
Employee turnover (sales staff)	32.31%	30.94%	33.08%
Percentage of female employees	54.5%	53.5%	52.7%
Percentage of black employees	71.8%	70.8%	70.12%
Number of females at top and senior management level	294	268	251
Percentage of black employees at top and senior management level	34.6%	34%	32%
Number of staff who have been at Old Mutual for 5-10 years	2 928 (17.86%)	2 686 (17.32%)	2 313 (15.09%)
Organisational Culture (participation results)	70%	75%	74%
Number of employees using employee well-being programme	1 759	1 599	1 680
Spend on employee well-being programme (R million)	R3.2	R3	R3.5
Number of employees on medical aid	11 658	*10 773	* 11 078
Number of employees with pension funds	13 788	*12 485	* 10 914
Number of employees receiving disability income	123	139	143
Percentage of Total workforce unionised	38%	35%	33%
Man days lost due to industrial action	0	0	0
Skills development spend (R million)	R243 (full spend**) R197 (black spend)	R63.7	R98.5
Number of employees trained***	12 590	10 143	10 794
Learnership spend (R million)	R3.0	R2.4	R7.1
Training spend on people with disabilities	R3.3 (full spend**) R2.8 (black)	R683 909	R522 088
Total Guaranteed Package & Pensionable Earnings (R billion)	R2.6	R2.4	R2.3
Commission paid to Personal Financial Advisers (R million)	R879	R788	R761

\* Adjusted to apply exclusions for comparative purposes  
Excludes: 3rd Party (10); Ex-contingent Workers (55); Franchise Agents (594); Independent contractors (Paid via iPROC) (82); Masthead (35); Namibia (641); OMF (JV) (1420); PFA Inactive Pensioners (789); Skandia (28)

\*\* This year going forward, figures will include salaries, in line with dti requirement

\*\*\* D only and includes Category salaries

Employee Engagement Surveys were replaced by the Organisational Culture Survey in 2011

## Overview of headcount: Emerging Markets (as at 31 December 2011)

Operation	Total headcount	Total no. of permanent employees*	Total Contingent / non-permanent workforce**
OMSA	16 386	14 277 (inc. 6 896 sales/BC staff)	2 109 (inc. 172 sales staff)
Africa	2 239	2 053 (inc. 665 sales staff)	186
Mexico	673	345 (inc. 108 sales staff)	328 (inc. 302 sales staff)
Colombia	980	862 (inc. 544 sales staff/BC)	118
China	501	473 (inc. 297 sales staff)	28
India	5 237	5 237 (inc. 4 077 sales staff)	
<b>Total</b>	<b>26 016</b>		

\* Total permanent employees = total office, admin, branch support employees, employees on disability benefit, plus total sales employees

\*\* Total contingent/non permanent workforce = total fixed term employees, independent contractors, non-permanent sales force and other non-permanent employees.

## Strengthening our position as an employer of choice

### Employee Value Proposition

OMSA's total staff complement increased by 5.7% this year, largely attributable to an increase in our Sales force. We increased our levels of investment in training and numbers of employees trained.

This year we maintained a high response rate of 70% in our in-house Organisational Culture survey, in which all our emerging market operations (except Kotak Mahindra) participated, with encouraging survey results (notably in Colombia and Mexico), indicating high levels of motivation, commitment and discretionary effort from our employees.

### Strengthening our brand with our employee value proposition

This year we launched our employee value proposition (EVP) roadmap with a strong campaign. The key pillars of our EVP are: our company, our values and brand, our leadership, our talent management efforts, our sustainability agenda, our learning and development, our reward programme, and diversity and inclusion.

In recognition of our employee value proposition efforts, in the Deloitte Best Company to Work For survey we were ranked third in large size company category, and in the Corporate Research Foundation Best Employer survey, we were ranked number one in Financial Services Category, and number six in large sized employer category.

### IN THE HEADLINES

OMSA named Number One Best Employer in the financial services sector as certified by the Corporate Research Foundation (2011).

## Employee health and well-being

Levels of employee participation in our employee wellbeing programme increased this year from 1 599 in 2010 to 1 759 in 2011. Our executive health programme, aimed at improving the health and work-life balance of business leaders, and protecting the interests of Old Mutual, continues to perform well. For the second year running, Old Mutual executives were rated as healthier than executives in the average South African corporation. We offer an excellent range of employee wellness opportunities for all employees.

## Developing skills for emerging markets

Our SA skills pool has a wide spectrum of initiatives aimed at developing future talent at all levels, through learnerships, bursaries and trainee programmes. We retain a strong focus on building the financial skills of black graduates, and introducing black chartered accountants into the finance community of Old Mutual. Information on our various initiatives is available through the sustainability section of our website.

Old Mutual South Africa Business School (OMBUS) is the corporate centre of learning for OMSA. The reach and impact of OMBUS continues to grow: this year 760 workshops were held, attended by 9 070 employees, a significant increase on 614 workshops attended by 6 929 employees in 2010.

Developing employees for international mobility within the Group is central to our efforts to create opportunities for growth in newer markets. Employees are transferred between different parts of the business, to develop capacity and for personal development. Employee transfers within the Group during 2011 are detailed on our website.

Aligning the OMEM business continues. We are focused on growing the international business across new markets – Colombia, Mexico, China and India – and Africa Operations, by leveraging the knowledge and resources of our South African business. Ensuring a mutually beneficial approach to human resource management and development across the various regions is essential.

We continue to revise performance management systems in our emerging market operations (except China and India) to align with the Old Mutual Group approach to leading people. We promote a uniform remuneration philosophy and principles across the OMEM business. In 2011, our variable pay scheme was integrated to include the Colmex and Africa Operations businesses.

## Industrial relations

Old Mutual South Africa's contingent of Union members grew from 35% of the total workforce last year to 38% this year (43% of the permanent workforce). The two main trade unions at OMSA, Insurance Banking Staff Association IBSA/OMREB and SASBO 'The Finance Union' have 4 756 members and 1 517 members respectively. OMSA lost zero days to industrial action in 2011, maintaining our record from previous years.

This approach underscores the interdependency of the OMEM business units and rewards the building of synergies across OMEM. It is geared to facilitate employee mobility, while maintaining local market relevance and attractiveness of packages.

### IN THE HEADLINES

OMSA received the BEST Employers™ 2011/2012 certification seal, for a second year in a row, recognising our efforts in developing talent.

### Developing cultural capital

Developing cultural capital is central to our emerging markets strategy and has been a critical delivery this year. We have started using the Barrett Culture and Values Tool which measures and maps the values of individuals, leaders, groups and organisations. Seventy percent of our full staff complement completed the survey. The survey results indicated that OMEM has a strong foundation on which to build, with employees' personal values being closely aligned to those of the business in several areas. Three areas required action, namely employee recognition, clear communication and putting customers first. Actions plans have been developed to address these and leverage our strengths.

## Enabling transformation

In our South African operations, a primary focus is to improve our workforce profile to reflect the economically active demographics in South Africa across all levels and occupational categories.

Our efforts have seen our performance as measured against the department of trade and industry's (dti) Codes of Good Practice for Broad-based Black Economic Empowerment (B-BBEE) (the Codes) improve steadily over the last five years, barring a slight decline in performance under the management and control element this year.

### Transformation in the workplace – our progress against the dti Codes of Good Practice

	Weighting	2011	2010	2009	2008	2007
Management and control	10	6.51	7.46	6.21	6.32	5.34
Employment equity	15	12.33	11.07	9.04	7.72	4.84
Skills development	15	12.31	12.09	4.90	6.43	2.87

#### Management and control

A slight decline in our score under the management and control element of the dti scorecard this year, is attributed to a number of structural changes undertaken at Executive level in 2011. These developments were aimed at leveraging the strength of our capabilities in South Africa, to develop capability in expanding emerging markets and achieve synergies across our businesses. Structural changes at top leadership level were considered necessary in order to deliver on emerging market ambitions.

The number of women at top and senior management level has encouragingly increased from 268 to 294; however, increasing the number of black females in high-level positions remains a focus.

#### Employment Equity

Our score under the employment equity element of the dti scorecard (maximum weighting 15) has improved steadily over the last five years, in the last year increasing from 11.07 to 12.33 in 2011. We continue 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, and learnership and management programmes.

In line with the Codes, specific plans are in place to encourage the advancement of black disabled people and black women.

A profile of our South African workforce is provided on our website.

#### Skills development

In 2011, we scored 12.31 out of a possible 15 in the dti Codes, a slight increase on 12.09 in 2010, the year in which we improved classification and accounting of our investments in this area. In 2011 we conducted an audit to assess our organisation's 'readiness' for people with disabilities. Information on our key interventions aimed at developing talented black individuals and assist with the transformation of the financial services industry, is provided on our website.

#### 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. The Academy's value proposition also offers Old Mutual franchise brokers the opportunity to achieve their accreditation through a recognition of prior learning programme. In 2011, 12 learners graduated from the Academy and 24 learners were recruited. Since its inception in 2006 a total of 147 learners have graduated and we have assisted in the placement of academy graduates with Old Mutual - friendly brokers and banks.



## In conversation with Anisha Archary, Director: Human Resources

**Q Do you think employees generally understand what sustainability means?**

**A** Sustainability is often seen as being about 'green'. But this is only a part of the picture, and we need to shift the messaging. Sustainability must be dealt with in an integrated way. It is fundamentally about getting people to think about their lives, how they live, what they do. How change can contribute to a better life for all. Sustainability is as much about developing a savings culture and helping people prepare for their financial future as it is about growing vegetables in urban farms or solar panels. Sustainability and transformation are still largely seen as separate concepts. In reality, they are two sides of the same coin. They are the same transformational journey towards a fuller and better life for all.

**Q Do you believe Old Mutual has a key role to play?**

**A** Our business operates in a context where there is great poverty and many basic needs are not being met. If sustainability is to become a reality, we need to focus on these issues. We also need to work on making sustainable technologies affordable. One way we can do this is through our investment business and financing the development of infrastructure. One of our founding principles is that these investments must enhance life for communities, which includes addressing environmental issues. Another key role is our contribution to developing a savings culture. We need to shift this wants-based, consumer mindset to a longer-term sense of sustaining ourselves into the future. This aspect of sustainability tends to be left out of our discussions.

**Q Are you seeing changes in the value ascribed to human capital over time?**

**A** Absolutely. At Old Mutual, we always say: "Our challenge is not financial capital it is human capital". Our performance as a business is very dependent on whether we have the right people in the right jobs at the right time. This is particularly important as we enter markets that we have not operated in before.

**Q As OMEM HR Director, what do you regard as your greatest challenge?**

**A** It is to build a sustainable talent pipeline. I use that word 'sustainable' in its fullest sense – reliable, focusing on internal resources, and with an understanding of our supply and demand issues 10 to 20 years from now. Five-year projections are fairly common; but we are now looking at a 10-year pipeline.

**Q What is the key message you would like to see reflected in the 2011 sustainability report, from a human resources perspective?**

**A** Businesses can start the change process in the employee base. Imagine our employees across so many emerging markets; imagine each one of them going on a journey, starting to realise the value of people, communities and the environment. And finding ways to make that value greater. The impact we can have together is truly great.



## MUTUALISM

THE HUNDREDS OF THORNS ON A MATURE ACACIA TREE CAN HOUSE COLONIES OF UP TO 20,000 ANTS, PROVIDING PROTECTION FOR THE TREE FROM PESTS AND SHELTER FOR THE ANTS.

# Responding to environmental pressures

Ultimately our business depends on the natural capital stocks that make all of life on Earth possible. Although we are an environmentally low-impact business, our actions can have high impact if we work through our networks.

MATERIAL ISSUES	HOW DOES THIS CREATE BUSINESS VALUE?	HOW DOES THIS CREATE SOCIETAL VALUE?
<p><b>Managing resource use in property development and management</b></p>	<ul style="list-style-type: none"> <li>• Cost reductions</li> <li>• Efficiency improvements</li> <li>• Reputational gains</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced energy demand</li> <li>• Reduced greenhouse gas emissions</li> <li>• Knowledge sharing in green building</li> <li>• Enhanced working or shopping environment</li> </ul>
<p><b>Considering environmental costs/benefits in our investment decisions</b></p>	<ul style="list-style-type: none"> <li>• Reduced exposure to environmental risk</li> <li>• Ability to capitalise on emerging opportunities</li> <li>• Reputational gains</li> </ul>	<ul style="list-style-type: none"> <li>• Provides incentive towards environmental responsibility and sustainable business innovation</li> <li>• Encourages investors who support responsible investments</li> </ul>
<p><b>Encouraging employees to be a voice for environmental change</b></p>	<ul style="list-style-type: none"> <li>• Higher levels of employee engagement</li> <li>• Team-building and inspiration</li> <li>• Employees a key brand interface</li> </ul>	<ul style="list-style-type: none"> <li>• Employees are able to influence a wider range of societal stakeholders</li> </ul>
<p><b>Reducing resource use in our business operations</b></p>	<ul style="list-style-type: none"> <li>• Cost savings</li> <li>• Efficiency improvements</li> <li>• Enhanced working environment</li> <li>• Possible productivity gains</li> <li>• Reputational gains</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced energy demand (marginal)</li> <li>• Encourage other businesses to take responsibility for environmental impacts</li> </ul>

How do we influence positive environmental change? Our own office buildings, sponsorship events and also influencing our employee behaviours are an obvious starting point. But these direct impacts are a small fraction of the impact we can have via our networks. Accessing the scale and power of leverage, we are committed to:

- Working with our employees, business associates, suppliers and customers to broaden awareness of environmental issues;
- Sensitising our investment portfolio and investment decisions to environmental risks and opportunities, and
- Ensuring the properties we own and manage use less resources and attain the highest efficiencies.

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## Reducing resource use in our business operations

Our environmental strategy has been expanded to include all OMEM operations, providing an opportunity to improve our performance and share experience across different countries. Our direct operational impacts are primarily associated with energy and resource use at our offices, and through employee travel. Our experience in managing the Old Mutual offices is providing the basis for expanding our activities in the properties we develop and manage through Old Mutual Property (OMP).

### Climate change strategy

Considering our most significant impacts, climate change awareness forms an overarching focus. Our Group climate change strategy aims to reduce our contribution to carbon emissions and improve our energy efficiency.

We will maintain public disclosure and a commitment to improve on our performance.

### Improving data measurement and monitoring

We have developed a centralised online data collection system to enhance the extent and accuracy of environmental performance data within our OMEM offices and OMP portfolio. We are now looking at piloting enhanced monitoring systems for properties within our broader portfolio.

### Managing resource use

- **Reducing our business travel:** Given the wide geographical spread of our business, extensive travel takes place to our various offices. The introduction of a remote communications tool, which allows computer-based voice and video calls and desktop sharing, has significantly reduced our business travel.
- **Energy efficiency:** Significant savings have been achieved through advanced air-conditioning controls, high efficiency lighting replacement initiatives, timers, zoned sensor lighting and perimeter sensors for natural daylight adjustment.
- **Decreasing paper usage and office space:** By raising awareness and promoting double sided printing we're reducing how much paper we use at OMP. We've also expanded our paperless e-filing initiative for Personal Financial Advisers' (PFA), delivering increasing efficiency gains, including rental savings, reduced stationery costs and less need for paper storage.
- **Reducing water usage at 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.

## IN THE HEADLINES

In 2011 we signed the 2°C Challenge Communiqué – an international coalition of business leaders calling on governments to take action at a national level to ensure a successful transition to a climate resilient economy.

In 2010, Old Mutual plc set the dual target of reducing Old Mutual's carbon emissions by 20% by 2020 on both a full-time employee basis, and per square metre for the property portfolios, from a 2010 baseline. This year, business units across the Group were engaged to set up carbon taskforces to ensure more accurate data measurement for reporting against reduction targets.

### Improving disclosure on carbon emissions

Based on our second annual carbon footprint analysis (2011), it is clear that most of our carbon emissions are generated through electricity usage. Proactive energy and resource management, employing new technologies and management techniques, is an ongoing focus at our offices and at the properties we manage, with initiatives piloted principally within Old Mutual Property being progressively rolled out across the Group.

We complete an annual submission to the Carbon Disclosure Project. In 2011 this was our fourth submission for the Group leveraging the information to better inform our investment decisions, and we appeared for the fourth consecutive year in the Carbon Disclosure Leadership Index that rates the performance of the JSE 100 participating companies.

The table below lists the key environmental performance indicators for Old Mutual Emerging Markets operations.

Our Key Performance Indicators	Description	2011	2010	Progress
OMEM: Total tonnes of carbon dioxide (equivalent) emissions	Total scope 1 and 2 carbon emissions*	55 846	55 061	1%
OMEM: Tonnes of carbon dioxide (equivalent) per employee	Scope 1 and 2 carbon emissions per employee	2.58	2.54	1%
Old Mutual Property: Water consumption	Total cubic metres of water used	3 322 479	4 199 184	-21%
Old Mutual Property: Waste to landfill	Total tonnes of waste sent to landfill	4 582	4 354	5%
Old Mutual Property: Waste recycled	Total tonnes of waste recycled	2 139	2 292	-7%

\* Categorized by GHG Protocol Corporate Standard Methodology:  
 Scope 1 - Accounts for all direct GHG emissions from sources that are owned or controlled by Old Mutual. For example, emissions from company owned vehicles.  
 Scope 2 - Accounts for GHG emissions from the generation of purchased electricity by Old Mutual.

## Managing resource use in property development and management

Property development offers a prime opportunity to invest in an environmentally-conscious manner and to create a built environment with a reduced environmental footprint. We seek to influence 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.

It can be challenging to persuade investors, asset managers, developers and contractors of the merits of green building. We continue to improve our ability to define the benefits green star-rated buildings, including the challenges of measuring the impact of green development, in order to inform strategies, goals and initiatives more accurately. Our commitment is reflected in the high number of key performance indicators, for OMP managers and teams, linked to green building philosophies and standards.

The Old Mutual carbon footprint analysis for 2011 included three Property Funds managed by OMP. The results from our analysis were used to create a baseline from which the management team will actively manage the Funds’ green strategies.

Our environmental strategy has a framework and targets to reduce the resource consumption and environmental impact of OMP as a business and its buildings under management. We are developing a Green Building Strategy for each building within our existing portfolio, including defined carbon emission targets.

### IN THE HEADLINES

Committed to green development – 10% of the key performance indicators for Old Mutual Property managers and teams are linked to green building philosophies and standards.



## In conversation with Kerry Bonafede, Old Mutual Property: Former Strategy, Research & Marketing Executive

**Q Any pressure from tenants for greener buildings? Or is it mainly supply driven?**

**A** Definitely. Particularly from the obvious ones like South African retailers Woolworths and Pick n Pay who have a strong sustainability strategy themselves. There is a lot of willingness to come forward and discuss what this would entail. Even smaller tenants are becoming interested and linking it to their B-BBEE scorecard.

**Q What about property investors – are they interested in ESG issues?**

**A** Investors tend to lag the tenants on these issues. Internationally there is a drive towards carbon neutrality, but this is limited in South Africa. Nedbank, OM Properties and perhaps Investec were the only big property investors active at the COP 17 (Conference of the Parties) in Durban last year: you'd think it was the perfect opportunity to lead the way. In general, asset managers say that until there is a change in legislation, they are required to focus mainly on financial returns to their investors.

**Q Are you seeing green criteria coming into rollovers and new lease agreements?**

**A** Yes, this is something we are starting to see and would like to see a lot more. We have been working with The Green Building Council to help them develop a guidance tool for landlords to introduce green criteria into their lease agreements.

**Q Are energy prices the key driver for greener buildings or is it something else?**

**A** In properties, it is not just about energy, it is about the entire environmental impact. So energy is not the only driver. I think water is going to be the next big issue and expense.

**Q Do you see the green trend impacting valuations in your property portfolio (earnings, NAV) over time?**

**A** Absolutely. If people are willing to pay a premium, it will impact valuations. In addition, a 'green' building will be a more efficient building to run and healthier building for people to work within which will have a positive impact on its valuation.

**Q How are you progressing with your ability to track resource use across your portfolio?**

**A** This remains a challenge for us. The process is largely manual and municipalities are often reticent to let us install our own meters. We are continuing to look at this and have done some benchmarking on automated data capture. We collected more data from our portfolio than previously. Going forward, we will be piloting various initiatives in this area.

## Influencing positive change through investment decision-making

Influencing positive environmental change through investment choices is a sphere of exciting opportunity, and challenge.

In the investment choices we make for ourselves, we seek opportunities to support positive environmental change, through engagement with stakeholders and seeking to reduce resource demands.

As we indicated in our earlier section on Investing responsibly, our investment decisions are informed not only in terms of financial returns, but also in environmental, social and governance (ESG) terms. Responsible investing will benefit our investment performance in the longer term, delivering greater value creation for customers.

We seek to influence the choice of investments we make on behalf of our clients, promoting the business case for responsible investing, in the context of

increasing social and environmental challenges (such as climate change) and growing uncertainty. In seeking to shift perceptions in the industry, we are supported by the increasing evidence of a link between good sustainability performance and enhanced investment returns. It is clear that ESG performance is a proxy for good management; our analysts are also tuned to finding evidence for outperformance based on ESG-driven innovation.

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 and OMIGSA will need to substantially increase the number of investments screened for ESG factors. As a result we will be in a stronger position to influence positive environmental change through investment decision-making.

## Encouraging the voice for environmental change

Environmental awareness is embedded in day-to-day practices at Old Mutual offices and a part of our business culture. Our employees in turn drive enterprising initiatives to create social and environmental value and have a positive influence on the actions of the wider stakeholder community.

**Green Champions:** We've created a Greening Mutualpark forum where staff members from different business units meet monthly to discuss opportunities to further improve the environmental performance at Mutualpark.

**Sustainability stakeholders:** At the launch of our 2010 sustainable development report we distributed 120 trees to all the Old Mutual Client Services Branches, and handed out drinks coasters with herb seeds embedded in them to all attending.

**Employees:** At Mutualpark we're saving 22 tons of landfill waste each month through a waste recycling process managed by Oasis Association, which provides employment and services for people with an intellectual disability. We have onsite recycling bins for staff to dispose their waste.

**Building industry:** OMP is actively involved in the Green Building Council of South Africa's Green Lease Committee, a working group set up to develop a Green Lease Toolkit – providing a clear framework for achieving better environmental performance at existing properties.



Distributing trees at the launch of our Sustainable Development Report last year



Growing vegetables at Umlazi Mega City, managed by OMP.



Growing vegetables at Stellenbosch

**Local communities:** At Umlazi Mega City, managed by OMP, a previously landscaped area has been converted for growing vegetables that are donated to the local Reunion Special School for Cerebral Palsy.

**Customers:** A worm farm in a shopping mall? Why not? At Cape Town's Cavendish Square, managed by Old Mutual Property, a worm farm with 25kgs of earth worms processes leftover waste from the shopping centre, producing liquid fertilizer for two local beneficiary institutions.

**Events:** At our prominent sponsorship events we provide abundant recycling facilities, to encourage responsible waste disposal. At the Old Mutual Two Oceans Marathon in 2011, 88% of all waste produced was recycled as a result.

**Local communities:** Old Mutual Association of Professional Assistants (OMAPA) is a non-profit organisation within Old Mutual which has been in existence for 20 years. Project Growing Green was launched in 2011 with the main objectives of:

- Growing seeds
- Growing people
- Feeding impoverished and or disadvantaged communities
- Bridging the gap between corporate and people at grassroots level

OMAPA organised funding from Old Mutual Foundation to have a vegetable tunnel placed at the East Entrance to Mutualpark. A group from OMAPA ladies were trained (funded through the Staff Community Builder programme, which is a volunteerism program for staff ) in compost making to be able to go into communities and assist organisations in growing vegetables.

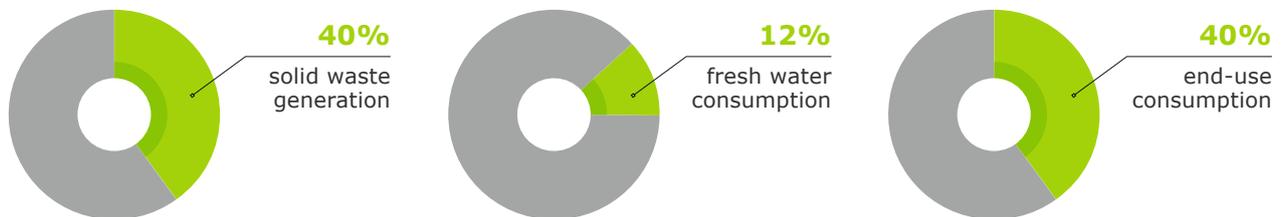
## IN THE HEADLINES

- The South African residential property sector was responsible for the emission of 45,000,000 tonnes of CO<sub>2</sub>e in 2006 alone, representing 13% of the national total.
- The South African commercial property sector was responsible for the emission of 35,000,000 tonnes of CO<sub>2</sub>e in 2006 alone, representing 10% of the national total.

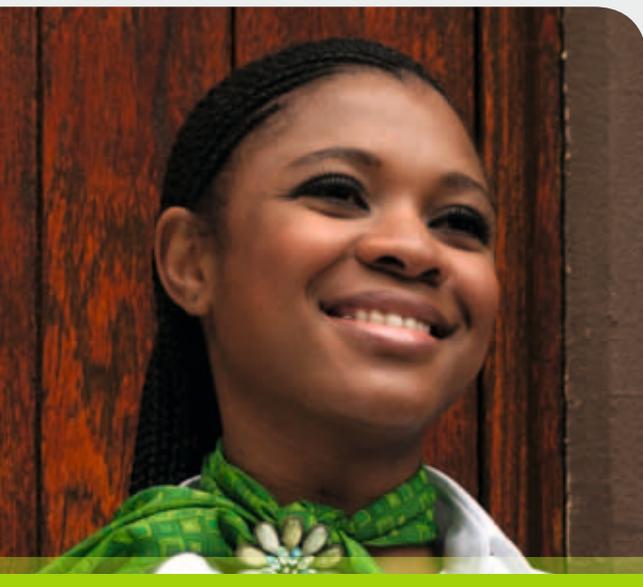
Source: UNEP, 2009 'Greenhouse Gas Emission and Baselines and Reduction Potentials from Buildings in SouthAfrica', Sustainable Buildings & Climate Initiative, United Nations Environment Programme DTIE, Paris.

## Green buildings: Why the focus?

Globally, the built environment is responsible for:



Source: UNEP, 2011, Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication, [www.unep.org/greeneconomy](http://www.unep.org/greeneconomy) | IEA, 2010, Energy Performance Certification of Buildings: A Policy Tool to Improve Energy Efficiency, International Energy Agency, [http://www.iea.org/publications/free\\_new\\_Desc.asp?PUBS\\_ID=2295](http://www.iea.org/publications/free_new_Desc.asp?PUBS_ID=2295)



## In conversation with Nomtha Ndoni, Senior Administrator: Transformation Office

**Q** What do you see as the main benefits of the OM employee awareness initiatives over the past few years?

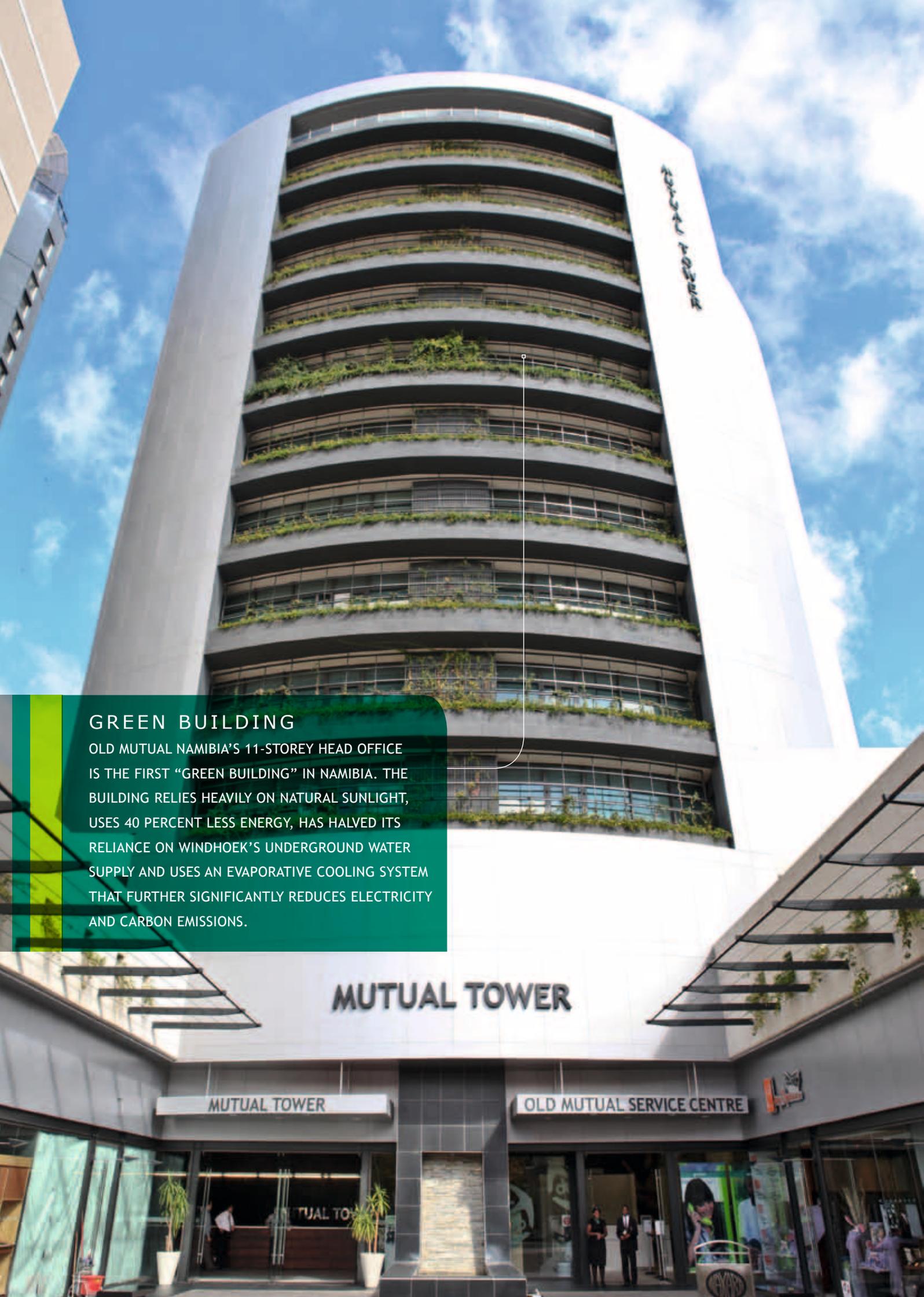
**A** Employees want to play a positive role in addressing environmental issues in our country. It is logical for Old Mutual to play a role in raising awareness and supporting change that leads to sustainable living. Last year, we helped many employees to find easier and cheaper ways to save money and electricity following the price increases.

**Q** What levels of employee participation are you seeing?

**A** We've been excited by the level of interest shown, particularly from junior to middle management. With the Greening Old Mutual Park initiative, there is an enormous amount of energy coming from employees. There is a real opportunity for leadership to focus this bottom-up energy.

**Q** What do you think is needed to increase positive impact going forward?

**A** We need to share our successes and get momentum going. We must continue to engage with employees on a wide range of sustainability issues. The Growing Green Initiative, growing vegetables in tunnels for distribution to communities in need, was fantastic. This is good for Old Mutual, good for communities, and inspiring for employees. If we could encourage more employees to become active in projects, I think we will see more and more interesting conversations about the future of our company.



## GREEN BUILDING

OLD MUTUAL NAMIBIA'S 11-STOUREY 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.

MUTUAL TOWER

MUTUAL TOWER

OLD MUTUAL SERVICE CENTRE

# Glossary

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<b>ABASA</b>	Association for the Advancement of Black Accountants of Southern Africa	<b>IFC</b>	International Finance Corporation
<b>ABC</b>	Anti-bribery and corruption	<b>IIRC</b>	International Integrated Reporting Committee
<b>ASISA</b>	Association for Savings and Investment South Africa	<b>JSE SRI</b>	JSE socially responsible investment
<b>B-BBEE</b>	Broad-based Black Economic Empowerment	<b>KPI</b>	Key Performance Indicator
<b>BEE</b>	Black Economic Empowerment	<b>LTS</b>	Long Term Savings
<b>Colmex</b>	Columbia and Mexico	<b>NAV</b>	Net Asset Value
<b>COP</b>	Conference of the Parties	<b>NHI</b>	National Health Insurance
<b>CRISA</b>	Code for Responsible Investment in South Africa	<b>NPS</b>	Net promoter score
<b>CSI</b>	Corporate social investment	<b>NPV</b>	Net present value
<b>dti</b>	Department of Trade and Industry	<b>OM</b>	Old Mutual
<b>ERM</b>	Enterprise Risk Management	<b>OMBUS</b>	Old Mutual South Africa Business School
<b>ESG</b>	Environmental, social and governance	<b>OMEM</b>	Old Mutual Emerging Markets
<b>EVP</b>	Employee Value Proposition	<b>OMIGSA</b>	Old Mutual Investment Group South Africa
<b>FAIS</b>	Financial Advisory and Intermediary Services Act	<b>OMLACSA</b>	Old Mutual Life Assurance Company South Africa
<b>FICA</b>	Financial Intelligence Centre Act	<b>OMP</b>	Old Mutual Property
<b>FSB</b>	Financial Services Board	<b>OMSA</b>	Old Mutual South Africa
<b>FSC</b>	Financial Sector Charter	<b>PFA</b>	Personal Financial Advisers
<b>FSC</b>	Financial Services Charter	<b>PWM</b>	Private Wealth Management
<b>FTE</b>	Fixed-term employees	<b>RI</b>	Responsible Investment
<b>FWP</b>	Financial Wellbeing Programme	<b>RIC</b>	Responsible Investment Committee
<b>GBPU</b>	Group Business Protection Unit	<b>SAM</b>	Solvency Assessment and Management
<b>GEM</b>	Global Emerging Markets	<b>SME</b>	Small and medium enterprise
<b>GDP</b>	Gross Domestic Product	<b>SRI</b>	Socially Responsible Investment
<b>GFS</b>	Group Forensic Services	<b>TCF</b>	Treating Customers Fairly
<b>GIA</b>	Group Internal Audit	<b>TOA</b>	Tip-offs Anonymous
<b>GOM</b>	Group Operating Manual	<b>UNGC</b>	United Nations Global Compact
<b>GRI</b>	Global Reporting Index	<b>UNPRI</b>	United Nations Principles for Responsible Investment
<b>iCRaFT</b>	integrated Capital, Risk and Financial Transformation	<b>VAS</b>	Value added statement
		<b>WEF</b>	World Economic Forum

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