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Roddy Sparks

“At Old Mutual we believe that corporate citizenship must play a central role in business decision-making. We believe that being a good corporate citizen is directly good for business.”

Managing Director's Review

The notion of "corporate citizenship" has become common currency in recent years, as more business leaders realise that an organisation's health is largely dependent on the condition of the society in which it operates.

At Old Mutual, we first produced this Corporate Citizenship Report in 2001, to inform our stakeholders of Old Mutual's commitment to good business practice, and to South African society in the wider sense.

Although this report is separate from our annual financial report, corporate citizenship should not be seen as an "extra", in which the company makes contributions to social causes and needs, mainly in order to ensure a licence to operate. Rather, at Old Mutual we believe that corporate citizenship must play a central role in business decision-making. Stronger still, we believe that being a good corporate citizen is directly good for business.

So, for example, when we practice employment equity, we seek to employ black managers in line positions – to the extent that now over half of our profits are directly managed by black managers. And when we provide finance for third-party black empowerment companies, our first criterion is whether they are likely to provide a satisfactory risk-related return. That way, we are also more likely to help empowerment to succeed.

The Old Mutual Group's recently proposed broad-based black ownership transaction epitomises this approach. The biggest beneficiaries of this transaction will be staff – and value creation lies in their hands. The external business partners we have chosen have significant financial services experience – and will be delivering according to clearly defined performance contracts. And we have ensured that a very wide range of beneficiaries will enjoy the fruits of a growing business.

This virtuous circle, in which direct contributions to social development help this company to grow; and the growth of this company in itself contributes to social development, lies at the heart of our strategy.

Going forward, under the new chairmanship of Jim Sutcliffe – following the retirement of Mike Levett in April 2005 – we will continue to follow this path of business-led corporate citizenship, for the genuine benefit of all of our stakeholders: customers, employees, shareholders and a rapidly transforming South Africa.

Personally, I shall be very sorry to lose the wise counsel and tremendous business knowledge Mike has shared with me. He has been with Old Mutual for 46 years, and of course, has been Chairman of the company since our historic demutualisation.

The vision and international perspective that Mike brought to the group before and after our demutualisation must be admired: that insight has seen the group progress from, for example, managing R60 billion in client funds in 1990 when he became Chief Executive to over R1 500 billion today.

Consequently, Old Mutual can look ahead to making positive future contributions to South Africa from a position of strength.



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Prof Jakes Gerwel

“Business growth and social responsibility are intertwined and are each levers for the accomplishment of the other.”

From the Chairman of the Environment Committee of the Board

There is an apparent irony in that while corporate social responsibility ranks increasingly highly in boardrooms, some media commentators suggest that actual practices are often considered of no real benefit to civil society.

One newspaper article put this phenomenon down to a misunderstanding of society's expectations by business. The same article posed the question: How then do companies respond to address the challenge?

It is true that companies must consider their involvement with society to be the responsibility of everyone that works there. It goes much broader than the responsibility of a dedicated Corporate Social Responsibility division. It is true that they should consider a genuine responsiveness to society to be paramount to the entire business. It follows then that social responsibility is not separate from core business activities. In fact, as the managing director stated in last year's Corporate Citizenship Report, business growth and social responsibility are intertwined and are each levers for the accomplishment of the other.

A consideration for companies is the extent of the effort they expend on actually involving communities in their planning and in the execution of those plans. If companies are not accurately delivering against the requirements of their communities, perhaps those communities, as partners, could assist in correcting that and therefore should be engaged?

Happily, Old Mutual is favourably placed in these respects.

There is no one person charged with social responsibility at Old Mutual. Instead there is a well-considered and communicated Corporate Citizenship Transformation Programme that is "owned" by all executives. The measures contained within this Report, and the fact that they extend across multiple business units demonstrates that the full breadth of the programme is beyond the grasp of one division. As to the second point, there is a great deal of consultation with customers, shareholders and other stakeholders within and external to, the company's operations.

The Old Mutual Foundation, for instance, is in constant contact with its social partners in delivering its medium-term strategy. The Foundation emphasises the identification of community needs by the communities themselves. Similarly, the Corporate Affairs division is responsible for "sensing" environmental issues and helping the organisation to craft appropriate responses.

The Environment Committee of the Board that I chair, debates and considers major issues with executive management and assists where possible, their responses. The Committee met five times in 2004.

I am heartened that Old Mutual has embarked on a course that will ensure that its corporate citizenship practices are constantly relevant, worthwhile, and have resonance with society and stakeholders.