



Old Mutual South Africa
Sustainability Report 2009



About this report

This Sustainability Report covers a significantly broader range of sustainability issues than our previous Corporate Citizenship Reports. The content 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 King III. While our aim for this year's sustainability report is to give as full and transparent a picture of our successes and challenges in relation to sustainability as possible, we recognise that there is still a lot to be done. The process of developing this report has helped us identify and clarify areas where we need to work harder and achieve more, and has provided a strong basis for reporting and communicating our progress in the future.

This report covers the 2009 financial year and includes information on the activities of OMSA and all its subsidiaries. Old Mutual's African Operations have only recently begun reporting into OMSA and their sustainability issues are thus covered at a high level in this year's report. Old Mutual's operations in other emerging market countries such as Columbia, Mexico, India and China are not covered in this report. With these countries now reporting to Kuseni Dlamini – CEO of OMSA and Emerging Markets, they will be covered in the 2010 sustainability report. A longer version of this report is available on the website at www.oldmutual.co.za/sustainabilityreport



Front cover

No tree in Africa embodies the spirit of Africa more than the baobab. In years gone by kings, elders and leaders would hold meetings under huge baobabs to debate and discuss important issues and ideas. Not only did the trees provide shelter, but the tribal leaders also believed that the spirit of the baobab would always help them make wise decisions.

Being a succulent, the baobab makes optimum use of scarce resources. The tree survives prolonged droughts by storing water in its massive, fibrous, sponge-like trunk. The baobab is seen as a symbol of endurance, conservation, creativity, ingenuity and dialogue.

The baobab reflects much of what Old Mutual South Africa (OMSA) strives to be. For 165 years, we have provided financial shelter and nourishment to people and businesses. OMSA aims to serve all sectors of the South African economy and elements of the African economy by providing products and services that are appropriate, affordable and accessible. We recognise that knowledge and wisdom are not held by one person, but are rather the sum of all within OMSA, the wider industry, government and society. Collaboration is, and will continue to be, the key to achieving a truly sustainable future.



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Material issues

Chapter	Material issues
<p>Serving our customers >> page 16</p>	<ul style="list-style-type: none"> ▪ Customer feedback: ensuring we engage with and respond to our customers ▪ Product access: making relevant products and services accessible to consumers ▪ Financial education: empowering consumers to make informed financial decisions ▪ Product pricing: providing products that are fairly and affordably priced ▪ Product promotion: ensuring that we market our products and services fairly and accurately
<p>Investing responsibly >> page 26</p>	<ul style="list-style-type: none"> ▪ OMSA's SRI funds: providing investment options to our clients that are socially and environmentally responsible ▪ Transformation-related financing: channelling funds as formally prescribed in the Financial Sector Charter (FSC) ▪ SRI-based investment decisions: incorporating environmental, social and governance criteria into our investment decision-making
<p>Strengthening relationships with our intermediaries >> page 32</p>	<ul style="list-style-type: none"> ▪ Building the intermediary pool to ensure equitable access to financial advice ▪ Raising the standards of financial advice and developing intermediaries' businesses ▪ Supporting the sustainability of intermediary businesses
<p>Ensuring ethical behaviour >> page 37</p>	<ul style="list-style-type: none"> ▪ Promoting ethical behaviour amongst our employees and consumers and protecting our funds and clients from fraudulent activity
<p>Continuing our commitment to transformation >> page 38</p>	<ul style="list-style-type: none"> ▪ Equity ownership: participation by black people ▪ Management and control: appointment of black people in senior management positions ▪ Employment equity: participation of black people in management levels and black disabled people in all levels ▪ Skills development: skills spend on black employees, black learners and black disabled people ▪ Preferential procurement: BBBEE procurement spend from all suppliers ▪ Enterprise development: supporting the development and growth of micro, small and medium businesses and black-owned businesses ▪ Socio-economic development: uplifting communities through financial and other support
<p>Supporting our communities >> page 44</p>	<ul style="list-style-type: none"> ▪ Corporate social investment: focusing on enterprise development, skills building, education and staff volunteerism ▪ Sponsorships: uplifting communities through the use of relevant marketing campaigns ▪ Development support: providing financing and support to micro, small and medium businesses and building capacity in government (through Masisizane)
<p>Ensuring our status as employer of choice >> page 50</p>	<ul style="list-style-type: none"> ▪ Attracting and retaining talent, particularly for critical roles ▪ Integrating skills and career development across the business ▪ Employee relations and engagement with unions ▪ Unifying our People Strategy across Africa
<p>Minimising and managing our impact on the environment >> page 58</p>	<ul style="list-style-type: none"> ▪ Reducing the environmental footprint of properties we manage ▪ Reducing the environmental footprint of properties we develop ▪ Reducing environmental impacts through investment decision-making

	Key indicators	Status
	<ul style="list-style-type: none"> ▪ Percentage achievement of service levels ▪ Number of branches ▪ Number of people trained through financial education programmes ▪ Percentage of customers delighted by OMSA's customer service ▪ Number of complaints 	<ul style="list-style-type: none"> ▪ 55% of our customers are delighted and 89% of our customers are satisfied by our customer service ▪ Increased our footprint in the provision of products and services for the Foundation market by growing the number of branches servicing customers from 65 to 167 ▪ Provided education to 49 724 consumers across the country ▪ 9% reduction in complaints compared to 2008
	<ul style="list-style-type: none"> ▪ Assets under management in socially responsible investment (SRI) funds ▪ Percentage of SRI funds against all OMIGSA's assets under management 	<ul style="list-style-type: none"> ▪ Well developed SRI-related funds within OMSA, with R21.1 billion assets under management
	<ul style="list-style-type: none"> ▪ Number of black brokers trained through the Old Mutual Academy for Financial Planners ▪ Number of tied agents trained through workshops ▪ Number of independent financial advisory practices that entered the South Africa Best Practice of the Year Award competition ▪ Intermediary satisfaction with service 	<ul style="list-style-type: none"> ▪ 194 black brokers have been trained to date ▪ Intermediaries have been supported and trained to prepare for regulatory and economic market changes, with 6 176 attending workshops ▪ Masthead was established to provide an independent voice for brokers ▪ 125 independent financial advisory practices entered the 2009 competition ▪ 77% satisfaction achieved at end 2009 versus target of 72.5% ▪ Our forensic structures and systems have been voted best in class by a third party
	<ul style="list-style-type: none"> ▪ Measurement of internal fraud in the Audit, Risk and Compliance Committee 	<ul style="list-style-type: none"> ▪ Our forensic structures and systems have been voted best in class by a third party
	<ul style="list-style-type: none"> ▪ Dti Codes of Good Practice statistics: <ul style="list-style-type: none"> – Equity ownership – Management and control – Employment equity – Skills development – Preferential procurement – Enterprise development – Socio-economic development 	<ul style="list-style-type: none"> ▪ A decrease in equity ownership as compared with 2008 scores ▪ An improvement in employment equity ▪ A decrease in the skills development score as compared with 2008 scores ▪ Significantly improved preferential procurement BEE score ▪ Full score for enterprise development maintained ▪ A decrease in the score for socio-economic development as compared with 2008 scores
	<ul style="list-style-type: none"> ▪ CSI spend; number of jobs or skills created; number of students from OMSA-supported schools passing matric with Bachelors' qualifications; number of staff and hours spent on volunteer work ▪ Sponsorship spend 	<ul style="list-style-type: none"> ▪ Refined our CSI strategy and implemented an electronic project management system for reporting and tracking contractual agreements and project progress ▪ CSI spend of R31 million ▪ 3 046 jobs created ▪ 50% of all staff participating in volunteer programmes ▪ Sponsorship spend of R39.68 million
	<ul style="list-style-type: none"> ▪ Employee turnover ▪ Percentage of female employees ▪ Spend on skills development ▪ Employee engagement ▪ Number of employees using the Employee Well-being Programme 	<ul style="list-style-type: none"> ▪ Increased total employee turnover to 30.01% ▪ 52.7% of employees are female ▪ Integrated skills and career development across business units and job families, with R98.5 million being spent on skills development ▪ Accredited 90% of our training programmes run through the Old Mutual business school. ▪ Achieved 69% employee climate survey score as compared to 67% in 2008 ▪ 1 680 employees using the Employee Well-being Programme
	<ul style="list-style-type: none"> ▪ Energy usage ▪ Water usage ▪ Proportion of waste recycled 	<ul style="list-style-type: none"> ▪ Significant energy savings in select buildings managed by OMSA ▪ Green features being designed into new build projects

Looking forward	Chapter
<ul style="list-style-type: none"> Continued focus on service improvement Target to achieve 90% satisfied customers by the end of 2010 Expand the rollout of appropriate products and services to the foundation and mass markets and to our African Operations Open 60 to 70 new branches providing service and product advice a year until 2012 Continue to review and deliver our financial education programmes 	<p>Serving our customers >> page 16</p>
<ul style="list-style-type: none"> Further grow our SRI funds Develop and implement appropriate standards and approaches to SRI-based decision making across our businesses 	<p>Investing responsibly >> page 26</p>
<ul style="list-style-type: none"> Further increase the number of black brokers through establishing a sustainable model of operation for the Academy for Financial Planners and the Black Distributors Trust Continued focus on improving service, including investment in technology to enable straight through processing of new business 	<p>Strengthening relationships with our intermediaries >> page 32</p>
<ul style="list-style-type: none"> Ensure that our employees and customers maintain their integrity, particularly in the tough economic climate 	<p>Ensuring ethical behaviour >> page 37</p>
<ul style="list-style-type: none"> Continue to improve on all seven pillars Address skills development gaps, particularly with regard to black women, black employees enrolled in learnerships and disabled 	<p>Continuing our commitment to transformation >> page 38</p>
<ul style="list-style-type: none"> CSI: continue to focus on programmes that provide sustainable and meaningful improvements Sponsorships: continue to ensure that our projects help us to strengthen our relationships with communities while providing strategic value to our business 	<p>Supporting our communities >> page 44</p>
<ul style="list-style-type: none"> Address employee turnover Continue to address skills development and talent management, particularly of women and black employees Align human resources practices across our South African and African Operations 	<p>Ensuring our status as employer of choice >> page 50</p>
<ul style="list-style-type: none"> Managing resource efficiency improvements in a systematic way Ensuring implementation of new building projects to a four star Green Building Council of South Africa rating Realising opportunities through investing in environmentally friendly technologies 	<p>Minimising and managing our impact on the environment >> page 58</p>

Material issues >>

We have selected our material issues by:

- Assessing the sustainability reporting of other financial services companies,
- Engaging with Old Mutual plc to understand the direction of sustainability in the Group,
- Conducting numerous interviews across the company,
- Reviewing the feedback from our employee and customer surveys,
- Engaging with limited external stakeholders.


please open for full material issues table

Old Mutual South Africa

Old Mutual South Africa value-added statement

	2009 Rm	%	2008 Rm	%	2007 Rm	%
Revenues including interest and investment income	71 312		14 590		73 919	
Expenses excluding staff costs	(7 736)		(6 679)		(6 373)	
Total value added	63 576		7 911		67 547	
Value allocated						
- Staff	4 247	7%	3 610	46%	3 752	6%
- Customers	44 229	70%	6 469	82%	50 392	75%
- Shareholders	4 314	7%	7 907	100%	7 881	12%
- Government	2 129	3%	1 733	22%	4 099	6%
Retained for Growth	8 657	14%	(11 807)	-149%	1 423	2%
Total value allocated	63 576	100%	7 911	100%	67 547	100%

Old Mutual South Africa key sustainability indicators

Indicator	2009	2008	2007
Adjusted operating profit	R5 537m	R7 989m	R7 016m
Return on allocated capital	26.0%	27.8%	24%
Return on embedded value	9%	14%	11%
Capital adequacy (SCAR)	4.1x	3.8x	3.5x
Assets under management	R493.9bn	R489.0bn	R451.7bn
% black Board members	29%	50%	30%
% of black staff in executive management	50%	44%	45%
% of black women staff in executive management	13%	0%	9%
% of black staff in senior management	32%	26%	26%
% of black women staff in senior management	11%	8%	7%
% of black staff in middle management	47%	41%	39%
% of black women staff in middle management	20%	17%	15%
% of black staff in junior management	75%	57%	53%
% of black women staff in junior management	40%	32%	28%
Skills development investment in black staff as a percentage of payroll	2.07%	2.67%	2%
Affirmative procurement spend	R4.265bn	R4.282bn	R2.484bn
Corporate Social Investment	R31m	R35m	R35m
Energy consumption in units (kWh)	552 364 472*	270 985 920	346 004 864
Water consumption in units (KI)	4 100 604*	1 068 302	

* The 2009 information includes water and energy consumption figures for buildings under OMSA's management that were not accounted for in 2008.

About Old Mutual South Africa

Old Mutual is the largest and most well-established financial services provider in Southern Africa. Our prominent position in the industry is reflected in our strong operating performance across all our businesses, our good balance sheet position, strong financial flexibility with demonstrated access to international capital markets and diversity of business.

Our partnership with Nedbank and Mutual & Federal (M&F) – two sister subsidiary companies under the Old Mutual plc banner in South Africa – enables us to offer a variety of financial products and services. These span investment, life assurance, asset management, banking, healthcare and general insurance. Our client base comprises individuals, businesses, corporates and institutions.

Old Mutual South Africa (OMSA) is a significant participant in the South African economy. Our product and service solutions take into account what our clients need and deliver this through our collective skills base, years of experience and our value-driven people. Old Mutual's African Operations also report into OMSA and include operations in Kenya, Malawi, Namibia, Swaziland and Zimbabwe.

Old Mutual Group at a glance

GROUP

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

Our primary operations are in the following geographies:

LTS – Southern Africa, Europe, Colombia, Mexico, India and China
US Asset management – US

Banking – Southern Africa
Short-term insurance – Southern Africa

Adjusted operating profit (AOP) 2009

£1,170m 2008: £1,136m

Funds under management 2009

£285bn 2008: £265bn

Number employed

53,706¹ 2008: 56,546

* LONG-TERM SAVINGS (LTS)

We provide innovative life assurance based solutions which address both protection and retirement savings needs.

Contribution to group

AOP² 58.5%

FUM³ 39.4%

Adjusted operating profit (AOP) 2009

£685m 2008: £452m

Funds under management 2009

£112.2bn 2008: £91bn

Number employed

22,269 2008: 24,515

BANKING

We have a majority shareholding in Nedbank, one of South Africa's leading banks, which also has banking interests in other countries in Southern Africa.

Contribution to group

AOP² 40.2%

FUM³ 2.9%

Tier 1 Capital Adequacy Ratio

11.5% 2008: 9.6%

Total Assets

£47.9bn 2008: £41.3bn

Number employed

27,346 2008: 27,570

SHORT-TERM INSURANCE

We provide short-term insurance solutions in southern Africa through Mutual & Federal.

Contribution to group

AOP² 6.0%

FUM³ 0.1%

Adjusted operating profit (AOP) 2009

£70m 2008: £76m

Combined ratio

98.0% 2008: 96.1%

Number employed

2,331 2008: 2,703

US ASSET MANAGEMENT

We aim to grow our customers' savings and wealth, whether through active and direct asset management or the selection of funds and managers for customers to invest in.

Contribution to group

AOP² 7.1%

FUM³ 56.7%

Adjusted operating profit (AOP) 2009

£83m 2008: £97m

Funds under management 2009

£161.5bn 2008: £164.9bn

Number employed

1,544 2008: 1,600

please open for more information

¹ Includes Group Head Office and Bermuda.

² Pre-tax AOP of operating segments less finance and other corporate costs.

³ Charts do not include Bermuda's contribution to the total Group Funds under management.

“Our strategy is to build a long-term savings, protection and investment group by leveraging the strength of our capabilities in South Africa and around the world. We will focus, drive and optimise our businesses to enhance value for shareholders and customers.”

Julian Roberts, Group Chief Executive, Old Mutual plc



Group Sustainability Achievements

- Completed the second public Group carbon disclosure project
- Won five customer services awards
- Invested £10.1 million in community programmes
- Set up the Group Responsible Business Committee
- Formalised our Responsible Business Policy
- Retained membership of FTSE4Good Index and JSE Socially Responsible Investment Index

* Long-term savings division

Paul Hanratty CEO, LTS							
Kuseni Dlamini CEO, Emerging Markets	Bertil Hult CEO, Nordic	Jonas Jonsson CEO, Retail Europe	Bob Head CEO, Wealth Management	Chris Chapman CEO, US Life	Rose Keanly* Head, LEAN Operations	Steven Levin* Head of Product Development	Richard Boynett** Head of IT

* Appointed: March 2010 ** Appointed: June 2010

Statement by the Chief Executive Officer Long-Term Savings, Old Mutual plc; and Chairman, Old Mutual South Africa



During 2009 the volatility in the financial markets highlighted the important role of business in society, and also the importance of long-term sustainable growth.

At Old Mutual South Africa (OMSA) we take our role in achieving a sustainable future seriously, and try to incorporate an understanding of our social and environmental impacts in the business decisions we take. We are aware that OMSA has a role to play in being a partner for progressive change. Global issues such as climate change, water and energy supply and food security cannot be solved by governments alone. Business has a role to play in building a stronger society, of which it is part. In addition to the requirements we face as part of a UK listed company we have committed to embedding the framework suggested by the King Report on Governance (King III). A key part of this for OMSA has been strengthening governance in the South African markets, through our work as a key sponsor of King III. At the heart of the King Report is a call for corporate leaders to rise to the challenges of sustainability. This requires a fundamental shift towards considering the legitimate interests and expectations of all of those who are affected by our business, not just shareholders. In this 'inclusive stakeholder' model, a company determines its most important issues through real engagement with stakeholders, and through balancing their needs and concerns against the company's business risks. Crucially, King III also recommends integrating the reporting on sustainability performance with business performance, in order to present a balanced, holistic view of the business' long-term viability in society.

"I believe the dramatic events in the global economy over the past couple of years are changing the way the world functions and does business. Responsibility, prudent decision-making, traditional values and long-term goals are in, while greed, risky deals and short-term gains are out."

*Paul Hanratty, CEO Long-Term Savings, Old Mutual plc;
and Chairman, Old Mutual South Africa*

This approach is designed to recognise not only the challenges the business faces, but also the opportunities for developing new and more appropriate products and services, to the benefit of both society and the company's competitive position in the marketplace. Eighty percent of the world's population live in emerging economies. Through our robust understanding of the social, environmental and economic challenges that people living in these economies face, we have uncovered significant growth opportunities. Where the level of financial services penetration is low, we can use our knowledge and experience of working in emerging markets to provide appropriate products and services. We have an opportunity to do well by doing good – to leave a lasting legacy.

These steps towards integrating sustainability into the way we do business are closely linked to a similar journey that is underway across the Old Mutual Group. A Group Responsible Business Policy was developed in 2009 and, following the announcement of the Group strategy in March 2010, we have aligned our strategic plans to a common set of values for the Group. There is still much for us to do. However given the progress we have made in 2009, we are now well positioned to take the next steps on our sustainability journey.

Paul Hanratty



THE **DINOKENG**
SCENARIOS

To help shape the economic debate and contribute to the South African economy and social turnaround in South Africa, OMSA and Nedbank facilitated the launch of Dinokeng. Dinokeng was a think tank that brought together more than 35 of the country's brightest and most influential thinkers from civil society, the private sector, labour and education to debate the country's key accomplishments and failures since 1994 as well as the challenges that lie ahead. The conclusions have been summarised in the Dinokeng Scenarios, spelling out three possible paths for South Africa's future, with the next step being to broaden and publicise the debate. In the words of Paul Hanratty, "If we are to live up to the promise of 1994, we need a strong, sustainable economy with a vibrant private sector that can work together with government to achieve job creation, deliver essential services and facilitate economic upliftment." See further details on: www.dinokengscenarios.co.za

Statement by the Chief Executive Officer of Old Mutual South Africa and Emerging Markets

I'm pleased to introduce Old Mutual South Africa's first sustainability report, which replaces the corporate citizenship report previously issued annually.

This report aims to cover the material, social and environmental issues that affect us as a financial services company. We've begun integrating sustainability considerations into our business and this report both represents and documents an important first step in that process.

It's both a report on our progress and a statement of our intent. Drawing on the guidance of the King III report, we're examining how social, environmental and economic issues influence the decisions we make about the business. In some areas, such as product development and transformation, this is already well established. But we're now examining how stakeholder views and perspectives can be integrated across our operations.

That principle supports the management and reporting of our sustainability performance. In this report, we've focused on material issues relating to our customers, responsible investment, our intermediaries, ethical behaviour, transformation, our communities, our employees and the environment.

In the past year we have worked hard to improve customer satisfaction. We've also continued to develop affordable products and services for all markets, and to distribute them through appropriate channels.

Our ongoing investment in financial education programmes has seen nearly 50 000 people

throughout the country trained directly, with countless more being educated through radio and other channels. We've maintained our support for our intermediaries despite the difficult economic climate, focusing on helping them to provide appropriate advice, whilst they sell our products in a clear and transparent way.

Strong governance controls are key to maintaining a strong business performance, and that's never been truer than when times are tough. We've continued to work on developing our governance processes. A recent benchmark of Old Mutual South Africa's fraud function for example, measured against industry best practice, shows our structures and systems are considered best in class and ought to help prevent unethical behaviour.

We remain focused on improving transformation in the company, and have significantly improved measurements on employment equity and preferential procurement in 2009. To accelerate employment equity we continue to make sure that our current employees have the skills they need to ensure the future success of our business.

Our people are central to the success of our business and deserve a culture that is enabling, empowering and supports their personal development. To facilitate this, in 2009 we set up a number of skills development programmes, including a talent management programme. Old Mutual owes much of its success over the last 165 years to the communities in which it operates and we're determined to maintain and nurture those relationships so we can continue to do great things together.

“My role will be to provide clarity and build productive, value-creating relationships and partnerships. Together, by learning from mistakes and being open to new things, we will deliver superior results and develop a culture of high performance. By maximising this contribution and being active corporate citizens, we can unleash the full potential of our great nation and be a real force for good for all South Africans.”

Kuseni Dlamini, CEO Old Mutual South Africa and Emerging Markets

We aim to ensure that our corporate social investment programmes aren't simply about donating money to good causes, but about making a real and sustainable positive impact. We work with communities to find out what they need, solve the issues and form partnerships that are underpinned by mutual respect. It's in our interest to effectively support communities, so where appropriate, we work with our competitors to deliver wider-reaching programmes.

In December, I attended the Copenhagen climate talks. Since then, we've examined a number of important questions such as how we become part of the national efforts to reduce South Africa's carbon footprint in line with the commitment that our government made at Copenhagen.

We've already shown our commitment to designing, building and maintaining property in accordance with the Green Building Council of South Africa's green star rating tool. We realise though, that this is just one area of our broader environmental impact. Some of our responsible investment funds have begun expanding their focus from financial returns and social benefits to include environmental opportunities and impacts.

The successful future of OMSA requires us to broaden the scope of what we've traditionally considered good business. Making environmental, social and governance issues our core business will move us to a more holistic view of business risk and opportunity, while integrating the full range of stakeholder issues with our business strategy – ultimately delivering long-term success.

Kuseni Dlamini



Framework for managing sustainability

As we enhance our approach to sustainability, we have developed a framework to identify our material issues, prioritise them and set relevant targets. This process will help us, now and in the future, to manage and report on the related risks and opportunities, including our approach to ensuring regulatory compliance and how we engage with our stakeholders to support us on our journey.

Structures for managing sustainability

As a Group, we recognise that understanding and managing the risks and opportunities presented by our social and environmental impacts are fundamental to delivering our vision. As a result, Old Mutual has introduced a Group Responsible Business Policy, designed to provide clarity on sustainability issues while allowing local market flexibility through individual business unit delivery.

To provide clear leadership and governance in relation to Old Mutual Group's social and environmental impacts, a Group Responsible Business Committee was established in 2009. The committee supports and makes recommendations to the Group Executive Committee on how to manage risks and opportunities related to its approach to sustainability. For more information visit the Group Annual Report on our website*.

Old Mutual South Africa (OMSA) has focused on implementing aspects of sustainability through a number of Board committees which include: the Environment Committee (covering stakeholder engagement); the Customer Affairs Committee; the Audit, Risk and Compliance Committee; the Remuneration Committee; and the Corporate Governance and Nomination Committee. OMSA does not yet have its own environmental policy, but uses the Old Mutual Group environmental policy as a guide. We have recognised that we need to achieve greater co-ordination of our sustainability agenda as a whole.

As part of the release of the King III report and code, in September 2009, we established a King III Management Steering Committee to manage our alignment to the code. In 2010, as part of reviewing our governance of sustainability, we will be reviewing how this committee complements existing bodies that cover these issues. It must be noted that our adoption of King III is in addition to our requirements as a UK primary listed company.

We have used the 2009 sustainability reporting process to help us improve our strategies, frameworks, systems, capacity, accountability

and management related to sustainability in order to enhance how we manage our impacts and opportunities more effectively. As part of this development process we recognise the need to establish a formalised structure and develop appropriate targets for managing sustainability. This will include the development of indicators for each one of our material issues. At a senior level, the CEO's performance contract already includes key performance indicators related to social issues, something that we hope to expand to broader sustainability in the future.

We are also engaged in the Group Operating Model governance project which sets out a clear and comprehensive governance framework, with appropriate procedures, systems and controls, facilitating the satisfactory discharge of the duties and obligations of regulated firms, directors and employees within the Group.

Approach to risk management

Old Mutual South Africa (OMSA) aims to identify new opportunities and identify, understand, mitigate and manage risks in order to optimise the level of return on investment. The company operates a risk management framework which integrates risk management into the core business strategy and functions. Risks are assessed over a rolling three year period, our risk principles are outlined on our website. The risk management framework used for OMSA is also used to manage risks across our African Operations.

Risk governance structure: the 'three lines of defence' model

OMSA has adopted a 'three lines of defence' model to manage risk. The first level involves the direct roles of the Executive Committee, the OMSA CEO, and our people in the management of risks. In the second, the chief risk officer, supported by experts from other functions, addresses the risks and makes policy recommendations to strengthen the management of risks. The third provides independent objective assurance on the effectiveness of the management of enterprise risks across OMSA, undertaken by the Group Internal Audit function and the Audit, Risk and Compliance Committee.

Managing and monitoring risk

OMSA's risk appetite is determined both qualitatively and quantitatively and is periodically reviewed. Raising awareness of risks is also undertaken during the business planning process. Input is gathered through regular contact between risk and other functions combined with

* <http://www.oldmutual.com/mediacentre/financialReports.jsp>

the provision of training materials and access to online risk information. Risks are identified, reviewed and prioritised in terms of their potential impact on achieving the strategic and business objectives. Risk management action plans are developed and monitored with the top 20 OMSA risks being reported up to Group level; and any other significant issues or control breakdowns are escalated.

Inclusion of sustainability factors into enterprise risk management

Our static risk profile currently covers 131 risks in a single risk log that includes financial, operational and strategic risks and is a component of each executive's reporting. Our risk profile is currently driven from a financial savings perspective only. Many of the identified risks relate to sustainability and highlight its inclusion in our core business strategy and delivery. Although not currently included, we are now exploring how we include the potential risks generated by our investment decisions. We are also developing a control framework to govern unlisted investments.

Regulatory compliance and related issues

The OMSA compliance function ensures we adhere to the legislation and regulations that govern our sector. The function provides our stakeholders with the assurance we will provide our clients with appropriate financial advice, we will honour their policies, safeguard their pensions and protect their investments.

In an already heavily regulated, complex and constantly changing financial services industry, non-compliance with legislation has emerged as one of the higher risk areas that organisations in our sector face.

Legislative and other regulatory impacts on our businesses are identified, documented, assessed and prioritised and compliance risk management plans are produced and monitored. The Group Internal Audit function annually conducts an independent review of the compliance processes and procedures to ensure an objective view of the status of compliance.

The OMSA compliance officer has responsibility for determining OMSA's future compliance strategy, dealing with our primary regulators and co-ordinating and monitoring the effectiveness of the overall OMSA compliance structure. A standardised compliance framework and Group Compliance Manual have been developed and published. To ensure effective implementation of regulatory requirements, individual compliance officers are allocated to individual segments of the business and business units.

In 2008, Deloitte UK, at the request of Old Mutual plc in London, conducted a Compliance Effectiveness Review across OMSA. 'Good Practice' findings were awarded for OMSA across all five compliance areas assessed. In supporting industry best practice of corporate governance, OMSA actively engages with government and regulators in the development of financial services legislation and regulation.



Framework for managing sustainability (continued)

Stakeholder engagement

In addition to political role-players a range of stakeholders needs to be considered. The formulation of an engagement strategy is important for all stakeholders and the success of this strategy will, in part, be dependent on reviewing and prioritising our engagement with those individuals that represent the following stakeholder groups:

- Our people: management, boards/directors, sales forces, and the rest of the group.
- Distribution: IFAs, brokers and other intermediaries.
- Customers: policyholders/customers and corporate clients (both locally and internationally).
- Government: local and other.
- Political parties.
- Political, economic and social forums and committees.
- Trade unions.
- Faith-based organisations.
- Local regulatory bodies including FSA and SARB.
- Shareholders.
- The investment community in general.
- Specific sectors of the investment community (e.g. FTSE4Good).
- Companies and institutions in which we are invested.
- Media: local and international.
- Local communities.
- Suppliers.
- Business partners.
- Black Business Partners (BBPs).
- Business Associations: Business Leadership SA (BLSA); the National Business Initiative (NBI); BUSA and ASISA.
- NGOs and SMMEs supported by the Foundation and Masisizane

Old Mutual recognises the competitive benefits of proactive stakeholder engagement. At the end of 2008 we completed a Stakeholder Perception and Relationship Quality Survey to benchmark our stakeholder engagement approach. The results guided our stakeholder engagement strategy in 2009; which focused on engaging our stakeholders in an effective way, managing our relationships over the long-term and working with them to identify risks and opportunities for the business.

We are committed to making sure that our stakeholder engagement is transparent and inclusive ensuring meaningful dialogue. In doing so, we consistently improve our engagement process through seeking ongoing conversations with a diverse stakeholder base in a manner that promotes constructive engagement, advances long-term relationship building and provides impactful outcomes that are measured and monitored. Our stakeholder engagement programme is coordinated through a designated unit within the Corporate Affairs team, with its mandate being to manage the company's reputation.

Respect and integrity in stakeholder relations are central to the philosophy and value system of OMSA. To this end, it is essential that commitments we make are kept as this supports the building of trust and establishing good working relationships with stakeholders.

Stakeholder engagement approach





We also engage in public dialogues (for example, Dinokeng Scenarios, as detailed on page 7) and debates aimed at exploring key issues, challenges and conversations current to Old Mutual, the national agenda and global positions.

We see our revised approach to stakeholder engagement as an opportunity to continue to improve our service to, and our impact on, the citizens and businesses in South Africa and Africa. To this end, we have taken up corporate membership with a number of associations, such as the Association for Black Accountants in South Africa, Black Management Forum, Business Leadership South Africa and the Institute of Directors (IoD) South Africa. A full list is available on the website.

“A good reputation stands or falls on the perception of stakeholders. Essentially our stakeholders are partners in our long-term value creation.”

Head, Stakeholder Relations





Sustainability Review



Serving our customers

Material issues

- >> **Customer feedback:** ensuring we engage with and respond to our customers
- >> **Product access:** making relevant products and services accessible to consumers
- >> **Financial education:** empowering consumers to make informed financial decisions
- >> **Product pricing:** providing products that are fairly and affordably priced
- >> **Product promotion:** ensuring that we market our products and services fairly and accurately

Indicator	2009 figures
Percentage of customer delighted by OMSA's customer service	55%
Percentage of customers satisfied by OMSA's customer service	89%
Capital committed by Old Mutual shareholders to Masisizane for loans to SMMEs	R650 million
Number of new OMSA retail branches providing services to customers opened in 2009	65
Number of individuals directly trained through our financial education programmes in 2009	49 724

Customers have become more discerning over time, viewing product quality, value for money, value of advice and investment performance as part of their service experience. Governments have begun to ensure that consumers are provided with responsible access to financial products and services. With the recession, the integrity of the financial sector has been called into question.

Old Mutual is predominantly a service organisation and every employee is regarded as a brand ambassador. We actively seek and value client feedback so that we can improve. We have developed affordable products and services suited to less affluent markets and have distributed them through appropriate channels.

Our financial education programmes were provided to almost 50 000 people in 2009. While some of our programmes showed a marked increase in participants, others showed a decline, which needs to be addressed.

The key challenge that we face in product pricing is balancing added costs of products with the need to keep prices as low as possible for customers. In terms of product promotion, our focus is on providing appropriate advice and avoiding misleading communications.

“The recession has forced us to innovate, to go back to basics, to regain the lost skills and the detail we took for granted and to be more intimate with our customers so that we can understand and provide for them even better than before.”

Marshall Rapiya, Managing Director, Retail Mass Market



“Everything that does not add value to our customers is waste. Using Lean principles, by removing waste, we improve customer satisfaction, drive down costs and create a more empowered working environment.”

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

Lean Transformation - Old Mutual South Africa’s strategy to sustainably improve service and drive down costs

OMSTA* commenced its Lean Transformation in 2005/2006. Lean is based on the philosophy that anything that does not add value to the customer is waste and that, by eliminating waste, service will improve and costs will decrease. Following initial pilots, Lean has been rolled since 2007, with all initiatives aimed at building a clear lean philosophy and culture into OMSTA.

OMSTA Way

To ensure sustainability of the Lean journey, in 2007 OMSTA began codifying the Lean principles and other best of breed management and work practices into 15 modules called the OMSTA Way. Using Lean problem-solving methodologies, we can most effectively identify problems, root causes and potential countermeasures. Lean principles are then applied in driving process improvements. Management and champions from the floor drive changes, with leadership spending time visiting the floor to support the implementations.

Targets are set to improve work practices and improve business performance and these are built into annual performance contracts. Alongside cementing and improving lean traction, there is also a focus on business performance and involvement including quality, productivity, delivery and energised people.

Results achieved through the Lean focus

In 2009 alone, we have achieved direct financial savings of R60 million through specifically identified lean interventions and a further R190 million indirectly as part of a culture of operational excellence that is inherent in Lean leadership, while improving service levels. In the last year, we have also received a number of service awards as detailed in the box overleaf.

The way forward

We in OMSTA believe that Lean is a long term (10 to 20 year) journey and that we are in its early stages. The value that we have achieved has lead other parts of OMSA to also actively want to explore Lean. While this will stretch our capability, the future potential is significant.

* The Old Mutual Service Technology and Administration division which provides most of OMSA’s policy administration and IT services

» Customer feedback

OMSA customer service awards

OMSA won the Best SA Customer Service Centre award at the annual national 2009 African Stars Awards for national contact centres. Ms Bulelwa Koyana, interim CEO of Business Process enabling South Africa (BPeSA) says, "Congratulations to Old Mutual. You continue to show why South Africa is an internationally renowned Business Process Outsourcing and call centre destination."

OMSA has again been recognised as the industry winner in the Long-Term Insurance Industry section in the 2009 Ask Afrika Orange Index Survey on Service Excellence having won the same award in 2008. In commenting on the results in Finweek, Ameila Richards (Ask Afrika Business Manager) made the point that "Old Mutual has consistently provided good service in the long-term insurance industry since 2008."

Customer surveys

Client feedback allows us to improve our services and processes. Our surveys (detailed below) have indicated that, largely as a result of the recession, consumers have moved from being passive buyers who are tolerant and trusting of companies to becoming more demanding and discerning, sceptical of companies, risk averse, avoiding credit and seeking simplicity in the products and services that they purchase. This change in mindset has required us to reconsider how we engage with our customers and the products and services that we offer.

Customer service tracking study

We undertake a customer service tracking study twice a year, canvassing 5 000 respondents who have been serviced during that year. The survey assesses responsiveness, efficiency, reliability, accountability, warmth, courtesy and demonstrable support.

In June 2009, our results indicated that we are still satisfying a large number (89%) of our customers, while the number of dissatisfied customers remained the same at 7%. We noted, however, a 6% decline in delighted customers, which we need to address.

Results of the 2009 customer service tracking study

Category	2007	2008	2009
Delighted (score 9 – 10)	62%	61%	55%
Satisfied (score 6 – 10)	88%	89%	89%
Dissatisfied (score 0 – 5)	8%	7%	7%

“To ensure our products are designed to meet customers’ needs and preferences, we rely heavily on market feedback. The strongest message that they’re giving is that they want products that are easy to understand.”

Richard Treagus, General Manager, Product Development

OMSA’s good reputation was ranked first out of the top ten Johannesburg Stock Exchange-listed companies, across all industries as surveyed by the Reputation Institute.

Customer value proposition (CVP) study

For the last five years, we have undertaken an annual customer value proposition (CVP) study across our Retail Affluent customers, which complements the customer satisfaction survey. Key findings for the middle-income groups are that the overall satisfaction scores have declined,

the brand is still struggling to improve its leadership perceptions and trust is being eroded in the core market. Key findings for the high-income groups indicate an improvement in overall satisfaction scores, but the score is still very low against the target set. Detailed findings from the survey can be found on the website.

Percentage of OMSA clients who have experienced high levels of overall customer satisfaction (scoring 9 - 10 out of 10)

Income group	2008	2009
R10 000 – R12 000	55%	45%
R12 001 – R20 000	41%	37%
R20 001 – R30 000	33%	25%

“Communicate with regard to the performance of investments during the current economic climate and offer peace of mind with regard to security.”

Old Mutual South Africa customer

Brand tracker survey

We also undertake a brand tracker survey that assesses the views of OMSA customers and non-customers across all segments. The research shows that there is a reservoir of growing goodwill towards Old Mutual that is waiting to be harnessed.

Customer complaints

We actively learn from all complaints so that we can substantially improve service processes, product design and advice processes. The Financial Advisory and Intermediary Services (FAIS) Act requires that each financial institution has a documented and properly maintained internal complaints resolution procedure. This is guided in OMSA by an Internal Complaints Policy and procedure.

Clients can lodge complaints with OMSA through our branches, call centre, website or in writing,

and information regarding the complaints process and escalation protocols is available through all channels. Where a client feels that their complaint is not adequately addressed, channels are available to escalate the matter. The Old Mutual Office of Internal Arbitration facilitates arbitration or independent assessment of client complaints where required. We had a 9% decrease in complaint volumes in 2009 over 2008 volumes.

OMSA actively works with industry to improve complaints governance. We are a subscribing member of the voluntary Ombudsman for Long-term Insurance scheme, an active member of the Ombudsman for Long-term Insurance Committee and engage with all relevant statutory ombudsman schemes. We also engage regularly with the International Network of Financial Services Ombudsman Schemes to share ideas and stay abreast of all relevant developments.

Serving our customers (continued)

>> Product access

Old Mutual South Africa's five public-facing segments

- Foundation Market (incomes of R1 to R3 000 per month)
- Retail Mass (incomes of R3 000 to R12 000 per month)
- Retail Affluent (incomes of R12 000 to R80 000 per month)
- Corporate (pension funds, etc.)
- Old Mutual Investment Group South Africa (asset managers and the boutique model)

In order to provide access to financial services to all consumers, and to tap into the business opportunities of less affluent markets, we have developed affordable products and services suited to the Foundation and Retail Mass markets. We focus on providing for the foundation market through community groups and alternative channels such as retail outlets. Through our resources and capital allocations to Masisizane's programmes, we contribute to the financing and capacitating of micro, small and medium enterprises, particularly those owned by women, youth and people with disabilities.

Elements of product access

- The Foundation Market: providing access to financial products such as funeral policies and accidental death cover to low-income customers.
- Masisizane: financing, supporting and providing financial education to micro, small and medium-sized enterprises owned by women, youth and the disabled.
- Lending a hand: providing loan products.

The Foundation Market

OMSA's Foundation Market Business was created in 2007 to formally service the foundation market – a market recognised as significant enough to warrant a special focus. We serve this market on a commercial basis to ensure sustainability beyond simply satisfying legislative requirements.

Our foundation market products are designed to be as simple, affordable and as accessible as possible. The business delivers to two core groupings: community groups and individuals. We have built a strong reputation for honouring valid claims and for paying within 48 hours of receiving all claim documentation. We have recently also launched a new product called Group Funeral Solutions, where we target the same communities but with age-banded rates. While community groups – including burial society groups, stokvels and funeral parlours – form the bulk of financial services purchased in this market, there has been a growing demand from individuals for financial services, particularly in urban areas.

Serving individuals

To service this demand and to ensure easy access for citizens, OMSA has engaged with outlets such as retailers like Shoprite to act as distribution points. We offer a Pay-When-You-Can family funeral product, specifically designed for those who cannot commit to monthly payments. Given that these products are not sold by financial advisers, careful attention is required to provide simplified products and literature to help customers understand what they are buying and the implications of their purchase.

While our products are priced to reflect inherent risks, we have tried to keep the products as affordable as possible and to keep the pricing structure simple.

Providing services under one roof

In 2007, we embarked on a project called Imbizo in order to provide for services in rural areas. Initially, together with Mutual & Federal, Nedbank and Wiphold, the vision was to build 'green shops' in specific areas where a core need was identified. In the first such initiative in the Eastern Cape, the group of companies sponsored the building materials and the structures were built by the communities themselves. Through this mechanism, and with the flagship green shop built in Centane in the Eastern Cape, as a Group, we have been able to provide the community there with all financial services under one roof.

Challenges

We face a number of challenges in providing for the foundation market. While we need to ensure that our products are affordable, we also need to ensure commercial profitability to maintain the sustainability of the business. The competitive landscape is tough and the legislative and economic environment challenging. There are, however, new opportunities created by the potential micro-insurance legislation that has been the subject of discussion in the industry over the last year.

Through our experiences in setting up and growing our Retail Mass business, we are confident that we can profitably serve the foundation market while meeting consumers' needs.

“We are building a nation and ensuring a better tomorrow for all South Africans through our focused transformation efforts as well as in our daily business, by developing financial products and services that are more accessible, more affordable, more flexible and easier to understand by more people.”

Crispin Sonn, Director, Marketing, Communication and Corporate Affairs

Masisizane: investing in transforming the South African economy

Masisizane or “let’s help each other” is a set of development initiatives aimed at supporting national economic transformation. When Old Mutual demutualised in 1999 eligible policyholders were issued with shares. Policy holders were required to claim these shares and by 2006 98% had done so. The shares were placed in an Unclaimed Shares Trust and when this was closed in 2006 approximately 54 million shares remained unclaimed. The after-tax proceeds were split three ways and Masisizane was initially allocated R400 million, which was later topped up to R650 million. Three main areas are focused on; enterprise development, with a bias toward women-owned business, capacity building through skills development and financial education, and assistance with marketing. For more on the work of Masisizane please visit our website <http://www.oldmutual.co.za/about-us/transformation/masisizane.aspx>

Masisizane is a development financier established as a Section 21 Company and with a mandate that includes the initiatives detailed overleaf. Importantly, the Masisizane strategy is based on collaboration between OMSA and partners, from government, the private sector and civil society, to leverage combined efforts and facilitate business-to-business and business-to-government collaboration in economic and social transformation.



Site visit: Andile Ncontsa (Head, Old Mutual Foundation), Sanele Titus (Chairman, Tshapile Ulimo) and Ayanda Sema (Programme Manager, Enterprise Development)

** See further information on Tshapile Ulimo on page 45*

Breakdown of Masisizane fund allocation

Current Masisizane initiatives	Investment
SME financing	R375 million
Financial education	R60 million
iLima Trust	R50 million
Technical & marketing support	R40 million
Promotion	R25 million
Micro-financing	R100 million
Total	R650 million

Serving our customers (continued)

Financing and support of enterprises: focused on micro, small and medium-sized enterprises owned by women, youth and the disabled to facilitate access to resources for job creation and poverty alleviation, predominantly in rural and peri-urban areas. Applicants are supported to ensure the sustainability of the business. Masisizane has taken over the funding element of youth development from the Umsobomvu Fund. In terms of progress to date, 9 690 jobs have been created and repayment rates are, on average, around 96%.

Free financial education: see further information on page 24.

Skills capacity building: the iLima Trust is staffed by former OMSA senior and executive managers who chose early retirement in order to contribute their knowledge, experience and skills to build capacity. They focus on developing leaders employed in national, provincial and local government, assisting with policy-making, development of processes and procedures, and the training and development of management and staff. In addition, they provide training, support and assistance to community-based and non-governmental organisations and emerging enterprises, including many women-owned enterprises supported by Masisizane.

Promotion of foreign investments: R25 million has been committed by Old Mutual plc to encourage foreign direct investment into initiatives in South Africa that are aligned with the Masisizane mandate.

Masisizane operates through collaboration with partners, from government and private sector, to leverage economic and social transformation. In November 2009, we signed a memorandum of understanding with Land Bank, which will give us access to supporting farming enterprises and communities.

To assess the social benefits that Masisizane provides through its assistance, an impact study was conducted by iLima in association with GreaterGood South Africa during the first half of 2009 that resulted in the development of a social impact assessment process and tool.

Lending a hand

In 2007, OMSA decided to move into the field of providing loan products through a joint venture.

Approach with a difference

In contrast to some of our competitors, who focus on a quick turnaround time for providing

loans, our approach is focused on responsible lending. Roughly 44% of credit active consumers in South Africa are more than three months in arrears on one or more of their credit accounts. Particularly in the case of loans, we identified that foundation and mass market customers feel more comfortable engaging with us in a retail shop environment (rather than via call centres and agents). During 2009, we therefore rolled out 65 new Old Mutual retail shops across the country in shopping centres, CBDs and townships, that offer all Retail Mass Market insurance and loan products (including funeral cover, insurance, education policies, loans, investments and savings) and servicing. These branches stay open later at night where required. We created 500 new jobs through the rollout of these branches, with a focus on recruiting staff members from local communities. We anticipate the development of a further 65 to 70 branches per year for the next few years.

Our current focus is on unsecured loans. Personal loans are granted up to R25 000 to be paid over three years. Debt consolidation loans up to R100 000 to be paid off within five years are offered in the form of our My Money Plan product. Over time, we would like to expand into the housing loan market.

My Money Plan

The first component of the My Money Plan product is debt consolidation, without which consumers frequently have multiple debit orders, resulting in higher bank charges, multiple initiation and administration fees and no personal relationships with one service provider.

The second component helps the customer to plan ahead and to provide for unforeseen expenses. Customers are given access to interest-free cash in the periods towards the end of the month, helping them to avoid using expensive loan channels.

We tailor our products to suit what our customers are able to afford and illustrate the instalments they need to make and how to plan for when they will need money. We also provide our customers with their bureau records and explain how credit ratings affect them and how they can qualify for credit. To encourage good debt management and the building of customer credit integrity, My Money Plan provides cash awards to clients who stick to their payment plans.

We facilitate access to debt counsellors should a potential client be too indebted for us to be able to help them.

“We believe that by delivering responsible financial solutions, supported by long-term plans and relationships, we will help clients reach financial independence.”

Phillip Vermeulen, CEO, Old Mutual Finance

>> Financial education

Financial education empowers consumers with knowledge and skills to enable them to make informed decisions about their finances and lifestyles. We run our consumer financial education through three programmes: the financial well-being programme; Financial Sector Charter (FSC) programme; and through Masisizane. The financial well-being programme, run through our corporate clients, saw a marked increase in the number of participants, showing the increased demand for financial education by employees. While we have seen a significant increase in the number of people being trained through our FSC-related programme, the number of Masisizane clients provided with financial training has decreased and needs to be addressed. Financial education and product advice is also provided by our tied agents and independent brokers and is covered further in the chapter on Strengthening relationships with our intermediaries (see page 32).

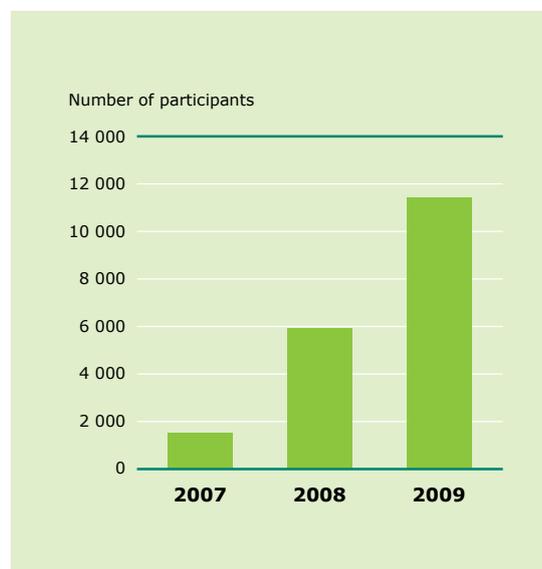
Financial education programmes

- Financial well-being: financial education programme provided to the employees of companies, including OMSA.
- Financial Sector Charter education: providing financial education for people in LSMs 1-5 who are consumers or potential consumers of first order retail financial services and consumers of credit for low-income housing, black SMEs and agricultural development.
- Masisizane financial education: targets the Masisizane loan clients, Old Mutual Foundation, iLima Municipalities, Imbizos and Retail Mass Market clients.

Financial well-being

Our 'On the Money' financial well-being programme is provided to Old Mutual employees. In addition, we provide the programme to the employees of companies that we serve. A total of 11 457 participants across these businesses were trained in 2009 (2008: 5 988; 2007: 1 557). R 3.5 million was spent on the programme in 2009, an increase from R1.26 million spent in 2008. We have had challenges in low attendance at workshops, affecting the budgeting of our education provision and in getting companies to release employees for a whole day.

Financial well-being programme participants



Financial education provided against the guidelines of the Financial Sector Charter

As per the Financial Sector Charter (FSC), the education that we provide must also be physically accessible, appropriate, affordable, simple and non-discriminatory.

In complying with the FSC, more than 25% of our financial education is focused on peri-urban and rural areas across eight of the country's provinces; our consumer education is provided free of charge; and we have simplified our programmes and translated them into the official languages of South Africa. The programme is focused on helping consumers to understand the importance of managing finance and ensuring a positive credit rating, to be able to differentiate between wants and needs, set goals for needs and families and access financial institutions and financial credit.

As per the charter, 0.02% of after-tax profit is spent on consumer financial education. Eighty percent of OMSA's consumer financial education is carried out through face-to-face interventions and 20% through media channels such as the radio.

Further as per the FSC, we try as far as possible to ensure that consumers wishing to enter into credit agreements with OMSA have received financial education or demonstrated they can make an informed choice regarding entering into a credit agreement.

Serving our customers (continued)

Financial education training



Target audiences

Our initiatives are targeted at learner education and adult education. Learner education is offered to learners in grades four, five and six, with OMSA developing its own games that are aligned with their curriculum. In 2009, training was given to 2 684 children. As part of this campaign, 2 501 parents, educators and community members of grade four, five and six learners were provided with financial education.

Candidates for the adult education programmes are identified through burial societies, unemployed youth, church groups and stokvels, SMMEs and agricultural groups. Adult education is classroom-based but interactive. Workshops are held over a full day but are sometimes divided into modules to suit the availability of delegates.

Programme performance

In 2009, a total of 20 849 participants were trained out of a target of 20 000 (2008: 15 857; 2007: 677). A total of R 12.12 million was spent during 2009, an increase from R8.2 million spent in 2008 and R7.8 million spent in 2007. The project was implemented in eight provinces and workshops were conducted in nine official languages.

We ask participants for their feedback on the training provided so that we can improve the programme where necessary. To receive more thorough feedback, we are in the process of developing and piloting pre- and post-assessment tests, which will be implemented during 2010.

On the Money programme

While our On the Money programme was traditionally run for employees of corporates (see the Financial Well-being section), we have adapted the programme to run through both radio and print channels. For the radio channel,

Financial education training by gender (2009)



our programmes provide information and allow for questions and answers and are run across ten radio stations that broadcast in ten of the 11 official languages of South Africa. For the print channel, we target three publications with a high LSM 1 – 5 readership. Financial advice is given on various themes, such as parenting and finances; youth and finances; and when to start saving for retirement. We have also run columns on managing finances and quizzes on managing finances.

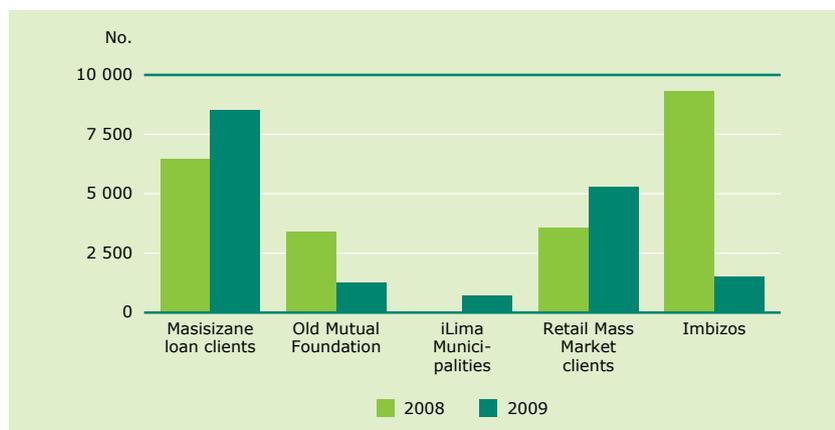
Financial education to support Masisizane clients

The Masisizane financial education initiatives target the Masisizane loan clients, Old Mutual Foundation, iLima Municipalities, Imbizos and Retail Mass Market clients. We use the Old Mutual's On-the-Money programme and recruit unemployed graduates as trainers, with 868 individuals having been through the workshop training since inception. OMSA's Foundation Market division in 2009 won the International Labour Organisation (ILO) grant for micro-insurance development linked with financial education. This grant of approximately R2.5 million will support the Foundation Market Initiatives. Part of it is being utilised in a joint impact assessment study to help us learn more about how financial education can be utilised to best serve the Foundation Market segment, as well as Masisizane clients. A total of 17 458 participants were trained in 2009 (at a cost of R3.8 million) against 25 931 in 2008. The decrease in numbers could be linked to the economic downturn as the people in these areas need to travel distances to attend workshops. While feedback regarding the programme has been very positive, we are developing an impact assessment tool to identify where the programme needs to be reviewed.

Financial education to support Masisizane clients

	2007	2008	2009
Total participants	3 244	25 931	17 458
Total spend	R5 916 528	R5 834 146	R3 799 679

Number of Masisizane-linked participants trained



“The workshop was a wake-up call on how to be more efficient in how to make a budget out of what we have.”

Feedback comment from financial education workshop

>> Product pricing

We design products that are appropriate for each of our segments. Pricing of these products builds in risk assessments – for example charging lower premiums for people who live a healthier lifestyle – and asks only for checks that are relevant. We take great pains to ensure that we are not implementing discriminatory pricing by backing up all our pricing with evidence as to its appropriateness. We ensure sensible underwriting that is fair and justifiable with any differentiation based on objective criteria.

Bodies exist that produce pricing data for all in the industry to use. We are currently reviewing all industry agreements to assess whether they might be viewed as collusive.

A key challenge that we face is the conflict between increasingly stringent regulations which, while protecting customers, add costs to product development and distribution, and the need to keep prices as low as possible for customers. While we ensure good pricing of our products in line with regulations and to make them affordable to consumers, we need to ensure that we can provide the service required.

<< Product promotion

Our four values of integrity, respect, accountability and pushing beyond boundaries assist us in being a customer-centric company. Nine years ago, we reviewed the business to ensure that products and distribution channels meet high level customers’ needs for each customer segment.

While OMSA has a marketing strategy, the units accountable for each segment are responsible for marketing that is specific to their area of focus, detailed in a customer value proposition. As a company, we set targets for what we want to be known for and we conduct market surveys to assess whether we are reaching our targets and to identify where we are doing well and what we need to improve on. This is discussed further in the section on Customer Feedback (see page 18).

To reduce incidents of misleading communications through advertising, all advertising and marketing materials follow the Advertising South Africa codes and go through an internal sign-off process that includes legal, actuarial and marketing screening. We ensure that all marketing material is aligned with promises made in contracts. With responses to media reports either being given by OMSA or by the segment, it has been recognised that the reporting process and tracking system needs to be more formalised.

Investing responsibly

Material issues

- >> **OMSA's SRI funds:** providing investment options to our clients that are socially and environmentally responsible
- >> **Transformation-related financing:** channelling funds as formally prescribed in the Financial Sector Charter (FSC)*
- >> **SRI-based investment decisions:** incorporating environmental, social and governance criteria into our investment decision-making

*Reporting split between 'OMSA's SRI Funds' and 'Enterprise Development' (see page 43).

Indicator	2009 figures
Assets under management in socially responsible investment (SRI) funds	R21.1 billion
Percentage of SRI funds against all OMIGSA's assets under management	4.89%*

*Funds under management for the OMIGSA boutiques at 31 December 2009 excludes any assets that the life company OMLACSA invests directly with external asset managers.

OMSA has a duty to generate returns for its clients, but is also aware that its investments may have an impact on the environment or on communities in which the business invests or operates. There are some investment products and capabilities available from our life assurance and asset management businesses, which are managed on an ethical basis and some which could be tailored by clients to an ethical perspective. We have taken steps to make our asset managers aware of industry initiatives such as the United Nations Principles of Responsible Investment and the Equator Principles. All the funds, products and mandates we manage are done so in a transparent way and clients receive information about how their funds are invested. We believe that this is the best way to enable clients to factor social and ethical factors into their investment plans and choices.

There are three aspects to the issue of responsible investing which, as a financial institution, we report on here:

- our development of particular SRI-related products;
- transformation-related financing; and
- SRI-based investment decision-making.

OMSA has developed SRI-related products and more information can be found below. Transformation-related funding refers to the extent to which a company has channelled a certain proportion of its funds under management into investments that are responsible in the context of South Africa's transformation. This has been prescribed in the Financial Sector Charter (FSC) scorecard and covers: targeted investments, such as funding of public infrastructure projects, agricultural projects and funding of SMMEs and BEE transaction financing. Our BEE transaction financing is covered in the Enterprise Development section in the chapter Continuing our commitment to transformation (see page 43).

Our asset management business is structured as a multi-boutique group comprising a number of specialist investment businesses. Each of these has their individual investment policy and process and makes investment decisions independent of the others. As such, we do not have a centralised approach to responsible investment decision-making: some of our boutiques have considered incorporating responsible investment into their approach (and indeed include reviews of SRI factors as a cornerstone of their investment philosophy), while in others SRI does not play a prominent role in this regard.

>> Old Mutual South Africa's SRI Funds

The interest in and awareness of SRI is growing amongst institutional investors. Domestically, this change is being driven by a shift in the focus of empowerment based on ownership to a broad-based approach considering:

- the upliftment of entire sections of society;
- the acceptance of the potential challenges of climate change; and
- the direct impact of electrical power supply problems.

Old Mutual Investment Group South Africa (OMIGSA) has undertaken to provide mechanisms for direct institutional investment in economic transformation assets, and has established industry-leading capabilities in these areas. In addition to being focused on considering environmental, social and governance (ESG) factors, our SRI funds offer diversified portfolios

with good returns. Our approach to SRI, has to a large extent, been defined by the requirements of the Financial Services Charter (FSC). With the FSC being under review, we are tracking developments so that we can respond and adjust our definition of SRI funds to be aligned with industry and international standards. The exceptions to this are Futuregrowth and the Ideas Fund, whose approach to SRI was in place before the FSC came into being and whose definitions are aligned with best practice internationally.

An overview of the SRI-related funds in OMIGSA is detailed below, with total assets under management of R21.1 billion (committed rather than invested funds). This is 4.89% of all funds under management for the OMIGSA boutiques at 31 December 2009 (excluding any assets that the life company OMLACSA invests directly with external asset managers). We are fund raising to expand the size of certain of our SRI-related funds. An overview of select SRI funds follows, with further details available on the website.

Old Mutual Investment Group (SA)'s SRI funds

Fund	Assets under management	Date of inception
Futuregrowth Development Equity Fund	R525.9 million	August 2006
Futuregrowth Infrastructure and Development Bond Fund	R3.9 billion	January 1995
Futuregrowth Community Property Fund	R3.3 billion	June 1996
Futuregrowth SRI Equity Fund	R47.3 million	August 2004
Futuregrowth SRI Balanced Fund	R6.7 million	November 2004
Housing Impact Fund	R4.6 billion	November 2007
SRI Real Estate Fund	R350 million	June 2007
African Infrastructure Investment Fund	R1.3 billion (fully committed)	January 2004
South Africa Infrastructure Fund	R721 million (fully committed)	May 2000*
Kagiso Infrastructure Empowerment Fund	R649 million (R173 million committed, R476 million uncommitted)	September 2006
Community Growth Equity Fund	R2.4 billion	June 1992
Community Growth Gilt Fund	R1.1 billion	July 1998
Community Growth Money Market Fund	R18.65 million	August 2002
Community Growth Fund of Funds	R30 million	April 2005
IDEAS Fund	R2.4 billion	January 1999

* AIM assumed management of South African Infrastructure Fund in May 2000 (fund inception was in 1996)

Investing responsibly (continued)

Futuregrowth funds

Futuregrowth Asset Management joined Old Mutual Investment Group South Africa (OMIGSA) in August 2008 as the boutique specialising in fixed interest and socially responsible investments (SRI). Futuregrowth is a signatory to the United Nation's Principles for Responsible Investing (UNPRI), a framework for investors considering environmental, social and corporate governance (ESG) issues in investment practices.

Futuregrowth segments the SRI universe into three categories, with a particular focus on positively screened investments:

- **Positively screened investments:** involves making investments in activities and companies believed to have a positive social impact.
- **Negatively screened investments:** excludes certain securities from investment consideration based on social and/or environmental criteria.
- **Investor engagement:** a process of engagement by shareholders and lenders with companies to monitor and effect corporate ESG strategies.

The Futuregrowth Infrastructure and Development Bond Fund was initiated in January 1995 and currently has R3.9 billion worth of assets under management, making it the largest dedicated infrastructure debt fund in southern Africa. The key aim of the fund is to make investments that facilitate infrastructural, social, environmental and economic development.

Futuregrowth Infrastructure and Development Bond Fund performance (Dec 2009)



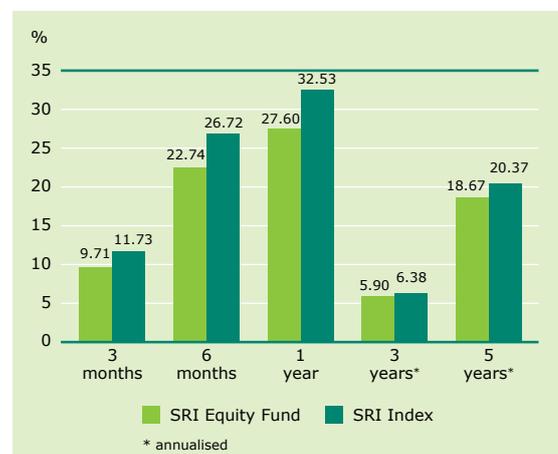
The fund invests in projects that include infrastructure development and social services; community development; consumer and business access to finance; agricultural development and land reform; small medium and micro-enterprise development; black economic empowerment; and low income and affordable housing.

The Futuregrowth SRI Equity Fund was initiated in August 2004 and currently has R47.3 million assets under management. Based on the SRI principles of the JSE Socially Responsible Investment Index, the fund includes listed companies that integrate corporate responsibility with business performance and activities. The fund also aims to encourage businesses to achieve long-term shareholder value through developing and harnessing market potential for sustainable products and services, while reducing and avoiding costs and risks associated with unsustainable business practices.

African Infrastructure Investment Managers (AIIM)

The funds within AIIM (a joint venture established by OMIGSA and Macquarie Africa (Pty) Ltd) are focused on making equity investments in infrastructure assets in South Africa and across Africa. While AIIM invests in infrastructure projects with a view to making commercial and financial gains, the projects it undertakes have various social and environmental framework requirements, providing additional governance structures supporting the legal and regulatory requirements.

Futuregrowth SRI Equity Fund performance (Dec 2009)



The IDEAS Fund is a tangible example of the ability of institutional investors to address the social imperatives of development while maintaining strong investment returns.

The Infrastructural, Development and Environmental Assets (IDEAS) Managed Fund

The IDEAS Fund is a socially responsible investment (SRI) vehicle marketed by Setsing Financial Services (Pty) Ltd, a company jointly owned by Unity Incorporation and OMIGSA.

The fund invests in infrastructural, environmental and developmental assets with the objective to achieve social benefits while delivering commercially acceptable returns to investors. In order to achieve the fund's objectives, the investment philosophy of the fund is to follow an active, disciplined investment process, underpinned by a thorough due diligence process.

This is achieved through active and ongoing involvement and clear definitions of responsibility and accountability in the assets under the fund's management. Executives take key positions of influence whenever possible so as to meet the IDEAS Fund objectives for promoting positive change.

At the end of 2009, the total size of the fund was R2.4 billion but, in addition, it was able to leverage approximately R15 billion in socially responsible investment projects. While the main focus of the IDEAS Fund is on South African investment opportunities, it also invested in development opportunities within the wider Southern African Development Community (SADC) region.

Though below the target of CPI +7% in the last year (see figure below), the fund has significantly out-performed equity markets since July 2006

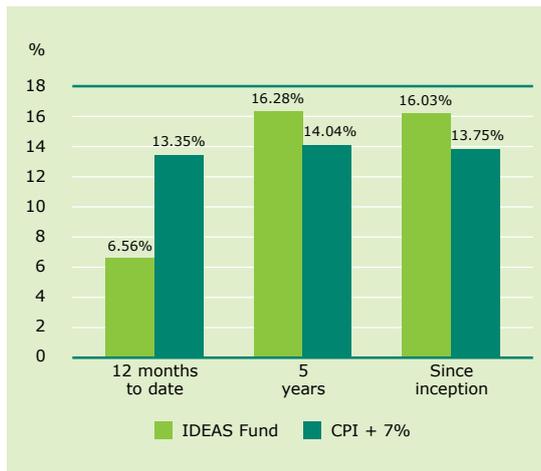
Understanding performance: out-performance of conventional portfolio



(see figure below). The performance of the fund more closely mirrors the performance of the bond market over the period (see figure below). This period stands out as a valuable example of the non-correlated nature of the fund's returns and its benefit as a portfolio diversifier.

Growth going forward is expected in the areas of clean power, carbon offsets, telecommunications (data provision and services), developmental projects (such as housing and public private partnerships for prisons, schools, hospitals and bulk water supply) and infrastructure (secondary market transactions and non-coal energy). In 2010 the IDEAS Fund will focus on refining the measurement and reporting of the environmental, social and governance benefits of investments.

Performance (end December 2009)



Understanding performance: correlation with bond performance



Investing responsibly (continued)

Case study: Gugulethu Square Project

The IDEAS Managed Fund is the principle investor in the Gugulethu Square project, which was launched on 27 November 2009. The R350-million project illustrates the societal benefits and financial returns achieved through considering environmental, social and governance factors in projects.

Environment

The project has implemented green building design principles aimed at using less resources and producing less waste. These innovations will result in the centre having increasingly lower operating costs. Key elements are the following:

- Energy efficient, water cooled air-conditioning
- Natural lighting
- Intelligent lighting
- Tilt-up concrete façade requiring no external painting
- Rain and waste water collection and re-use
- On-site recycling
- The use of environmentally friendly and recycled materials in construction
- Planting of 280 trees

Society

Community support – regarded as key to the success of the retail development – was actively sought through:

- A 25% local investor ordinary equity shareholding,
- Allowance for a further 15% community investor shareholding,
- A 10% community trust shareholding,
- Local entrepreneurship business skills training and development both in terms of franchises (e.g. Spur, Steers, Debonairs) and unique brands (overall approximately 10% of centre area),
- More than 30% of employment during construction was local,
- Extensive community consultation with local forums,
- Incorporation of community aesthetics and poetry into design,
- Accommodation of tenants of the former Eyona centre free of charge during construction and the payment of relocation allowance where requested,
- The creation of a CBD for Gugulethu.



“Gugulethu Square is a dream come true for me and the residents of one of Cape Town’s oldest townships. We thank socially responsible investors such as the IDEAS Fund for making this a reality.”

Mzoli Ngcawuzele, owner of Mzoli Properties

>> SRI-based investment decision-making

We recognise that the Public Investment Corporation (PIC) – an investment management company wholly owned by the South African Government, which invests funds on behalf of public sector entities, with its largest client being the Government Employees Pension Fund – is beginning to move from a focus on transformation factors to a focus on environmental, social and governance (ESG) issues. We further recognise that Old Mutual plc has encouraged our asset management businesses and the life company to include the consideration of environmental and social impacts in investment decision-making processes.

With the exception of Futuregrowth, our investment boutiques are not signatories to the United Nation's Principles for Responsible Investing (UNPRI), as our investment processes are not yet able to comply with the significant reporting, monitoring and related work required by the UNPRI. In South Africa, there are significant conflicting demands on fund managers, with focus being given to addressing the transformation issue.

“Old Mutual would be a very welcome signatory to the UNPRI at a corporate level - particularly because they are asset owners.”

Dr Neil Eccles, Acting Chair, Unisa Institute for Corporate Citizenship

Strengthening relationships with our intermediaries

Material issues

- >> **Building the intermediary pool** to ensure equitable access to financial advice
- >> **Raising the standards of financial advice** and developing intermediaries' businesses
- >> **Supporting the sustainability of intermediary businesses**

Indicator	2009 figures
Number of tied advisers supported by OMSA	5 500
Number of independent brokers supported by OMSA	8 000
Number of black brokers trained through the Old Mutual Academy for Financial Planners	194
Number of tied agents trained through workshops	6 176
Number of independent financial advisory practices that entered the South Africa Best Practice of the Year Award competition	125
Percentage of intermediaries satisfied with OMSA's service delivery	77%

Intermediaries provide financial advice to consumers and sell financial and insurance products and services.

Intermediaries are a key stakeholder in the insurance industry, and Old Mutual supports both tied advisers and independent brokers, with a focus on building the pool of young and black intermediaries. Intermediaries provide financial advice to consumers and sell our products. As a financial services provider, we have a duty to ensure that our customers are given sound financial advice and that they are only sold products that are relevant and appropriate for them.

The FAIS Act has required increased professionalism of intermediaries, with intermediaries needing to be qualified to provide advice and to comply with advisory processes and disclosure. To address these issues, we:

- Invest significantly in enabling our advisers to attain the required qualifications through a learning provider;

The Financial Advisory and Intermediary Services (FAIS) Act (2002) provides a general code of conduct for authorised financial services providers and representatives.

- Support our advisers in preparing for the examinations; and
- Provide financial support relating to registration and examination fees to reward good performance.

OMSA provides a range of support measures in response to stress on intermediaries' businesses from increasingly stringent regulations, changes in commission structures and the economic downturn.

We see regulatory changes as our main challenge. These changes are viewed by government as being crucial to ensure that consumers are provided with sound advice, access to financial services and disclosure of information, and that there is a decrease in fraud and abuse. The economic environment has also posed challenges for intermediaries who have struggled to generate volumes of income.

“We’ve spent significant time, resources and efforts in partnering and engaging with brokers to reinforce the message that we are their business partner and there for them in uncertain times.”

Marwan Abrahams, Executive General Manager, Broker Distribution



Changes to commission structures

Across the industry, upfront commissions on retirement annuities were being charged, with the company which underwrote the contract recovering their money over the life of the product. This did not create problems if the product was held for life, but if the product was withdrawn early, the policyholder was required to pay a large penalty. Consumers and government began to question the structures.

Together with government and industry players, OMSA was engaged in the process of finding a solution. Clients now limit their termination charges from 15% to 0% over five years; intermediaries receive less commission up front and instead receive their commission over a greater period of time; and life assurance companies (e.g. OMSA) take a greater risk. For OMSA, the changes mean that we have to:

- Increase our focus on the persistency of the business,
- Ensure that our customers can afford the products they are sold,
- Provide our customers with improved advice,

- Address servicing issues,
- Communicate more proactively with our customers so that they don't choose to withdraw from their policies.

The commission structure was revised to a system that provides a fairer solution to the customer. With commissions being spread over a greater period of time, the impact this has on the intermediaries needs to be managed. With the offer of financial security reduced, there is a risk that the number of intermediaries would also decrease, resulting in less financial advice being given to consumers. Additional challenges to advisers are the increased call for more stringent qualifications and more detailed paperwork.

OMSA provides both tied advisers and independent brokers with business support to enable them to weather the changes in commission structures as well as other regulatory changes (see main text and on the website for further details).

Strengthening relationships with our intermediaries (continued)



The Black Distributors Trust provides financing to qualified Black financial advisers, who are starting their own financial planning businesses.

>> Building the intermediary pool

Intermediaries are a key stakeholder in the insurance industry and a core part of the OMSA model. We currently support approximately 5 500 tied advisers and 8 000 independent brokers through various channels.

OMSA contributes significantly to the number of intermediaries being trained in the country, improving consumer access to financial advice. Traditionally, we have only trained tied agents, but recent years have seen OMSA investing in other training initiatives including the Old Mutual Academy for Financial Planners (see box below) and the new broker entrant training. Both these initiatives aim to address the representation of intermediaries, with the majority of new

recruits that Personal Finance Advice (PFA) and Retail Mass train being black. To further support transformation, as part of OMSA's empowerment deal, the Black Distributors Trust fund was set up to support the development of black brokers.

The high turnover of intermediaries throughout the industry affects the size and quality of the pool of intermediaries. It is not only in our, but also our customers' interests that we minimise this turnover, as we need intermediaries that understand our products and services, can provide customers with sound advice and engage with us where improvements are required. To address turnover, we have changed our remuneration structures, introduced share options, improved the way in which we deliver training and altered the screening process for potential intermediaries.

Old Mutual Academy for Financial Planners

The Old Mutual Academy for Financial Planners was established in 2004 to address the need to bring new black brokers into the market, equip them with the skills necessary to address the financial planning needs of the growing black middle class and provide market access for previously disadvantaged individuals. Not only does the industry need to provide appropriate products, but it has to deliver cost-effective distribution by brokers from the same communities speaking the same language as customers both literally and figuratively and who comply with the applicable rules and regulations. Furthermore, with the implementation of the Financial Advisers and Intermediary Services (FAIS) Act, there is a need for structured training of financial planners.

Through a unique balance of theoretical and practical infield training and application, the academy now manages to train graduates to reach the full 120 credit, NQF 5, Wealth Management qualification in 12 months. The academy has, to date, trained approximately 203 graduates and has embarked on accrediting existing Old Mutual brokers who had not yet attained their full accreditation.

We introduced a placement programme in 2006 that focuses on recruitment and placement of academy graduates with independent brokerages and bank brokerages. The academy faced closure in 2009 but has now been rescued, with 17 graduates enrolled for 2010.

>> Raising standards of advice and supporting intermediaries' businesses

Ensuring compliance with FAIS

We incorporate compliance requirements, such as FAIS, into our business processes. To ensure compliance, the line manager of the representative checks and signs off each client advice record before the business is processed. We initiated a substantial roll-out campaign where training was provided to all staff on the requirements of FAIS and the related processes. These requirements have been incorporated into the learning tracks of advisers and all new employees are required to successfully complete an electronic assessment on the requirements of FAIS.

Personal financial adviser training

Training is provided to our tied agents through a number of different channels such as facilitated workshops, distance learning, virtual classrooms, formal qualifications in financial planning, assessments for learners to track their improvement needs and advanced coaching workshops. We trained 6 176 delegates through workshops in 2009 (2008: 5 649; 2007: 2 945).

We have to ensure that our learning materials are updated to reflect changes in legislation, and that the updated material is available timeously

at all regional support centres across the country. We also need to ensure that we design learning materials that cater for all learning styles and that all training material is accessible electronically. Despite these challenges, we recognise that the training and support of our advisers is fundamental to providing our customers with good quality service.

We launched an On-boarding Programme for new financial advisers, structured to provide day-to-day guidance for the first month of an adviser's appointment. The new financial adviser and a sales manager work closely together to understand more about OMSA, its products, services, processes and systems.

Practice management coaching

Beyond financial advisory training and support, running an effective business in a more onerous legislative and higher cost environment requires intermediaries to be skilled at networking, marketing and dealing with the challenges of running a small business. Australian experience has shown that the provision of business advice has a positive impact on increasing the earnings of intermediaries. Celestis Broker Services (Pty) Ltd (a subsidiary of OMSA), Masthead and PFA have further supported independent brokers and tied agents respectively with practice management coaching.



Strengthening relationships with our intermediaries (continued)

Our practice transition offering also deals with the valuation and transition of advisers' practices to successors on reaching retirement. This is to encourage advisers near retirement to transition their practices to younger advisers, helping to deal with the risk of our ageing sales force and increasing the number of younger advisers.

Our practice development managers provide one-on-one coaching support to the top 250 PFA advisers and top 15 private wealth management advisers. Group workshops are provided for sales management and advisers not in the top 250 and, in 2009, workshops were provided for 200 advisers most impacted by commission regulation. Tools and templates on effective practice management are also provided. Through the up-skilling of sales management in 2008, basic practice management has been made available to the balance (approximately 2 000) of the PFA advisers and private wealth management consultants.

We started an annual Practice of the Year competition in 2007 to recognise the financial advisory practices that demonstrate the use of best business principles. In 2009, 125 independent financial advisory practices entered the competition, sponsored by OMSA, Coronation Fund Managers Limited, Glacier (Sanlam), Liberty, Masthead Distribution Services (Pty) Ltd, Prudential Portfolio Managers and the Financial Intermediaries Association of Southern Africa (FIA). All the competition finalists were top advisers who spoke positively about the benefits of effective practice management, assisting to build the overall interest in the practice management programme.

Our practice management support programme does have its challenges as up-skilling a practice development manager takes time and they have to build a rapport with the advisers they work with, leading to delays in the programme providing results.

"I should have had this training years ago. All advisers should attend this workshop and learn how to manage your practice for improved production."

Intermediary after attending a workshop held for the commission regulation affected advisers

Support provided by Masthead

OMSA helped establish Masthead in 2004 to ensure the continued success of the independent broker providing access to independent financial advice. In addition to enabling intermediaries to run an effective business, Masthead assists independent brokers address compliance issues related to FAIS. Masthead has evolved into a recognised representative body for independent intermediaries and is currently the largest broker network in South Africa with more than 2 800 members. The organisation provides a balanced view of the potential impacts of regulatory changes on brokers, backed up by solid research. Through this approach, Masthead has established strong credibility with the regulators ensuring that intermediaries are kept abreast of planned regulatory changes. Both Masthead and OMSA encourage intermediaries to raise their concerns to ensure that they are represented in discussions. Masthead is now also supported by Sanlam, Metropolitan and Liberty Life, helping OMSA to sustain the independence of intermediaries in the industry.

Supporting intermediaries beyond training and practice management

During the debate to introduce the changes to commission regulations on savings business (see box on page 33), OMSA played an active role in representing the impact on intermediaries. We helped intermediaries adapt to the changes and thus managed any impacts.

We provide further support to our intermediaries through the recognition of our top producers, and through incentives. Support includes a variety of engagement, including showcase sessions for all tied intermediaries (PFA), management contact, regular communication, brokers being engaged through broker consultants, access to specific broker services in our call centres and access to electronic tools and platforms. We also provide intermediaries with leads from new and existing clients. In addition, we provide strong legal advice including the provision of training and support on technical advice issues. The quality of the intermediary relationship and appropriateness of our support is measured through our annual Intermediary Tracker Survey. In 2009, 77% of our intermediaries were satisfied with our service delivery versus a target of 72.5%.

The long-term goal is self-sustainability for all our intermediaries, and this is monitored through the attainment of progress targets in their businesses.

Ensuring ethical behaviour

Material issue

>> **Promoting ethical behaviour amongst our employees and consumers and protecting our funds and clients from fraudulent activity**

The financial services industry takes responsibility for its customers' finances. To show we take this responsibility seriously, we need to demonstrate our commitment to ensuring ethical behaviour.

OMSA's forensic function covers internal ethics, risk prevention and management in OMSA and its subsidiaries as well as external risk prevention and management. A benchmark of OMSA's fraud function against industry best practice recently conducted by a third party revealed that our structures and systems are best in class and should manage to eliminate or minimise unethical behaviour.

Employees are required to sign off the Company Code of Conduct (CoC) on an annual basis. The CoC encompasses amongst others: the Code of Ethics; the Policy on Fraud, Theft, Corruption, Cyber-crime and Associated Internal Irregularities; Conflicts of Interest Policy; Moonlighting Policy; Gifts Policy; and a Whistle-blowing Policy.

Approach to managing fraud

The forensic function at OMSA covers the following functions:

Investigation function: involving liaising with and assisting law enforcement in investigations and working with others in the industry to manage the threats posed by syndicates. An industry Fraud Committee, of which we are an active member, works to address fraud trends and approaches to managing fraud.

Detection function: involving identifying potential risks, instigating reviews based on trends, identifying fraudulent activities and taking action.

Reporting function: quarterly reports are presented to business units, the OMSA Audit Committee and the Group Audit Committee. Feedback on forensic trends and relevant emerging fraud risks is also provided to business units on a regular basis to assist with proactive management of fraud-related risks. Old Mutual performs reviews on all companies, shares best practice and updates the policy framework as required. The heads of the forensic function of all Old Mutual Group companies meet regularly to discuss fraud-related trends and challenges.

Examples of non-compliance and outcomes are published on our intranet. Fraud awareness presentations are performed regularly across the business and employees are required to pass computer-based training modules on a regular basis.

Various measures are in place to ensure the independence of fraud management, which are detailed on the website.

Reporting channels

To provide for safe reporting, OMSA subscribes to an external independent anonymous reporting hotline managed by Deloitte and has designated Group Forensic Services (GFS) to investigate, follow up and feedback on all reports received.

Whistle-blowing programmes are in place in most of the countries where the Old Mutual African Operations conducts business and GFS also provides support for these programmes.

Employees are able to make reports directly to GFS via various channels. An increasing number of calls are being received via these channels, potentially indicating trust being placed in GFS. A case management system is used to log calls, track trends and highlight fraud issues to the business units.

Continuing our commitment to transformation

Material issues

(seven pillars of transformation as per the dti Codes of Good Practice)

- » **Equity ownership:** participation by black people
- » **Management and control:** appointment of black people to senior management positions
- » **Employment equity:** participation of black people in management levels and disabled people in all levels
- » **Skills development:** skills spend on black employees, black learners and black disabled people
- » **Preferential procurement:** BBBEE procurement spend from all suppliers
- » **Enterprise development:** supporting the development and growth of micro, small and medium businesses and black owned businesses
- » **Socio-economic development:** uplifting communities through financial and other support

We view transformation as key to the sustainability of the company. According to our dti scorecard (verified as at December 2008), we achieved an overall score of 69.3 which allows us to maintain our level four BEE contributor status. Our BBBEE scoring is verified by AQRATE, regarded as the leader in the verification of insurance companies in the financial services industry and, in 2009, independently rated the number one verification agency in the country by the Top 500 companies' survey (at the time of the award AQRATE were still trading as NERA). A summary of our 2009 scorecard compared to

our 2008 scorecard is presented alongside in line with the seven pillars of BBBEE. The full detailed scorecard is presented as an appendix to this report. While we have improved in our scores for employment equity and preferential procurement, our equity ownership and socio-economic development scores have decreased. This is due to market fluctuations and failing to meet the threshold for our socio-economic development spend. Our skills development score regressed to 4.90, but after focusing on this element, this has been improved to 6.22 (unverified).



“Respect refers to the consideration and regard each of us should display towards our fellow colleagues, no matter how much they differ from us in our beliefs.”

Phil Sack, Head of Old Mutual South Africa Industrial Relations

dti BBBEE scorecard

Element	2007 Score	2008 Score	2009 Score	Weighting
Equity ownership	18.82	17.61	13.40	20
Management and control	5.34	6.32	6.21	10
Employment equity	4.84	7.72	9.04	15
Skills development	3.49	6.43	4.90	15
Preferential procurement	7.35	11.78	17.92	20
Enterprise development	15	15	15	15
Socio-economic development	3.16	4.28	2.83	5
Total score	57.99	69.13	69.30	100

The detailed dti scorecard can be viewed on page 65.

Scorecard weighting for the last three years against weighting of the dti BBBEE scorecard.



>> Equity Ownership

Ownership participation is encouraged in the voting rights attached to shares, the economic interest rights attached to shares and the extent to which shareholding held by black participants are unencumbered.

Due to being deemed a multi-national by the Codes, the value of economic interests held by black participants was measured as a percentage of the value of OMSA's South African business operations only, although the BEE transaction was concluded at the Old Mutual plc level. OMSA's BEE deal with Wiphold and Brimstone was the first of its kind, with an extensive performance

contract specifying how these BEE partners would assist us to achieve transformation in the workplace. Aspects of the contract include support in mentoring employees, recruiting key skills, review of strategies and policies and conducting interviews with staff and management.

OMSA did not achieve all the points available under ownership primarily due to the size of the BEE transactions not reaching the general targets of 25% black people involvement and 10% black women involvement. In addition, the net equity realisation points were not awarded due to the outstanding liabilities by black shareholders exceeding the value of the shares held by the black shareholders.

Continuing our commitment to transformation (continued)

» Management and control

Sub-categories under this element measure the appointment of black people to the board of directors; participation by black people as executive board members; appointment of black people to senior top and other top management levels; and representation of black people as independent non-executive board members. In addition, the participation of black women on board and top management level is encouraged through the adjustment for recognition of gender provisions of the Codes.

OMSA achieved milestones in its transformation by appointing its first black CEO in September 2009 and its black female human resources director in October 2009. However, the lack of black executive board members and limited participation at the top management level of black people in general, and black women in particular still pose a challenge for us.

Management and control figures

Position	2008	2009
Total no. of directors	16	16
Black directors	7	7
Black female directors	2	1
Total executive directors	3	3
Black executive directors	1	2
Black female executive directors	0	0
Independent non-executive directors	9	8
Black independent non-executive directors	4	3

» Employment equity

The Codes measure the participation of black people in senior, middle and junior management levels. They also measure the participation of black disabled people in all levels of employment. They further encourage the appointment of black women.

“Old Mutual’s continued success is driven by the commitment, energy and different perspectives of its diverse people.”

Paul Hanratty, CEO Long-Term Savings, Old Mutual; and Chairman, Old Mutual South Africa

Headcount by race and gender

Gender	Race / Gender	2007	2008	2009
Female	African female	2 722	3 106	3 130
	Indian female	555	545	537
	Coloured female	2 465	2 471	2 272
	White female	2 545	2 383	2 307
	Total female	8 337	8 505	8 246
Male	African male	2 597	2 762	2 801
	Indian male	497	500	545
	Coloured male	1 750	1 817	1 684
	White male	2 502	2 328	2 368
	Total male	7 346	7 407	7 398
Grand total		15 683	15 912	15 644

Excludes employee figures for Masthead, OM Finance, inactive pensioners, iLima Trust and HiP.

“The greatest challenge women face in the financial services industry is to change the mindset that ‘women are not supposed to be high flyers in this industry’ to one of ‘the sky’s the limit!’”

Connie Morgets, Executive Financial Adviser

Employment equity is part of our bigger transformation strategy, helping us to serve the South African market better. The OMSA employee profile must reflect the economically active demographics in South Africa across all levels and occupational categories, eradicating all forms of unfair discrimination in the organisation.

An employment equity plan, developed in line with the Employment Equity Act, has recently been approved by the Department of Labour. The employment equity plan outlines our current status, our goals and our plan to achieve our goals. A roadmap for implementing the plan has been developed and was approved by the OMSA Exco in December 2009.

Implementing employment equity

To reach our employment equity targets, we include employment equity as a key criteria in all strategies and initiatives such as recruitment, retention, skills development, the Accelerated Development Programme, our intern programme, the Leadership Programme, the Actuarial Recruitment Development Programme, the TOPP programme (for Chartered Accountants) and talent management. We survey employees to identify any issues that might exist, run

employment equity and diversity awareness campaigns and host employment equity and diversity dialogues. We also actively focus on the promotion of women in management and recruit and accommodate people with disabilities. Beyond the numbers, all policies and practices are scrutinised regarding employment equity.

Our 2008 employment equity score was 7.72/15. This improved to 9.04 in 2009. Training across the regions covers discrimination, harassment, diversity, disability, etiquette and ethics.

Employment equity challenges

Limited participation in senior and middle management levels by black people in general, and black women specifically, and limited participation by black female disabled employees adversely affected OMSA’s score for this particular element. Our challenges in meeting our employment equity targets include: a limited talent pool of the right skills and profile; ensuring line managers recruit according to the employment equity ratios; and changing perceptions regarding employment equity. To address these, we are focusing on the development of black talent and encouraging dialogue sessions.

Focus on women

In terms of a focus on women, we run a women-in-leadership forum, which hosts regular meetings with guest speakers every two months. In addition, we run a mentorship programme in which junior female managers are mentored by senior female managers. For our Women’s Day competition this year, the theme was ‘Women who develop the best teams’, with each business unit electing a women leader not limited to senior management. This is regarded as a prestigious award, with the prize being a leadership course in London and in 2009 was won by Marietjie Erasmus (see right).

We support women externally through our preferential procurement practices (see page 43), by involving women in business through Masisizane (see page 21) and through various enterprise development CSI programmes (see page 45).



First runner-up, Jomarie Van Zyl; second runner-up, Jenny Coetzee; and winner, Marietjie Erasmus

Continuing our commitment to transformation (continued)

>> Skills development

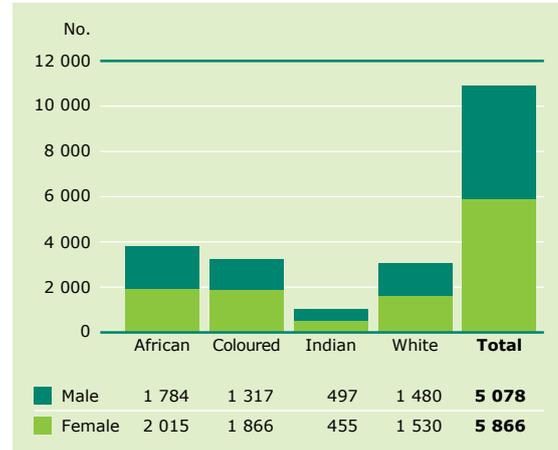
This element measures skills spend on black employees and black disabled employees, with a focus on the amount spent on black women and the participation of black people in learner programmes as defined in the Codes.

The total BEE skills development leviable amount for 2009 was determined to be R3 372 million.

Although there was significant financial investment into skills development, our score was affected by the Codes targets focusing on black people with disability (as opposed to all people with disability) and the limited number of black participants in learning programmes. Having said this, although not yet verified, as of the end of December 2009, the score for skills development increased to 6.22.

We have an important role to play in driving the skills development of the previously disadvantaged. Internal skills development is outlined on page 52, with the summary statistics presented alongside.

Number of employees attending skills training by gender and race group



Our external skills development programmes are included in: The Old Mutual Academy for Financial Planners (page 34); Masisizane (page 21); financial education programmes (page 23); and corporate social investment (CSI) skills development (page 46).

“It is through tools and knowledge, not through handouts and donations, that we will meaningfully and sustainably transform and empower our country’s poorest and most disadvantaged people.”

Benji Norman, Chief Transformation Officer



>> Preferential procurement

The procurement baseline figure for 2009 was R6 413 million, with a weighted, verifiable BBEE procurement figure of R4 265 million. The overall (unaudited) OMSA preferential procurement achieved in 2009 was 76% or a score of 19.09. Targets were not reached for spend with 50% black-owned and 30% black-women-owned businesses.

The Procurement Council is accountable for the implementation of the preferential procurement strategy. In 2009, OMSA decided to align its preferential procurement strategy in line with the dti Codes of Good Practice, with a target for all our suppliers to reach level 4 and above.

In order to improve our preferential procurement, we engaged with the top 200 vendors in our database (80% of our spend) informing them of OMSA's move towards BEE compliant vendors. We have received dti Codes BEE certificates from 78% of our vendors and have now moved to work with our top 500 vendors. Upon proof, smaller vendors may be exempt as per the Codes. OMSA plans to take serious action against those suppliers that have not complied after the window period is over. OMIGPI engaged in an intensive and hands-on approach to improve compliance of its suppliers, with successful results (see the website for further information).

We are challenged by the significant resources required to effectively support our suppliers to improve their BEE credentials and have shared our BEE financial system with other large South African companies so as to promote preferential procurement nationally.

Preferential procurement spend



<< Enterprise development

Enterprise development measures the average annual value of contributions to beneficiaries as a percentage of net profit after tax (NPAT), with the target being 3% of net profit after tax. The NPAT was determined from the 2008 Annual Report to be R5 537 million.

Empowerment financing incorporates BEE transactional financing and targeted investments. We have not engaged in any significant BEE deals in the last year, primarily due to the current economic and investor climate. We do, however, continue to contribute to targeted investments through most of our socially responsible investing (SRI)-type funds, which are discussed in detail in the chapter Investing responsibly (see page 27).

Enterprise development is a core objective of Masisizane, with further information available on page 45.

<< Socio-economic development

Socio-economic development measures the average annual value of contributions to beneficiaries as a percentage of NPAT, with the target being 1% of NPAT. A total weighted value of R25.57 million for direct costs incurred on socio-economic development initiatives and R5.75 million for overhead costs of the socio-economic development business unit was ultimately included for scoring.

The weighted spend incurred on qualifying socio-economic development beneficiaries represented only 0.57% of the target of 1% of NPAT.

This pillar of transformation is covered under the chapter Serving our communities: corporate social investment on page 45.

Supporting our communities

Material issues

- >> **Corporate social investment:** focusing on enterprise development, skills capacity building, education and staff volunteerism
- >> **Sponsorships:** uplifting communities through the use of relevant marketing campaigns
- >> **Development support:** providing financing and support to micro, small and medium businesses and building capacity in government (through Masisizane)*

* This issue is dealt with in the section Product Access on page 20.

Indicator	2009 figures
CSI spend	R31 million
Number of jobs created through CSI programmes	3 046
Number of learners trained at the Old Mutual Zeekoevlei Sailing Centre	60
Number of school children supported through LEAP schools	1 300
Number of students from OMSA-supported schools passing matric with Bachelors' qualifications	862
Number of employees who volunteered for the one-day Do it Day and Care and Share programmes	5 689
Amount raised by staff through the payroll giving programme (or number of staff and hours spent on volunteer work)	R1.5 million
Sponsorship spend	R39.68 million
Number of jobs created through Masisizane	9 690

The focus of our work in supporting our communities is revitalising the South African economy to bring about a shared prosperity for all South Africans, black and white.

In order to ensure the sustainability of our efforts, we have aligned our interventions to both the prevailing national priorities and our core business operations. All our interventions are aimed at economic transformation in South Africa.

Our strategy is supported by our capital investment programmes, acting as catalysts for economic growth. They include toll roads, new power stations, property developments and shopping centres in underserved areas such as Gugulethu in Cape Town.

We serve our communities through a number of channels, with our three primary channels being

our corporate social investment (CSI) programme through the Old Mutual Foundation; women-owned enterprise development through the Masisizane Fund, and our sponsorship activities – mainly to support sport, arts and cultural development.

We regard our sponsorships as being separate to our CSI portfolio in that their focus is on communicating the company's brand image. Through our sponsorships, we are a major contributor to communities countrywide, with many of these projects contributing significantly to the transformation process.

Masisizane is also not included in our CSI spend, as it was funded from unclaimed shares and provides soft loans (see page 21 for further information).

“We accept that what we can achieve on our own will not have the desired scale of impact to effect nationwide change. We would, therefore, like to work with other industry players in order for us to collectively assist in the economic transformation of the country.”

Kuseni Dlamini, CEO Old Mutual South Africa and Emerging Markets

>> Corporate social investment

Our focus areas in corporate social investment are *enterprise development, skills capacity building, education and staff volunteerism*. We have refocused our approach in the last year to:

- Ensure economic development beyond social welfare.
- Develop a partnership approach with other organisations and industry players.
- Run big flagship projects that realise greater social impact.
- Focus on real societal and business results.
- Take a long-term approach.
- Formalise business processes, enabling due diligence and transparent reporting of our CSI programmes.

We have implemented an electronic project management system, which helps us manage and account for funds that are disbursed, including contractual agreements, monitoring and evaluation and progress reports.

Enterprise development

Our enterprise development projects in small scale agriculture, manufacturing and the environment focus on green jobs and labour-absorbing initiatives. Key projects include:

The Heiveld Co-operative: supporting 42 Khoisan farmers who run every stage of tea production and, in 2009, exported products worth R7.8 million.

Indigenous Trees For Life: contributing to the restoration of forests and ecosystems and the sequestration of carbon dioxide while supporting a network of 'treepreneurs', who are usually orphaned and vulnerable children.

Tshapile Ulimo Agricultural Co-operative: where R2.5 million of funding has been leveraged to fence grazing and agricultural lands. 650 ha is now being farmed benefiting 10 000 community members. Further infrastructure, training and business support work will follow, with the project being set up as a model of rural development.

Umdoni Communal Gardens: providing sustainable rural agri-business for 271 members belonging to 21 co-operatives.

Emfundisweni Skills Development Centre: situated in a rural village in the Eastern Cape, hosting three profitable enterprises (a B&B, clothing manufacturer and bakery) employing 62 people.

Case study: The Bulungula Incubator

The Bulungula Incubator is situated in a remote and poorly served area of the Eastern Cape. Its priorities include education, health, basic services and sustainable livelihoods, with our partnership focusing on the last of these.

Community-owned and run businesses now include horse riding; canoeing; a vegetable nursery and garden; and an essential oils project. The essential oils project is aimed at benefiting 100 families and has the potential to revolutionise the community's income stream. Lemongrass is being grown for export. Feasibility studies have been completed for bee keeping, tree planting, snail farming, poultry, hot boxes, a hair salon, home stay tourism, hammock sewing, and wool spinning and weaving.

As one of the key supporters of the Bulungula project, our current role is to help find and develop markets for the products. For further details, see www.bulungulaincubator.wordpress.com



Supporting our communities (continued)

Skills capacity building

Our projects focus on:

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

Product-to-market (Old Mutual Legends Programme): aimed at helping predominantly struggling rural arts and crafts projects to become sustainable businesses. Product and business training and assistance is provided for the design and production of marketable products. The projects in the programme include: Waste2Wow! producing fashion products from waste plastic; Inina Crafts Agency, producing high quality products through a wide network of crafters (winner of the 2009 KwaZulu-Natal Exporters Award); and the Umcebo Trust operating a workshop and retail store at UShaka Marine World, Durban (commissioned to build the world's tallest beaded tree to be showcased at the 2010 Design Indaba and Chelsea Flower Show).

Sparrow School: provides vocational skills training (such as motor mechanics and welding) to marginalised youth with barriers to learning.

DreamFields: with a budget of R12 million, is using the opportunity of 2010 to build and restore soccer fields, distribute soccer kits and bags and create enterprise opportunities around soccer targeting underprivileged communities and schools.

Education

We focus on improving mathematics and science at secondary schooling level. Our interventions at schools aim to address barriers in:

- Leadership and management: building the capacity and ability of principals and school governing bodies,
- Functionality: helping teachers to teach and learners to learn,
- Infrastructure: providing facilities, materials and equipment to facilitate teaching and learning.

We also provide programmes such as work shadowing and mentorship, focusing on exposing girls to the working environment. Our key education projects include:

LEAP Science & Maths Schools: established in collaboration with OMSA and other corporates to try and address poor schooling. The schools support about 1 300 learners from grades 9 to 12 across three campuses, with learners primarily from township schools studying for free.

Dinaledi Schools: is the government's programme to promote excellence in the teaching and learning of mathematics and science in 500 schools. Old Mutual has adopted 10 of the schools across the country (see case study on Dendron).

Umlambo Foundation: focuses on leadership and management development for school principals in South Africa.

Teach South Africa: recruits and trains top university graduates to teach maths, science, technology and English in disadvantaged schools in urban and rural areas for a period of two years.



LEAP schoolgirls with Barney Mookapele on 'Take a girl child to work' day

Case study: Dendron Secondary School achieves a 100% matric pass rate

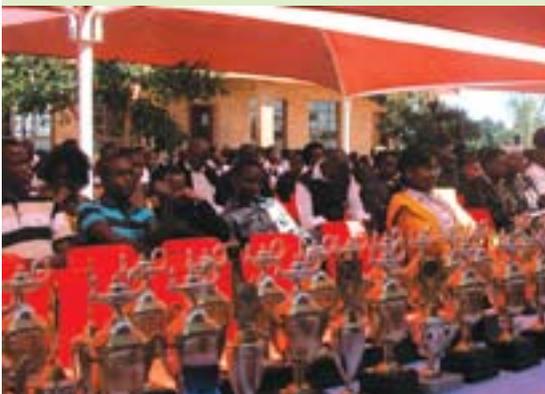
Dendron is part of the Dinaledi Schools programme. It achieved a 100% matric pass rate for four consecutive years and was voted one of only six formally black schools in the top 100 best schools in South Africa. This has been achieved without a library or laboratory.

According to Mr Moloko Matsapola, principal, the success of the school is due to an intensive study regime: learners study together in teams, creating healthy competition between them. Team members and leaders are rotated regularly to share learning. The learners study every evening of the week, ensuring that the syllabus is completed by May each year with the rest of the year is spent on revision and tests.

The school governing board is actively involved in running the school. Teachers make great sacrifices, teaching on Saturdays and sometimes Sundays. The children are disciplined and parents make sure that children are at school and on time.

At the start of each year, the school holds a function to congratulate the learners who matriculated at the end of the previous year, motivating grade 12 learners to set their own goals, work hard, achieve and succeed.

Old Mutual is currently assisting the school to raise funds to build and equip world-class maths, science and computer laboratories.



“DreamFields is a well-conceived project, taking into account the infrastructural requirements for soccer (fields, kit, etc.) as well as the emotional needs of children, through the DreamEvents.”

Judge at the Mail & Guardian’s 2009 Investing in the Future Awards.



Case study: Old Mutual Zeekoevlei Sailing Centre

The Old Mutual Zeekoevlei Sailing Centre introduces children from previously disadvantaged communities to the sport of sailing. In 2009, 60 learners from four schools attend a sailing training programme that starts with swim training and works up to achieving a skipper’s licence.

The programme develops teamwork, decision making, sportsmanship, responsibility and leadership and creates the potential for careers in sailing and the boat manufacturing industry. The school marks of those attending the programme have improved by 30-40%. A team from the centre came tenth out of 28 teams in the 2009 Lipton Challenge Cup.

Supporting our communities (continued)



“Our business is global but our heart is South African”

*Paul Hanratty,
CEO, Long-Term Savings, Old Mutual plc; and
Chairman, Old Mutual South Africa*



Volunteerism

Our volunteerism programmes are design to keep staff engaged with our communities, to develop leadership skills and to give employees meaning and purpose beyond work and self. A total of 7 188 (50% of Old Mutual staff) participated in various staff volunteer programmes, making this the highest staff participation of any company in South Africa. The volunteer programmes focus on donating time, talent and treasure.

Care and Share: in 2009, 5 689 staff members were given one day paid leave to work at a community project.

Staff Community Builder: providing long-term support to community projects, with participation from 368 employees in 2009.

Payroll giving: 1 131 employees donated R1.5 million in 2009, despite difficult economic conditions. These contributions were matched rand for rand by the Old Mutual Foundation.

“To stand in front of a school of a thousand learners who are celebrating the opening of their new library, media centre or IT centre, and witness the excitement and expectation that such a project has created for those developing minds in poor areas is truly humbling.”

*Paul Boynton, Chairman, Green Hands Committee,
Old Mutual Investment Group (SA)*

>> Sponsorships

Our various sponsorship projects allow us to strengthen our relationships with communities, maximise business opportunities and support OMSA's strategic marketing and business objectives. Our sponsorship spend in 2009 was R39.68 million, up from R37.95 million in 2008. R42.95 million has been budgeted for sponsorship in 2010. Our sponsorship portfolio is focused on running, soccer, golf, arts and culture, and education and includes:

Running: we sponsor the Old Mutual Two Oceans Marathon, which attracts a field of up to 26 000 people; the Old Mutual Om die Dam Marathon, and the Old Mutual Buffs Marathon.

Soccer: we sponsor three teams in the Old Mutual Mangaung Cup, which includes the DreamFields Schools Challenge involving 16 girls' and boys' primary school teams. We formed the Old Mutual Football Academy in 2002 to give talented young footballers, many of whom are from underprivileged backgrounds, the opportunity of becoming professional footballers. OMSA is a founding partner of the Dreamfields Project, which was launched in 2007 to provide South African schools (especially in small towns and rural areas) with resources for playing soccer.

Golf: we sponsor the Old Mutual International Pairs (OMIPSA), the South African leg of the largest amateur golf event of its kind in the world.

Arts and culture: we have sponsored the Old Mutual National Choir Festival for the past 23 years as we believe that choral music is an important cultural and heritage symbol for all involved. The Old Mutual Summer Sunset Concerts at Kirstenbosch National Botanical Gardens; the Old Mutual Encounters Concerts in the Johannesburg Botanic Gardens; and the Old Mutual Music at the Lake in the Durban Botanic Gardens all aim to promote South African music. The Old Mutual Theatre on the Square supports local theatre, the Old Mutual Comedy Encounters features top local comedians and the Old Mutual Trophy Wine Show promotes local wines and winemakers.

Education: OMSA co-sponsors the Old Mutual Budget Speech Competition with Nedbank and sponsors SciFest Africa. We also award gold medals to the top Masters of Business Administration (MBA) graduates from four South African universities.



Ensuring our status as employer of choice

Material issues

- » **Attracting and retaining talent**, particularly for critical roles
- » **Integrating skills and career development** across the business
- » **Employee relations** and engagement with unions
- » **Unifying our People Strategy across Africa**

Indicator	2009 figures
Total headcount	16 984
Employee turnover	30.01%*
Percentage of female employees	52.7%
Percentage of black employees	70.12%
Skills spend	R98.5 million
Number of employees trained through the Old Mutual Business School	10 794
Employee engagement	69%
Number of employees using the Employee Well-being Programme	1 680
Headcount for African Operations	2 291

* Excludes figures for Masthead, OM Finance, inactive pensioners, iLima Trust and HiP.

“This is home away from home. The love, support and kindness I receive from my work colleagues has taught me many valuable lessons.”

Old Mutual South Africa employee



Old Mutual South Africa employees celebrating Diversity Day

Key employee statistics for Old Mutual Finance

	2007	2008	2009
Non-sales staff	7 972	7 605	6 895
Sales staff	5 602	6 289	6 427
Contracted employees	2 108	2 018	2 322
Masthead	83	65	49
OM Finance	45	172	562
Inactive Pensioners	693	696	709
iLima Trust	0	14	13
HiP	0	0	7
Total headcount	16 503	16 859	16 984
Turnover	16.96%	20.23%	30.01%*

* Excludes figures for Masthead, OM Finance, inactive pensioners, iLima Trust and HiP.

Employee turnover statistics for 2009

	Turnover 2009
Non-sales staff	16.53%
Sales staff	33.08%
All permanent employees	24.27%
Contracted employees	66.06%
Total turnover	30.01%

With the world economy being under unprecedented pressure and with our customers having to deal with the associated uncertainty, it is our people that enable OMSA to deliver on our promises and preserve our legacy as a leading financial services provider.

We have a total of 16 984 employees across our South African operations, with a wage bill of approximately R169.33 million and 1 924 employees in our African Operations. An OMSA people strategy was created and roll-out commenced in 2009.

We continue to be challenged by attracting and retaining talent, particularly for critical positions and by achieving employment equity objectives. Staff retention continues to be a significant focus, with the current turnover of permanent staff sitting at 24.27% and the total turnover at 30.01%. During the last year, we made significant

advances in skills development, focusing more on integration across business units and job families. In 2009, we also shifted towards accredited training.

The 2009 group-wide engagement survey revealed an improvement in all figures except for that of discretionary effort, which needs to be addressed. We have matured the way that we engage with unions towards an interest-based approach, which gives us clear guidelines within which to operate, but also allows for open dialogue. Our employee wellness programme was used by 1 680 employees, an increase on last year and well above the industry average, showing trust in the programme. With our African Operations only recently being brought into the fold of OMSA, we are still busy aligning our OMSA human resources programmes and reporting with that of our African Operations.

Ensuring our status as employer of choice (continued)

>> Retention

Including sales staff and contractors, our staff turnover in 2009 was 30.01%, up from 20.23% in 2008. The key reasons for staff leaving the organisation are illustrated in the table below. It is difficult for us to put our turnover figures in context as our research has revealed no information on benchmark surveys of staff turnover in the South African financial services industry. We do have slightly higher retention rates for our sales staff than the international averages. The sales staff turnover figure does significantly skew the turnover figure for permanent staff. In addition, the nature of contractors' work leads to high turnover figures, which further skews the overall turnover rate. We had over 100 retrenchments in the last year due to the move of Oxygen Medical Scheme out of OMSA.

Staff turnover

Reasons for leaving	Grand Total
Voluntary retrenchment	4
Retirement	30
Retire with retrenchment	1
Resignation	2 711
Involuntary retrenchment	98
Early retirement	7
Dismissal	159
Death	33
Contract ended	5
Appointment not taken up	76
Absent without leave	139
Grand Total	3 263

In 2009, we once again won the Magnet award for Best Employer in the Life Insurance Industry, as viewed by varsity and technikon students.

We actively work to address staff retention through skills and career development programmes; talent management; engaging with our employees; ensuring market-related salaries; addressing leadership in the organisation; and giving recognition to good performance.

<< Skills and career development and talent management

In 2009, we moved our skills focus to integration across business units and job families (explained further on the website). We are actively identifying a pipeline of black talent and accelerated development needs.

Ninety percent of training programmes run through the business school are now accredited and we are working towards accrediting some of our technical and products training. This provides huge benefits to employees and encourages staff retention, motivation and recruitment. We use a talent grid, redeployment programmes and work skills plans to identify further learning needs for job categories and the purposes of transformation.

Skills spend

Skills development spend	R98.5 million
Learnerships spend*	R7.1 million
Skills spend on people with disabilities	R552 088
% of staff trained that are black	79%
% of staff trained that are black females	39%
% of staff trained that are female	54%

*Figures exclude training spend on OMIGSA, OMIGPI and OMF

We spent a greater percentage of our payroll in 2009 on employee training, despite the recession.

The Old Mutual Business School (OMBUS)

OMBUS is the corporate university of OMSA. It provides accredited learning aligned to the OMSA business strategy and develops both individual and team performance. In 2009, OMBUS obtained approval to offer formal qualifications eg. Certificate in Management and NQF Level 4.

OMBUS learning interventions include classroom training interventions, with 10 259 delegates attending in 2009; online performance support (Harvard Manage Mentor); and e-learning modules. The Knowledge Hub is OMSA's corporate library for all staff, providing knowledge support and research as required.



Delegate numbers on Old Mutual Business School programmes (January - December 2009)

Course		No. of delegates
Essentials of self management	Personal excellence	1 774
	Service	454
	Business skills	741
	Financial well-being programme On the Money (internal)	561
	Financial well-being programme (external)	51
Leadership and management development	Leadership and management	2 122
	Project management	102
Role-orientation workshops (Management Development Programme (MDP))		3 780
Computer training		674
Harvard Manage Mentor (registered users)*		1 260

*Provides a range of online modules and tools to support our managers in the workplace

Ensuring our status as employer of choice (continued)

“The MDP programme speaks to me as an individual. It provides key insights into how the work I do is intrinsically linked to the success of the team I work with, the department I work in and, ultimately, the company. It pinpoints the small pockets of inefficiencies we are all aware of but simply bypass in our day-to-day rush to ‘get things done’ and nudges us into doing something about it.”

Old Mutual South Africa Manager

Talent management

We aim to develop internal talent to ensure that we have the right skills at the right time to achieve the future strategy of the business and respond to changes in the market. Talent management is focused on providing for critical roles; developing leadership capacity; succession planning; and developing black employees, specifically black women. Individuals in the talent pools are provided with coaching, mentors, training and opportunities for rotations, secondments, business exposure and strategic projects and are considered as priorities for succession planning.

Leadership Potential Programme

The Leadership Potential Programme is an Old Mutual plc initiative aimed at developing the Old Mutual Group’s future leaders. Where appropriate, opportunities for secondments, movements or project work are identified to support the individual’s development. Shared learning across the individuals in the programme is promoted. The programme is now being ramped up and we hope to work together with Mutual & Federal and Nedbank to place further employees on the programme in the future.

Number of Old Mutual South Africa delegates on the Leadership Potential Programme

2008	2009	2010
2	7	13

Further skills and career development initiatives

The Management Development Programme: has been run for 8 000 staff since the inception of the programme to develop employee management of self and others.

Learnerships: are provided for unemployed matriculants enabling them to achieve qualifications in areas such as long term insurance and wealth management. Candidates work with OMSA and their studies are paid for. Approximately 250 people were engaged in learnerships at OMSA in 2009.

Partnerships: we link with business schools such as UCT and Wits to further develop our skills development programmes and provide access to expertise in particular fields.

The Old Mutual Education Trust: sponsors and provides mentorship and vacation work support to tertiary education scholarships for members, spouses and dependants of participating trade unions.

Training Outside of Public Practice (TOPP): contributes to addressing the shortage of accounting skills in South Africa, particularly among the black population.

Graduate Development Programme (GDP): aims to attract, develop and retain graduates into the OMSA business at junior- and middle-management levels, with 85 GDP graduates being employed since 2004 and a retention rate of 67%.

Bursary schemes: see focus on the Actuarial Graduate Recruitment Programme alongside for further details.

We offer various international skills development programmes and coaching is provided to support the development of our leaders.

Actuarial Graduate Recruitment Programme

The actuarial profession is core to the Old Mutual business. It is, however, a challenge to identify and recruit actuaries due to a limited supply.

The Actuarial Graduate Recruitment Programme was started in the mid 1950s and has, thus far, supported 174 candidates, 70% of whom still work for Old Mutual.

In addition to financial support, candidates are provided with mentors, networking opportunities and other support. Once a candidate has graduated from the programme, they are appointed into positions within OMSA, where they are mentored and given further tuition support and skills training.

Since 2001, we have focused on developing actuarial talent from previously disadvantaged communities. As a result, the employment equity bursary student numbers have increased

from eight in 2001 to 30 in 2009, with 39 having already graduated. As of 2010, all 15 new bursary students are employment equity candidates.

We do face multiple challenges in growing our talent pool of actuaries. Candidates have to do well enough at school to be accepted into actuarial courses. With long study timeframes, it is difficult to appeal to young people who want to earn quickly. It is challenging to identify candidates who are strong mathematically and have potential managerial skills. A large number of actuaries have left South Africa, particularly during the recession when actuarial skills were required to redesign business models. We also lose our skills to other businesses in Old Mutual Group, which could be partially offset were we to have a growth and rotation programme for actuaries across the Group.

>> Employee engagement

An increasing number of studies demonstrate the link between levels of engagement of employees and business performance. We engage with our employees using various channels and measure our level of engagement through two key surveys.



Employee communication

Our employee communication is aimed at promoting engagement across all divisions in the business so that employees understand other products, services, areas of the business, potential business and career opportunities and OMSA's leaders. Communication covers electronic, print and face-to-face channels, and aims to break the silos between senior management and all employees.

In an independent communication audit recently conducted to measure the effectiveness of OMSA's communication channels and messaging, it was found that staff largely view company communication as being of high quality and feel suitably informed. It is felt, however, that communication is largely aimed at a homogenous audience, which the employees of OMSA are not. We will work actively to address this and other concerns.

Ensuring our status as employer of choice (continued)

Engagement surveys

Employee engagement is measured through the Old Mutual Group employee engagement survey and the OMSA climate survey. These surveys are confidential and run through third parties.

The Old Mutual Group's survey reveals an improvement in rational commitment, emotional commitment and the intent of employees to stay with the Group. OMSA scores fairly well against that of the Group, and international benchmarks.

Old Mutual South Africa climate survey results

2008 Actual	2009 Target	2009 Actual	2010 Target
67%	70%	69%	75%

In addition to the employee engagement survey, OMSA runs an annual climate survey, The motivational index and the findings are used to identify specific interventions necessary.

We had a 56% response rate for the engagement survey (up from 43% in 2008) and a 60% response rate for the climate survey. The success of our employee engagement is partially attributed to the involvement of senior managers such as our CEO, Kuseni Dlamini.

Our last survey indicated that areas for improvement included leadership, communication, pride in the organisation, human touch and talent management, which we have actively worked to address.

>> Employee relations

OMSA has in place the Rules of Engagement document, which contains a guide to manage collective employee engagement. This document is a restatement of rights contained in labour legislation informed by and aligned with the International Labour Organisation (ILO).

Approaches to engaging with employees can range from the extremes of a focus on industrial relations and labour law – with the focus being on litigation, procedures and court work – to employee relations. Over the years, we have oscillated between the two extremes. We are currently looking to establish an interest-based

approach. This mature and balanced relationship will entail both focusing on terms and conditions of employment with well-defined boundaries and an interest discussion group without legal rights. With expansion into Africa, we need to ensure that both OMSA's principles of employee engagement and national labour laws are adhered to.

About 5 500 of 13 500 (approximately 40%) of our permanent workforce are represented by independent trade union organisations or covered by collective bargaining agreements. This is higher than other financial services companies, which we see as positive.

All operational terminations requirements are labour law and ILO compliant, and all potential retrenchments go through an extensive process to be avoided (see the website for further information). We had over 100 retrenchments in the last year due to the move of Oxygen Medical Scheme out of OMSA.

Employee Well-being Programme

OMSA recognises that its employees will face times of stress and illness, which will affect work productivity. We therefore provide an Employee Well-being Programme that offers counselling and information service to employees in all regions to help employees before they get into trouble. The programme covers stress issues – such as work pressure, depression and relationships; and financial wellness issues. The programme has yet to be rolled out to our African Operations.

Counselling is provided for short-term solution provision, with more deep-seated problems being referred to external counsellors. While we use an outsourced service provider to ensure confidentiality, quarterly anonymous reporting provides a breakdown of demographics and highlights any increases in stress that business units might need to be aware of.

The service was used by 1 688 employees (10.8%) in 2009. This is higher than the industry average of approximately 9.5%, showing trust in the service. Of these, 1 151 staff received individual face-to-face counselling. With the recession, we have seen a large increase in the utilisation of our financial wellness facility.

Mind, Body and Soul Day

On 1 October 2009, the Human Resources Employee Well-being Department hosted a Mind, Body and Soul day. The aim of this event was to raise employee spirit and to remind all of the many benefits that are available to OMSA employees, with all service providers being given the opportunity to showcase their services. These included cholesterol testing, gym on site, biokineticists, financial counselling and advisers, study bursary programmes, business school training programme overviews and HIV/Aids testing.

Participating staff received stickers for each stand participated in and once enough of those were collected, they became eligible for a free massage. There was a fantastic turnout and a really positive atmosphere on the day.



On HIV/Aids, voluntary counselling and testing is provided on an ad hoc basis and Kuseni Dlamini, OMSA's CEO, sends letters out to all employees encouraging them to 'know your status'. Those who identify themselves as positive are given or signposted to the right support. The OMSA medical aid scheme includes the provision of an HIV/Aids management programme, including proper nutritional, emotional and medical support and focusing on lifestyle shifts. All HIV/Aids-related programmes are voluntary and confidential.

>> Human resources in our African Operations

OMSA established one People Strategy across Africa, which is being implemented by the human resources functions in each country. For the first phase, we focused on building the foundations – developing basic systems and processes such as those for grading and performance management. We are building the capabilities in each country, identifying skills gaps and planning ways to fill these gaps.

In 2010, the focus will be on creating an enabling environment: building leadership skills, rolling out our management development programme to our African operations, aligning the grading structure, and aligning our talent management approaches and initiatives with that of OMSA where appropriate.

In 2011, we will focus on in-depth employee engagement, with the first climate survey for Africa as a segment undertaken in 2009.

We are exploring using the OMBUS to provide training to our African Operations. Technical training will be provided at or through OMSA and through rotations. This is, however, not yet happening in a formalised manner and still needs to be further developed.

We aim to employ locals, with expatriates focusing on the transfer of skills and on learning from experiences that they can then share with OMSA's other operations. Lastly, we work closely with the governments of the countries within which we operate to monitor and ensure compliance with the local labour legislation.

African Operations employee figures

Country	No. of employees
Kenya	700
Malawi	100
Namibia	535
Swaziland	20
Zimbabwe	837
Total	2 192

Minimising and managing our impact on the environment

Material issues

- >> Reducing the environmental footprint of properties we manage
- >> Reducing the environmental footprint of properties we develop
- >> Reducing environmental impacts through investment decision-making*

* This material issue is covered in the section Investing responsibly (see page 26).

Indicator	2009 figures
Electricity usage	552 364 472 kWh
Water usage	4 100 604 M ³
Proportion of recycled to non-recycled waste	35.17%

The 2009 information includes water and energy consumption figures for buildings under OMSA's management that were not accounted for in 2008.

As a financial services company, we can minimise and manage our impact on the environment through addressing both our direct and indirect impacts. The ways in which we can address our direct impact on the environment are detailed below, with the focus being on property services (retrofits) and property development (new build or major refurbishments). Our ability to address our indirect impacts on the environment is largely determined through our investment practices. The extent to which OMSA practices the principles of responsible investment, which incorporates environmental considerations in investment decision-making, is covered in the chapter Investing responsibly (see page 26).

In this sense, our role is rather to use our investments to influence change in organisations in which we invest or would like to invest – either to minimise negative impacts on the environment or to promote the development of environmental opportunities.

While we support various environmental days and initiatives, we do not raise employee awareness of environmental issues in a co-ordinated, structured or thorough way. Part of awareness raising is related to assigning accountability (through KPIs or scorecards) for environmental issues. These are gaps that we will need to begin addressing during 2010.



Oasis recycling centre at Mutual Park

>> Minimising management impact

The Property Investment boutique within OMSA (OMIGPI) buys, sells, manages and develops large properties such as shopping centres and office parks. The property services component of OMIGPI includes facilities management, with resource consumption improvements being made through retrofitting.

We see value in greening our buildings as a means of 'future proofing' them. With proposed electricity price increases and issues regarding water supply and consequent pricing, we need to make our buildings as cost effective to operate as possible so that our tenants can afford to pay. We have not yet developed a strategy or targets to reduce the resource consumption or environmental impacts of our buildings. We are developing a framework for reducing energy consumption, which will inform a strategy and we are moving towards a more structured approach of implementing resource-saving initiatives and monitoring and measuring changes. We aim to initially install real-time energy consumption measurement of three buildings in each region. Load profiling will also be undertaken and areas of high energy use will be identified. These measurements will assist us in identifying relevant initiatives to be implemented. Monitoring will be included for all initiatives going forward. While we still need to do more, we have significantly reduced energy usage in the buildings that we manage.

Resource consumption by OMIGPI-managed buildings

	Consumption
Electricity	552 364 472 kWh
Water	4 100 604 m ³
Waste: Non-recyclable	4 698 320 kg
Waste: Recycled total	2 549 065 kg
Glass	229 093 kg
Paper and cardboard	1 962 396 kg
Plastic (all types)	312 306 kg
Metal and cans	45 270 kg

(The figures above are the totals combined from all buildings under the management of OMIGPI. Where a property has been sold or acquired, the data has been included only for the period that the building was under our management)

Energy management

Our focus for reducing energy use has been on the big resource users, such as Cavendish Square, where we test certain technologies and systems before rolling these out. The focus of initiatives has been on air-conditioning controls, which use the largest amount of energy and lighting retrofits. We have also focused on the installation of automatic switch-off and intelligent technology to control energy use in the most efficient way. In the next phase, we plan to engage with tenants to identify essential equipment and lighting so that we can install systems to switch off non-essential equipment and lighting when not required.

Two significant energy efficiency initiatives have resulted in savings. A DSM initiative in the Western Cape (detailed overleaf) has resulted in an average saving of 864 368 kWh each month across five buildings; and an air-conditioning controls initiative run at Menlyn Park Shopping Centre in Gauteng is saving an average of 875 992 kWh each month.



The first environmental rehabilitation deal was made in June 2009. Old Mutual Corporate developed a specialised financial model to help mines and other companies that disturb the environment to ensure that they are financially prepared to cover the costs of rehabilitation incurred when the operations have run their natural course.

Minimising and managing our impact on the environment (continued)

Case study: Energy efficiency savings in retail centres

In February 2008, Old Mutual Properties implemented an energy efficiency and load shifting project at five commercial buildings in Cape Town (Cavendish, Absa on Grove, Cavendish Connect, Triangle House and Mutual Park), which was initially funded through grants from Eskom's demand side management programme.

The project focused on the installation of variable speed drives on several pumps and fans to improve the energy efficiency and to shift a large portion of the energy demand out of the evening peak.

From the start of the project in February 2008 to September 2009, 16 420 MWh have been saved, with a consequent financial saving of R4.4 million and a reduction of 16 182 tons of CO₂. With the cost of electricity set to rise, the savings made will increase significantly.

Environmental impact reductions: February 2008 to end September 2009

	Reductions
CO ₂	16 182 ton
SO ₂	141 876 kg
NO _x	71 174 kg
Particulate matter	3 616 kg
Water	23 146 kl
Coal	9 020 ton

All reductions in energy usage and environmental impacts have been externally measured and monitored by the Energy Research Centre at the University of Cape Town.

Based on the success of this project, we have initiated similar projects at Menlyn and Gateway shopping centres with good results. These were not Eskom DSM projects, but we do track consumption figures from meter readings.

Water recycling

After discovering that two million litres of water per month were being lost through evaporation from the water towers at Cavendish, we ran a pilot project in which we redirected a large proportion of this water to be used instead for cleaning the 150 wheelie bins of the centre, parking areas and escalators. In the past, we had been using potable water for these functions.

Waste recycling

We recycle in all regions. Regional (and super-regional) retail centres and major commercial sites like Mutualpark have on-site recycling depots that separate out cardboard, plastic, tins, glass and metal. Our recycling at Mutualpark creates jobs for 13 disabled persons who are employed full time via the Oasis recycling centre but located on campus. We should possibly explore recycling at source at these major sites. We are currently working to improve recycling at our smaller sites.

We recycled a total of 35% of waste in 2009. The income generated from the recycled material usually funds the recycling operations.

Minimising impact of development

OMIGPI was the founding member of the Green Building Council of South Africa (GBCSA) in February 2008 and is currently a platinum member, having donated approximately R0.5 million towards the development of new rating tools. OMIGPI also provides guidance and advice in the development of green rating tools, with representatives being involved in various tool development teams. While the GBCSA has developed green star rating tools for offices and retail, we are still awaiting the development of a mixed-use tool and tool for existing buildings and operations, which will assist us in rating many of our developments.

We have adopted the green star system, incorporating environmental criteria into our development principles from the design stage, through construction and to use of the building. We are aiming for a four-star rating for our new property developments, focusing on all aspects of sustainability including energy, water, waste and biodiversity. A number of green building features have already been incorporated into various infrastructure projects undertaken as part of our social responsible investment funds (see page 27).

Our challenges in moving towards reducing the environmental impacts of our buildings are numerous. While we have control over the building design, we also have to influence

investors to move towards green buildings. The key challenge is motivating increased capital expenditure – a four-star building currently results in a 10% cost premium – in order to achieve reduced operating expenditure. In order to prove and realise the economic viability of aiming for a four-star rating, we need to educate asset managers and developers, encourage cross-over of technology and take heed of industry's move towards life-cycle costing.

Further challenges include the lack of expertise in South Africa (green building principles, techniques, detailed modelling), leading us to learn largely from trial and error; balancing the pressing and at times potentially conflicting needs for BEE and sustainability, the supply of green products, the trade-off between buying local products that are uncertified versus certified products that are imported; the acceptance of life cycle costing and premiums, renewable energy still being regarded as too expensive and retailers becoming more demanding for green developments but not willing to pay premiums.

OMIGPI has set up Project Chameleon, a strategic project reporting into Exco and driving the move to sustainable building and property practices within the portfolio. To ensure that we achieve our green building goals, ten percent of the key performance indicators (KPIs) for OMIGPI individual managers and teams is assigned to the implementation of green building philosophies and minimum standards.

Case study: Old Mutual South Africa crèche (Green's cool)

The OMSA crèche was built in 2008 to provide a service to employees of OMSA. The crèche was constructed along green building principles, with the following key features:

- Grey water flushing mechanism where water from wash basins is filtered and used to flush toilets,
- Limited water use flushing mechanisms,
- Positioning of the building to maximise the use of natural light and heat,
- Tinted glazing to reduce direct sunlight and heat transmission,
- Natural air convection,
- Building materials that maximise insulation, promoting heat retention in winter and cooling in summer,
- Solar water heaters,
- Compact fluorescent lights (CFLs), automatic (non-essential) light switch-offs out of hours, daylight sensor controls on external lighting and area-specific lighting to reduce energy usage,
- All timber used is from sustainably managed pine forests in South Africa,
- All internal surfaces and finishes are hard wearing and easily washable, to minimise maintenance requirements,
- All vegetation used in the outside areas is indigenous to the Cape,
- The crèche is adjacent to Mutualpark, which itself is next to a train station, minimising transport of OMSA employees utilising the crèche.



African Operations

“Improved governance including democratic reforms, fewer political conflicts and macro-economic stability has improved perceptions of Africa as a viable investment destination for local and global capital.”

Johannes Gawaxab, Managing Director of Old Mutual African Operations.

Breakdown of African Operations

Country	Assets under management	No. of employees	Date of establishment
Kenya	R7 billion	700	> 80 yrs
Malawi	R2 billion	100	>80 yrs
Namibia	R17 billion	535	1930
Swaziland	R52 million	20	2008
Zimbabwe	R7 billion	837	>100 yrs
Total	Approx R33.5 billion	2 192	

Overview

In addition to having operated in South Africa for 160 years, Old Mutual has been operational in other African countries for over 100 years. We currently have operations in Kenya, Malawi, Namibia, Swaziland and Zimbabwe with total funds under management of R33.5 billion and just over 2 000 employees. Future expansion is being considered in both East and West Africa. A dedicated African Operations Central Unit was established in 2006 to develop and grow Old Mutual’s business in Africa. African Operations reports into the CEO of OMSA and Emerging Markets and governance processes have been aligned accordingly.

The rapidly growing middle class across Africa, low financial services penetration and demonstrated need for financial solutions presents a viable investment opportunity for Old Mutual to expand on the continent. We aim to use our experience on the continent to provide access to financial service to clients across Africa, particularly the mass market and small enterprises.

Through these businesses, Old Mutual continues to contribute towards its long-term commitment to invest in economic growth and sustainable development across the continent. We have played leadership roles in industry and policy issues such as:

- Acting as a legislation task force member on retirement funds, financial services and insurance in Malawi.

- Facilitating Namibia’s largest economic empowerment transaction in the financial sector.
- Representation on a committee that is reviewing the Insurance Act in Kenya
- Providing leadership of the Namibian Financial Services Charter development.
- Investing in good governance in Zimbabwe, recognised by receiving the Director of the Year Award.
- Providing advisory input into Zimbabwe’s economic recovery.

In addition, we support and run corporate social investment programmes that focus on the areas of education, health and welfare, community development, financial education and staff volunteerism. In each country, our approach is to develop products and distribution channels that are appropriate to the needs of the local communities markets. Taking the time to understand the needs of our existing and potential clients enables us to be relevant to them in terms of the products and services we provide. Our operations work with the governments of each country to understand product-related legislation in order to guide product development. In some cases, we support the development of relevant legislation where countries have not previously had access to lending and investment products due to the lack of a legislative framework. An example of this is the work that we have done

in certain countries to support the entry of unit trusts.

Old Mutual's African Operations leverage off OMSA's products, platforms and intellectual capital. We leverage off the products available from the South African operations to maximize the value that we can provide to clients. Furthermore by providing African Operations with an integrated back office capability to support existing operations as well as future growth of new products and in new countries, we reduce costs and risks and share learning across countries.

We screen all our investments using OMIGSA's screening and our local partners and work closely with the governments of the country to ensure that our efforts are aligned with the economic growth imperatives of the country.

Country overviews

Kenya

Old Mutual pioneered unit trusts and offshore investments in Kenya and continues to lead in both asset management and unit trusts. Old Mutual Kenya offers a diverse product set, servicing 25 000 retail clients and 230 corporate clients, with assets under management of some R7 billion.

In 2009, the business launched a low-cost mass market risk product – Rafiki Halisi – which provides for the needs of the uninsured populace, with life cover, education and investment plans and is being distributed through alternative channels such as post offices with money collection utilizing mobile phone capabilities.

In 2009, Johannes Gawaxab, Managing Director of Old Mutual African Operations, received the Lazarus Shinyemba Ipangelwa Foundation Award for Business Leadership and Excellence. This award recognises exemplary business leaders for their ability to engage and inspire others in their workplace. The Foundation confers the award to business leaders on an annual basis.

Malawi

Old Mutual Malawi is the country's market leader in asset management, life assurance, 3rd party asset management, pension fund administration, and management and property investment. The business currently has 12 613 clients on its books, of which 208 are pension funds with a total of 65,000 members and funds under management of just under R2 billion.

Old Mutual Malawi is in the process of setting up the country's first unit trust business. While Malawians have been employed to help develop the business, OMSA's advanced back office systems are being utilised to reduce costs and allow products to reach market more quickly, ultimately increasing the value provided to clients.

Namibia

Old Mutual Namibia is the country's leading financial services company, with funds under management of R17 billion and a total of 137 000 clients. It dominates both the life assurance and asset management industries, is a leader in pension fund administration and is developing the property investment side of the business. The asset management company in Namibia has established a sound track-record in the management of alternative investments, enabling it to contribute to Namibia's economic success, particularly through the funding of crucial economic infrastructure in the country.

In addition to providing financial education aligned with Old Mutual South Africa's programmes, this business operates a mobile client service unit in areas with no bricks and mortar structures within a 50 kilometre radius.



Old Mutual Namibia offices built using Green Building Principles

African Operations (continued)

In order to reduce the negative environmental impact of our buildings, they have adopted green principles in the recent construction of their headquarters in Windhoek. This building is cooled using natural coolant water in a two stage evaporative cooling process, which provides 100% fresh air to the office space; water consumption is supplemented by utilising ground water for restrooms and for irrigation of plants in and around the building; only energy efficient light fittings are used and all light fittings are operated by motion detectors. We ensure that very strict environmental pollution control measures are adhered to by all contractors.

Swaziland

Old Mutual launched its Swaziland business mid 2008 in an effort to provide better service to Old Mutual clients within the country and to comply with localisation legislation. With assets under management of R52 million and 10 656 clients on its books, the business strives to be the leader in asset management, life assurance and property investment by providing relevant advice and value-for-money products. While the business launched with a focus on the retail segment of the Swaziland market, risk and savings solutions for the corporate market were added to the portfolio towards the end of 2009.

Zimbabwe

Old Mutual Zimbabwe is the largest financial services company in the country and is the largest single investor on the Zimbabwe Stock Exchange.

The business has assets under management of R7 billion and a total of 515 365 clients on the book across the business operated by the Group in Zimbabwe. This business has endured unprecedented and significant challenges by creatively managing their infrastructure, products, employees and operations.

A number of business lessons were learned as a result of the experience in Zimbabwe:

- Always look after your customers. Consumers flock to the safety of strong brands.
- Real assets and capital are key in a Hyperinflation environment.
- A good business control environment is vital for survival.
- Continuous business re-scaling and re-design is essential.
- Taking care of employees during crises pays off.
- Always maintain sound ethics and good governance.
- Always look after your customers as they will be there after the crisis is over.

Whilst there are still a number of business challenges our view of the future in Zimbabwe is positive. As the leading financial services group in the country, Old Mutual Zimbabwe has a conscious strategy to continue operating in order for us to add value to our clients and staff and is now playing an active role in the rebuilding of the Zimbabwean economy.

Old Mutual South Africa dti scorecard

BEE Element	Weighting	Indicators	Indicator Weighting	Target (Years 0 – 5)	Actual %	Score	Total Score
Equity Ownership	20	Exercisable Voting Rights in the Enterprise in the hands of black people	3	25%	23.2%	2.79	13.40
		Exercisable Voting Rights in the Enterprise in the hands of black women	2	10%	7.3%	1.45	
		Economic interest of black people in the Enterprise	4	25%	23.2%	3.71	
		Economic Interest of black women in the Enterprise	2	10%	7.3%	1.45	
		Economic Interest of the following black natural people in the Enterprise:	1	2.5%	17.3%	1.00	
		<ul style="list-style-type: none"> Black designated groups Black participants in Employee Ownership Schemes Black beneficiaries of Broad based Ownership Schemes Black Participants in Co-operatives 					
		Ownership Fulfilment	1	Yes	No	0.00	
		Current Equity Interest	7	40% of target (Yr 3 & 4)		0.00	
		Bonus Point: Involvement in the ownership of the Enterprise of black new entrants.	2	10%	17.3%	2.00	
		Bonus Points: Involvement in the ownership of the Enterprise of black participants in Employee Ownership Schemes; black beneficiaries of Public or General Benefit Schemes; or black participants in Co-operatives	1	10%	17.3%	1.00	
Management Control	10	Exercisable Voting Rights of black Board members using the Adjusted Recognition for Gender	3	50%	36.7%	2.20	6.21
		Black Executive Directors using the Adjusted Recognition for Gender	2	50%	16.7%	0.67	
		Black Senior Top Management using the Adjusted Recognition for Gender	5	40%	18.8%	2.34	
		Black Other Top Management using the Adjusted Recognition for Gender	0	40%	0.0%	0.00	
		Bonus Points: Black Independent Non-Executive Board Members using the Adjusted Recognition for Gender	1	40%	50%	1.00	
Employment Equity	14	Black Disabled employees as a percentage of all employees using the Adjusted Recognition for Gender	2	2%	0.9%	0.93	9.04
		Black employees in Senior Management as a percentage of all such employees using the Adjusted Recognition for Gender	5	43%	20.5%	2.38	
		Black employees in Middle Management as a percentage of all such employees using the Adjusted Recognition for Gender	4	63%	36.1%	2.29	
		Black employees in Junior Management as a percentage of all such employees using the Adjusted Recognition for Gender	4	68%	58.6%	3.44	
		Bonus points for meeting or exceeding the EAP targets in each category	3	Exceeds targets, Min 40% in categories		0.0	
Skills development	15	Skills Development for black employees as a percentage of Leviaible amount using the Adjusted Recognition for Gender.	6	3%	1.4%	2.85	4.90
		Skills Development for black employees with disabilities as a percentage of Leviaible amount using the Adjusted Recognition for Gender.	3	0.3%	0.0%	0.07	
		Number of black employees participating in In-Service Training Programmes as a percentage of total employees using the Adjusted Recognition for Gender.	6	5%	1.6%	1.98	
Preferential Procurement	20	BBBEE Procurement Spend from all Suppliers based on the BEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend.	12	50%	66.5%	12.00	17.92
		BBBEE Procurement Spend from Qualifying Small Enterprises or from Exempted Micro Enterprises based on the applicable BEE Procurement cognition Levels as a percentage of Total Measured Procurement Spend.	3	10%	20.4%	3.00	
		BBBEE Procurement Spend from any of the following suppliers as a percentage of Total Measured Procurement Spend.					
		Suppliers that are more than 50% black owned	3	9%	5.6%	1.87	
		Suppliers that are more than 30% black women owned	2	6%	3.2%	1.05	
Enterprise development	15	Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the Net profit after Tax or Turnover target.	15	3.00% of NPAT	69.64%	15	15
Socio-economic Development	5	Average annual value of all Socio-Economic Development Contributions made by the Measured Entity as a percentage of Net profit after Tax or Turnover.	5	1.00% of NPAT	0.57%	2.83	2.83

Global Reporting Initiative (GRI) G3 Index

In preparing this year's report, we have drawn on the GRI's G3 reporting guidelines. The table below provides an indication of where information for each set of GRI indicators can be found in the print report. A review of Old Mutual South Africa's status against each of the GRI G3 and GRI Financial Services Sector Supplement reporting criteria as covered in the 2009 sustainability report is provided in the full web report.

GRI indicator	Source	Page
STRATEGY AND PROFILE		
1.1	Statement by the CEO Long-Term Savings, Old Mutual plc; and Chairman, Old Mutual South Africa	6
	Statement by the Chief Executive Officer of OMSA and Emerging Markets	8
1.2	Material issues	2
	Framework for Managing Sustainability	10
2.1-2.4, 2.6, 2.8 & 2.9	About Old Mutual South Africa	4
	www.oldmutual.co.za/about-us/company-profile/old-mutual-south-africa	
	Old Mutual plc Annual Report	
2.5	African Operations	62
2.7	Serving our Customers	16
2.8	Ensuring our status as an employer of choice	50
2.10	Throughout the report	
3.1-3.4 & 3.6-3.13	About this report	0
3.5	Material issues	2
	Framework for Managing Sustainability	10
4.1 – 4.7	Old Mutual South Africa Annual Report	
	Old Mutual plc Annual Report	
	Full GRI table in web report	
4.8 - 4.9	Ensuring ethical behaviour	37
	About this report	0
	Framework for managing sustainability	10
4.10-4.13	Full GRI table in web report	
4.14-4.17	Framework for managing sustainability: Stakeholder engagement	12
MANAGEMENT APPROACH AND PERFORMANCE INDICATORS		
Economic		
EC1	Group Highlights; Old Mutual South Africa value-added statement	3
	FSSS addition: Supporting our communities	44
EC2-EC5 & EC9	Full GRI table in web report	
EC6	Continuing our commitment to transformation	38
EC7	African Operations and full GRI table in web report	62
EC8	Investing responsibly	26
	Supporting our communities	44
Environmental		
EN3, EN9, EN19, EN23, EN24, EN24 & EN27	These are not regarded as material for OMSA	
EN1-EN2, EN4-EN5; EN7-EN8, EN10-EN11, EN13-EN14, EN16-EN18, EN20-22, EN26	Minimising and managing our impact on the environment	58
EN6, EN12, EN15, EN26	Investing responsibly	26
EN28-EN30	Full GRI table in web report	

GRI indicator	Chapter in report	Page
Social		
LA1-LA5, LA8-LA12, LA14	Ensuring our status as employer of choice	50
	Full GRI table in web report	
LA6 & LA7	These are not regarded as material for OMSA	
HR1-HR9	These are largely unreported. Full GRI table in web report	
SO1	Supporting our communities	44
FS13-FS14	Serving our Customers	16
SO2-SO4	Ensuring Ethical Behaviour	
SO5	Framework for managing sustainability: Stakeholder engagement	12
SO6-SO8	Full GRI table in web report	
FS1	African operations	62
FS1-6 & FS8	Full GRI table in web report	
FS7	Serving our Customers: Product Access	20
FS9	Continuing our commitment to transformation	38
	Framework for managing sustainability: Approach to risk assessment	11
FS10-FS12	These are largely unreported. Full GRI table in web report	
PR1-PR2	These are not regarded as material for OMSA	
FS15, PR3, PR5, FS16, PR6 & PR8	Serving our Customers	16
PR4, PR7 PR9	Full GRI table in web report	

GRI G3 application level requirements

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

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

Glossary

ABASA	Association for Black Accountants in SA	NBI	National Business Initiative
ABSIP	Association for Black Securities and Investment Professionals	NCCF	Net Client Cash Flows
AIIF	African Infrastructure Investment Fund	NLPI	New Limpopo Project Investment
AIIM	African Infrastructure Investment Managers	NOCCI	Northern Cape Chamber of Commerce and Industries
AOP	Adjusted operating profit	NPAT	Net profit after tax
ASISA	Association for Savings and Investments SA	NQF	National Qualifications Framework
BASA	Business and Arts South Africa	OMBUS	Old Mutual Business School
BBBEE	Broad-based Black Economic Empowerment	OMF	Old Mutual Fund
BDT	Black Distributors Trust	OMIGPI	Old Mutual Investment Group Property Investments
BEE	Black Economic Empowerment	OMIGSA	Old Mutual Investment Group South Africa
BLSA	Business Leadership SA	OMK	Old Mutual Kenya
BMF	Black Management Forum	OMLACSA	Old Mutual Life Assurance Company of South Africa
BPPC	Bakwena Platinum Corridor Concession	OMM	Old Mutual Malawi
BPeSA	Business Process enabling South Africa	OMN	Old Mutual Namibia
BUSA	Business Unity South Africa	OMS	Old Mutual Swaziland
BWA	Businesswomen's Association	OMSA	Old Mutual South Africa
CBD	Central Business District	OMSTA	Old Mutual Service Technology and Administration
CEO	Chief Executive Officer	OMZ	Old Mutual Zimbabwe
CR	Corporate Responsibility	PERCCI	Port Elizabeth Chamber of Commerce and Industries
CRO	Chief Risk Officer	PIC	Public Investment Corporation
CSI	Corporate Social Investment	SABCOHA	SA Business Coalition on HIV/Aids
dti	Department of Trade and Industry	SACCI	South African Chamber of Commerce and Industries
ESG	Environmental, social and corporate governance	SADC	Southern African Development Community
EWP	Employee Well-being Programme	SAIBBP	South African Institute of Black Property Professionals
Exco	Executive Committee	SA-NCC	South Africa - Nigeria Chamber of Commerce
FAIS	Financial Advisory and Intermediary Services	SEF	Small Enterprise Foundation
FGD	Financial Groups Directive	SETA	Sector Education and Training Authority
FSB	Financial Services Board	SMME	Small, Medium and Micro Enterprise
FSC	Financial Sector Charter	SRI	Socially Responsible Investment
GFS	Group Forensic Services	UCT	University of Cape Town
GRI	Global Reporting Index	UNGC	United Nations Global Compact
IDEAS	Infrastructural, Development and Environmental Assets	UNPRI	United Nation's Principles for Responsible Investing
IFRS	International Financial Reporting Standards	VCR	Voluntary Counselling and Testing
ILO	International Labour Organisation	WCCCI	Western Cape Chamber of Commerce and Industries
JSE SRI Index	JSE Socially Responsible Investment Index	WDB	Women's Development Businesses
JV	Joint Venture	WSSA	The Wildlife Society of SA
KIEF	Kagiso Infrastructure Empowerment Fund	WWF SA	The World Wide Fund for Nature SA
King III	King Report on Governance		
KPI	Key Performance Indicator		
NAFCOC	National African Federated Chamber of Commerce		



Contact details

Benji Norman: Chief Transformation Officer

Old Mutual Transformation Office

Phone: 021 509 6800 or 021 509 3377

E-mail: sustainabilityreportfeedback@oldmutual.com

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