



Governance

Key players in the strong governance of Old Mutual: (l to r): Richard Foster, Graham Stavridis, Sheralee Morland, Claire Rutgers and George Jacobs.

“Corporate Governance means ensuring that the rights and interests of the company’s various stakeholders are guarded. It encompasses financial reporting and compliance with legislation. More broadly, it incorporates areas such as social responsibility, ethics, health and safety, environmental practice and transformation.”

Peter Golesworthy, Executive General Manager: Finance

The Board

The Old Mutual Life Assurance Company (South Africa) Limited Board oversees the general governance of the Old Mutual businesses. It provides input and advice on strategy, budgets and business plans and monitors investment performance provided to clients.

The Board delegates certain responsibilities to a number of committees, each with expertise in a specific area. These committees are independent of Old Mutual's management and are chaired by independent or non-executive directors.

Old Mutual has a unitary board of 15 directors, the majority of whom are independent of management. The Board is currently made up of 11 non-executive directors, and four executive directors.

The appointment of new directors is assisted by recommendations from the Corporate Governance and Nomination Committee with an emphasis placed on achieving a balance of skills, experience and knowledge. A formal orientation programme familiarises incoming directors with the company's operations, and inducts them in their fiduciary duties.

New directors may hold office until the next Annual General Meeting (AGM) at which they retire and become available for re-election on the recommendation of the Corporate Governance and Nomination Committee. All directors are subject to retirement by rotation and re-election by shareholders at least once every three years. Executive directors have no fixed term of appointment, but are subject to short-term notice periods. They retire at 61, while non-executive directors retire at 70.

The Board meets regularly, including strategy and business planning sessions. Self-evaluation reviews are conducted on an annual basis. It may also meet to deal with specific matters that may arise between scheduled meetings.

All directors have access to management, the Company Secretary, and to information needed to carry out their duties effectively. The Company Secretary provides support to the Board to ensure its functioning and proper administration of board proceedings.

The roles of the Chairman and Managing Director are separate. Managing Director, Roddy Sparks, and his Deputy Managing Directors, Peter de Beyer, Paul Hanratty and Peter Moyo, lead the executive management team.

All Board committees have formally delegated terms of reference and report to the Board as required.

The committees are chaired by independent or non-executive directors, supported by the Company Secretary, and can take independent professional advice when necessary.

The Committees of the Board

The Audit, Risk and Compliance Committee ensures that:

- Our financial and statutory accounts are correctly prepared,
- We have properly implemented risk management systems in place,
- We are complying with relevant legislation,
- We have proper internal audit oversight,
- The actuarial valuation process is adequate and efficient, and
- The Group meets the requirements of Old Mutual plc in its operations.

The Environment Committee:

- Provides input into business strategy for internal and external stakeholders, particularly on government relations and transformation issues.



Members of the Board of Old Mutual Life Assurance Company South Africa (OMLACSA): Almorie Maule, Len Konar and Murphy Morobe.

The Remuneration Committee:

- Oversees remuneration policies for employees, and the terms, conditions and salaries for Old Mutual's executives. Their brief includes the approval, or recommendation for approval, of the share incentive arrangements of Old Mutual.

The Corporate Governance and Nomination Committee:

- Assists the Board in ensuring that adequate and effective corporate governance is established and maintained,
- Ensures that the Board structures meet Old Mutual plc and South African corporate governance requirements,
- Considers and recommends to the Board the appointment of directors and committee members,
- Monitors the continued application of sound governance practices in the Group, and
- Regularly reviews the structure, size, composition and mix of skills and experience of the Board and its committees.

Ad hoc committees are established to deal with specific matters as the need arises.

A corporate governance audit of the Board and directors conducted by Group Internal Audit during 2004 concluded that current governance structures are satisfactory. The audit found a high degree of compliance to the King II Report.

A Summary of Board and Committee Attendance			Attendance at main Board meetings	Attendance at Board Committee Meetings
Directors	Status	Committee	Maximum 6 meetings	(Maximum in brackets)
MJ Levett	Non-exec	3, 6	6	4 (4)
WAM Clewlow	Non-exec	1, 2, 3, 6	5	6 (7)
CF Liebenberg	Non-exec	1, 2, 4, 6	5	7 (9)
JVF Roberts	Non-exec	1, 6	2	3 (3)
JH Sutcliffe	Non-exec	2, 3, 6	5	7 (8)
GS van Niekerk	Non-exec	1, 5	5	6 (6)
RJA Sparks	Exec	4, 5	6	7 (7)
PG de Beyer	Exec	4, 5	6	5 (7)
MP Moyo	Exec	4, 5	6	6 (7)
PB Hanratty	Exec		6	–
GJ Gerwel	Independent	2, 4	5	8 (9)
D Konar	Independent	1, 3	6	8 (8)
AA Maule	Independent	1, 2, 4, 5	5	9 (10)
WA Mgoqi	Independent	4	5	3 (5)
M Morobe	Independent	3, 4	3	5 (9)
PF Nhleko	Independent	1	3	0 (2)
AH van Wyk	Independent	3, 4, 5	6	11 (11)

Key:

- 1 Audit, Risk and Compliance (ARCC)
- 2 Remuneration
- 3 Corporate Governance and Nomination
- 4 Environment
- 5 Strategic Projects Management (Dissolved 27.08.2004)
- 6 Director of Old Mutual plc

Notes:

- Mr WAM Clewlow stepped down from the Remuneration Committee and ARCC on 16.04.2004.
- Mr PF Nhleko stepped down from the ARCC on 16.04.2004.
- Ms A Maule was appointed to the ARCC and the Remuneration Committee on 11.06.2004 and 27.08.2004, respectively.
- Mr JVF Roberts stepped down from the OMLACSA Board and ARCC on 27.08.2004.
- Mr CF Liebenberg retired on 02.10.2004.
- Mr MJ Levett will retire as chairman on 14.04.2005 and will be replaced by Mr JH Sutcliffe.
- Prof Wiseman Nkuhlu becomes a board member from 01.02.2005
- Messrs Mgoqi and Morobe retire from the board with effect from 16.02.2005 and 14.04.2005 respectively.

Old Mutual corporate governance – supporting management

Corporate governance has both an internal and an external focus:

Internally, corporate governance relies on:

- The organisation's values and ethics being lived and practised daily.
- The appropriate structures being in place (including the Board and the relevant committee together with Group Internal Audit, Compliance, Enterprise Risk Management, Corporate Secretariat and Forensic Services).
- The establishment of appropriate controls and processes that are monitored and managed.

Externally, corporate governance means:

- That the rights of the various stakeholders are guarded.
- That the organisation contributes to sustainable economic development.
- The company invests in socially responsible business activities.
- Management and staff are able to work well together, and interact with their community.

An accountability framework in an organisation is not sufficient. That cannot guarantee a company's success. There must be balance between conformance and performance. For performance to occur in corporate governance, policies and their strong communication to the organisation must be in place. Management must "own" and support these policies enthusiastically. When this occurs corporate governance is able to serve the organisation in its entirety.

The following governance functions work together with management to help them make strategic decisions, manage risk, manage performance and identify the critical points at which they need to make decisions:

- Risk Management;
- Compliance;
- Group Internal Audit;
- Corporate Secretariat; and
- Group Forensic Services.

In tandem with management these functions are able to promote a culture that complies with legislation and best practice but also enhances overall management performance.

Risk Management

Businesses have to take risks to thrive. Some risks can be avoided, others cannot. It is nevertheless important to have strategies in place that help to manage all risks. Old Mutual's response has been to develop an Enterprise Risk Management framework and risk management processes at both strategic and business unit levels. Management is responsible for the identification, evaluation and management of the risks applicable to their areas of business. These risks are assessed on a regular basis and may be associated with a variety of internal and external sources.

Compliance

Our business has to abide by laws and regulations that govern the way we do business. Failure to comply with the laws of the land could lead to penalties, severe reputational damage and even a loss of the licence to operate. In South Africa, the promulgation of new laws has meant dramatic changes to the financial services environment, and has made compliance increasingly complex and difficult.

All business units must consider the impact of legislation and regulations on their businesses and must develop compliant risk management and monitoring plans to ensure that processes and procedures are in place to ensure compliance. In addition a standardised compliance framework for the group is in place and key compliance best practices and processes have been developed and implemented across the organisation.



Jim Sutcliffe, Chief Executive Old Mutual plc will also be assuming the Chair at Old Mutual Life Assurance Company South Africa (OMLACSA). Also pictured is OMLACSA Chief Actuary, Gary Palsler.



Old Mutual was the first large provider in the country to be properly licensed and equipped to operate in terms of the FAIS requirements. Here Roddy Sparks is receiving congratulations from the Financial Services Board's Manasse Malimabe.

The two most relevant pieces of legislation that affected the organisation in 2004 were: The Financial Intelligence Centre Act (FICA) and the Financial Advisory and Intermediary Services Act (FAIS).

FICA is aimed at combating money laundering in South Africa. Through the Compliance function we have developed processes and procedures across the business to ensure that we:

- Identify clients.
- Report suspicious transactions.
- Keep adequate records.
- Train our staff on FICA.

FAIS aims to regulate a wide range of financial advisory and intermediary services to clients. Principally, a financial services provider (FSP) such as Old Mutual may not operate without a licence issued by the Registrar of Financial Services. The providers are responsible for the actions of their representatives, and should ensure that they are “fit and proper” and suitably qualified.

We have developed processes and procedures across affected business units to ensure that Old Mutual is compliant and we were the first large provider in the country to be properly licensed and equipped to operate in terms of the FAIS requirements.

Group Internal Audit

At Old Mutual an independent Internal Audit function, reporting to the Audit Committee, focuses on risks that could affect the achievement of business objectives. This focus helps managers achieve their objectives, through looking for and suggesting operational improvements in the control environment.

Corporate Secretariat

The Secretariat team is responsible for advising Old Mutual's Board of Directors on statutory requirements and responsibilities and their fiduciary duties.

Group Forensic Services

A concerted effort is made by management and staff alike to combat fraud, theft, corruption and associated internal irregularities in Old Mutual. This effort is largely driven through education and activities aimed at increasing awareness. The ongoing investigation and detection of fraudulent activity is undertaken by Group Forensic Services.

Comprehensive “whistle-blowing” channels exist within the organisation to combat fraud and various white collar crimes. Staff members are able to anonymously report criminal behaviour to Group Forensic Services via the Tip Offs Anonymous Hotline, dedicated e-mail or in person.

These five areas work closely together to achieve the same objective – helping Old Mutual to grow through a strong control environment. While the functions of governance are present within Old Mutual, they rely on interaction with management and their commitment to governance to ensure its sustainability.

Regulations and guiding principles

As part of a multinational group, there are different regulations and guiding principles to which we either choose to, or have to, adhere. The chief of these are:

- In South Africa: the King II Report;
- In the United Kingdom: the Turnbull Report and listing requirements.

The King II Report deals with a wide range of corporate governance issues, including ethics, compliance, risk management, financial disclosure and the roles and responsibilities of the Company Secretary, Directors, Boards and Board Committees. It also deals with the broader issues of social and environmental responsibility.

The King II Report advocates an integrated approach to corporate governance, aimed at protecting the interests and rights of all company stakeholders. Old Mutual recognises the King II guidelines and strives to implement them throughout the business where relevant.

Litigation

Old Mutual were not involved in any material litigation in 2004 where we were accused of acting immorally, unethically or to the detriment of any community, shareholders or policyholders. Neither were we in breach of statutory or regulatory obligations. We are only involved in legal matters believed to arise from, or are connected to, normal business practices. These include reclaiming monies due to the company or defending claims that are deemed to be fraudulent.

Shareholder activism

Old Mutual has a policy to vote by proxy at all annual general meetings of companies where it is invested. Where the matter under consideration is contentious, an Old Mutual representative may be sent to represent the company. The matters to be voted are assessed for each meeting. There may be times when the company will vote against resolutions.

Broadly, when it comes to placing shares under the unlimited control of a company's directors, Old Mutual follows a policy of not accepting a resolution that gives unrestricted controls to directors, and prefers to limit that control to a percentage of the company's unissued shares.

There is recognition within the company that we have a role to play in fostering wider shareholder involvement in the markets. Consequently Old Mutual provides trustee training where demand exists.

Political party donations

Old Mutual does not make donations to political parties.

Ethics

Old Mutual plc has an easily accessible Code of Ethics posted on the company Intranet, where the following two extracts can be read, both of which make clear our approach to ethics. Old Mutual has adopted these principles.

"As a Group we should maintain the highest ethical standards in carrying out our business activities. Our reputation is one of our most important assets. Maintaining the trust and confidence of all those whom we deal with is accordingly one of our most vital responsibilities, so in all of our operations our set of core values must be used to guide and direct the way we do business."

"We recognise our obligations to those with whom we have dealings – shareholders, employees, customers, suppliers, competitors and the wider community. Accordingly, this code sets overall principles and guidelines for practice to be adopted throughout the Group. Individual businesses within the Group are required to adopt appropriate principles and processes to deal with specific ethical issues that arise in their specific circumstances. We will monitor ethical performance regularly in order to ensure that corrupt or unethical business practices are eliminated."

A cartoon taken from the Old Mutual staff magazine, Amicus Certus, used to increase awareness of the importance of corporate governance.

CORPORATE GOVERNANCE

