



CORPORATE
CITIZENSHIP
REPORT

05

Black Economic
Empowerment



simple
solutions
for success

In focus

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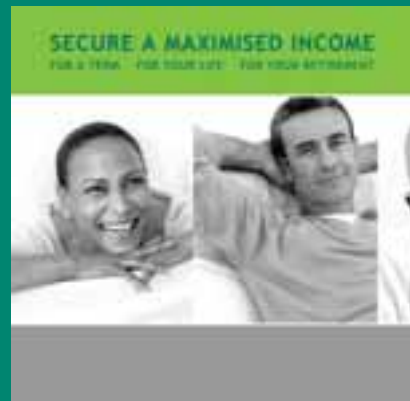
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Old Mutual (SA) developed a number of new-generation products during 2005 in recognition of, and response to, changing demands in the marketplace. On the right is an example of one of those products – Max Income.



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On the cover: Thabiso Buku, Managing Director of Old Mutual Healthcare, was key to the merger with Kwacha, owner of the Sizwe Medical Fund. This created the fourth-largest medical scheme administrator in the country and means black shareholders own 36% of Old Mutual Healthcare.

Our values

- Integrity;
- Pushing beyond boundaries;
- Accountability; and
- Respect

Our vision

We will actively contribute to our company and country by acting out in our daily business, broad-based black economic empowerment.



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Managing Director's review



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Corporate Citizenship Report 2005

As a result of a structured performance contract, our partners and our line managers are working together to ensure Old Mutual (SA) is improving and developing in critical areas.

In April 2005 we proudly announced our empowerment deal to overwhelmingly positive response from stakeholders. The transaction was described as “groundbreaking” and “innovative”, which is gratifying on several levels. It is just reward for the many people who put in many hours of work and personal sacrifice to ensure the deal was more than just an equity transaction. It is particularly rewarding because the deal set out to benefit the country, communities, our people, and our shareholders. We wanted, from the outset, to remain true to our ideal of broad-based black economic empowerment. The response we received, and which I have mentioned already, suggests we have met many of our objectives.

Our view has always been that any successful transaction must be based on both moral and sound business principles. In other words, we believed our empowerment partners must have a fundamental role to play in further developing Old Mutual (SA) as a business, within the South African context. Our partners, the WIPHOLD and Brimstone consortia, shared this philosophy and have taken up the challenge to be active in our business by adding their own particular dimensions to our operations.

As a result of a structured performance contract, our partners and our line managers are working together to

ensure Old Mutual (SA) is improving and developing in critical areas: management is becoming more representative of our national demography, procurement is strongly in favour of black and emerging business, we are delivering to our community through corporate social investment initiatives, we are making critical investments into rebuilding South Africa, and we are increasingly offering products that South Africans want and need.

Of course, these are early days yet, but with the successful track record we have already built up, we are optimistic about the role Old Mutual (SA) is positioned to play in growing our economy. We are excited about the future and about the role our empowerment partners are taking up to ensure we are the most stimulating financial services company in South Africa, and therefore the sector’s employer of choice. Our excitement is compounded by the particular sensitivities, knowledge, insight and networking that our partners offer in the broad areas of human capital development, procurement, enterprise development, corporate social investment and the requirements for economic growth. We will be an immeasurably stronger company with an enhanced relevance to our exciting country because of their contribution.

Roddy Sparks

Review

Perhaps simplistically, corporate citizenship can be discussed in anecdotal terms by using our own shared past experiences. We all are able to identify citizens and neighbours who become deeply involved in community life, just as we all know neighbours who are rarely seen, and are emotionally (if not physically) removed from their surroundings.

In electing to undergo a transformation, South African companies must implicitly choose what type of citizen they are going to become: deeply involved in the challenges faced by their “neighbourhood” - our country - or are they going to be content just being in the area, but reticent to do anything really constructive?

As this report will show, Old Mutual (SA) has, for quite some time now, been rolling up its sleeves to get involved in the challenge of re-building South Africa. This is no easy task - understandably so, given the hundreds of years of discrimination we have endured - but intelligently, and in many instances very bravely, the company has faced and addressed its challenges, and then gone about implementing solutions that are sensible, sustainable, and wide-ranging.

As an empowerment partner of Old Mutual (SA), this commitment by the company to be constructive is of paramount importance. It demonstrates that we are working together with a company that has a sensitivity to the past, has a plan for the present and a pragmatic but visionary outlook on the future.

Professor Jakes Gerwel

Chairman of the Environment Committee
Chairman: Brimstone



In electing to undergo a transformation, South African companies must implicitly choose what type of citizen they are going to become: deeply involved in the challenges faced by their “neighbourhood” – our country – or are they going to be content just being in the area, but reticent to do anything really constructive?

Review

These are exciting times, both for South Africa, and for Old Mutual (SA). As a nation we have left behind debates about “why” we should pursue black economic empowerment, and we are now discussing in an increasingly mature fashion “how” this important framework should be implemented in our businesses, and in our economy.

Just this changed tone means that empowerment is becoming free to make the contribution it should to national economic growth. The less we debate “why”, the more we discuss “how”, the more focus and impetus we can give to achieving results.

Old Mutual (SA) has been making things “happen” in respect of black economic empowerment for quite some time. The company has a rich and strong pedigree of performance. It would be tempting to single out the empowerment deal in which we, as WIPHOLD, took up an ownership stake in Old Mutual (SA), but that would be unfairly singling out just one aspect. It has performed well in skills development, employment equity and generally in human resource development, and through procurement from black business, the company is retaining its rightful place as a key driver of national economic growth.

We have committed to playing a significant role in these exciting times by actively contributing to the further transformation of the company, by delivering distinct value to its operations, and generally by being a positive and involved shareholder.

Gloria Serobe

Member of the Audit, Risk and Compliance Committee
Founding member: WIPHOLD, CEO: Wipcapital



We have committed to playing a significant role in these exciting times by actively contributing to the transformation of the company, by delivering distinct value to its operations, and generally by being a positive and involved shareholder.

Implementing broad-based black economic empowerment



06

Corporate Citizenship Report 2005

During the year more than R140 million made up of some 23 000 invoices was paid to black small- and medium-sized enterprises (SMEs). To assist these suppliers with their cash-flow requirements, Old Mutual (SA) endeavoured to pay them within 14 days.

From left to right: Marius Meiring, Heidi Kincaid, Brian Wilkinson and Mughtar Parker who lead the procurement and enterprise development team.

Background

In 1999/2000, Old Mutual (SA) developed its “10-Point Framework for Black Economic Empowerment”, a framework that described how the company would implement empowerment throughout its own operations. In so doing, Old Mutual (SA) aimed to support transformation and economic growth in South Africa by implementing broad-based black economic empowerment. The Framework focused on:

- Broadening black ownership and control of the economy;
- Making the Old Mutual Board of Directors more representative of the national demography;
- Changing the Old Mutual (SA) employee profile also to become more representative of the national demography;
- Focusing on changing the Old Mutual (SA) client base to become more inclusive of all the people of South Africa;
- Making black economic empowerment investments;
- Creating and entering into black economic empowerment partnerships;
- Developing relevant products and a service culture that was more inclusive of all South Africans;
- Making infrastructural investments that stimulate economic growth;
- Engaging in small business development and grassroots empowerment through a sustainable corporate social investment programme;
- Placing skills development and education – both within Old Mutual (SA) and in society – high on the agenda.

The Framework formed the background to Old Mutual (SA)’s contribution to the drafting of the Financial Sector Charter (FSC). The signatories to the Charter described, after working on the drafting for almost two years, a number of principles that they believed would change the sector to become a powerhouse of growth and transformation. These were encapsulated

in a scorecard to measure the progress of each institution and the sector. The scores captured on the scorecard would therefore be a demonstration of the organisation’s contribution to empowerment. According to the scorecard, organisations would score their progress against:

- Their inclusion of a significant black shareholding and executive management in their organisations, thereby ensuring increased black control of South African financial services companies;
- The creation of workforces that represent South African society;
- Investments in South African infrastructure, low-cost housing, agriculture, black small and medium enterprises and empowerment transactions;
- Supporting black businesses, and small- and medium-sized enterprises through targeted procurement and enterprise development strategies;
- Enabling South Africans who were previously unable to enjoy financial services to enter the mainstream economy by developing products that are affordable, accessible and relevant;
- Making direct investments in community developmental programmes and projects;
- Investing in skills development and education to create the critical skills necessary to support economic development; and
- Creating non-discriminatory workplaces that embrace diversity.

The key principles of both the 10-Point Framework and the Charter are similar, which has ensured that Old Mutual (SA) has developed its black economic empowerment strategies and programmes and seen them mature over a significant period.

The Charter and the 10-Point Framework already enjoy significant alignment with the Codes of Good Practice developed by the Department of Trade and Industry (dti). This means that Old Mutual (SA) is well placed to meet the requirements of each benchmark of best practice regarding black economic empowerment.

Governance

Old Mutual (SA) has applied a project-management approach to the implementation of black economic empowerment. The project is “owned” by the Managing Director and the Executive Committee. It is managed by a dedicated resource that is responsible for coordinating black economic empowerment and for ensuring that the company is a leading contributor to empowerment.

A key role of the project manager is to coordinate the work of teams in human resource development, procurement, corporate social investment, empowerment financing, and the retail business unit responsible for group sales. The project manager is also responsible for measuring and reporting performance to the Financial Sector Charter Council.

Old Mutual (SA)’s performance

The figures that follow and that describe Old Mutual (SA)’s performance against the Financial Sector Charter were verified by On Track Verification Services. There were instances, however, where Old Mutual (SA) and On Track applied their own interpretations where inadequate definitions and measurement details existed in the Charter. When these areas are clarified the Old Mutual (SA) scorecard may be affected.

Clarification of definitions and scoring methodology used by On Track are contained in the “Scoring against the Charter” boxes at the bottom of some pages in this report.

Ownership and control

In April 2005 the Old Mutual Group announced a long-awaited black economic empowerment transaction whereby 13.6% of Old Mutual (SA) became black owned in a deal worth about R3.5 billion. The largest part of the deal in

Rand terms is the staff component. Management participated through a Senior Black Management Plan and a Management Plan. In addition, every permanent staff member who did not participate in any management plan was given shares worth R7 500.

The empowerment partners were selected on two broad criteria: their sound track records and significant depth of skill in financial services; and because they embrace similar values to Old Mutual (SA).

Old Mutual (SA) wanted to provide a meaningful benefit to members of trade unions who are Old Mutual (SA)’s customers. Therefore 2.3% of the value of Old Mutual (SA) is housed in a new Education Trust, which aims initially to fund tertiary bursaries for the children of union members.

In addition, the deal aims to position financial services as a career choice among black professionals while at

>> Scoring against the Charter

Ownership and control

Total black ownership is 14.49%. This is made up of 13.60% (derived from the 2005 transaction), and 0.89% (notional black ownership of subsidiaries). The 3.51% black ownership described in a December 2003 KPMG report has not been claimed. It is expected that a new study will be conducted soon to ascertain existing black shareholding. In terms of executive control:

- 35% of the Board of Directors of Old Mutual (SA) are black people, earning the full 2 points on the FSC scorecard.

- 5.56% of the Board of Directors are black women but as this is below the threshold no points are scored.
- 24% of executive management are black people. This exceeds the threshold but is below the target, yielding 3.84 points.
- 2% of executive management are women, but as this was below the threshold no points were claimed.

the same time improving access to financial advice and services for black communities. As part of the empowerment transaction, a trust was created which will be used to provide access to finance for black intermediaries establishing themselves in the financial services sector. This complements the work of the Academy for Financial Planners and the Selekane Brokerage (see skills development, page 14).

In terms of executive control of Old Mutual (SA) it is worth noting that black executives lead business units that produce over 50% of Old Mutual (SA) operating profits. In addition the Board composition at end-December 2005 was:

- Black: 35%
- Black women: 5.56%, and

Executive management was:

- Black: 24%
- Black women: 2%

The measure of control of Old Mutual (SA) is affected if directors appointed by the global Board and appointed to the local Board (Messrs Sutcliffe, Head, Clewlow and Nkuhlu) are discounted under the provisions of the Charter.

The changed picture is reflected below, potentially adding one more scorecard point:

- Black Board members: 45%
- Black women on the Board: 9%

For the purposes of this report, Old Mutual (SA) has decided to include the global directors in its control measurement.

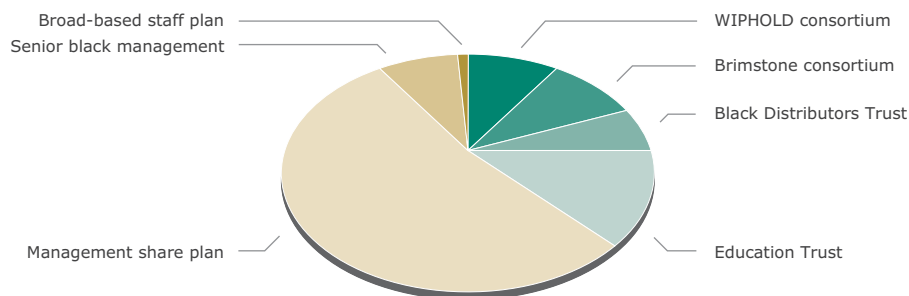
ISSUE
Black equity ownership



INDICATOR
% of equity owned by black South Africans

PERFORMANCE
14.49%

The structure of the Old Mutual (SA) transaction



Two of the company's black executive management. On the left, Thabo Dloti who heads the investment cluster and on the right, Khehla Mthembu who is General Manager: Corporate Affairs.



ISSUE
BEE transaction financing



INDICATOR
Designated investments (excluding pension funds)

PERFORMANCE
R1 341 billion

Old Mutual (SA)'s Financial Sector Charter scorecard*

Charter core	Component charter indicator
Human resource development	
Senior management	<ul style="list-style-type: none"> ■ Black people as a % of senior management ■ Black women as a % of senior management
Middle management	<ul style="list-style-type: none"> ■ Black people as a % of middle management ■ Black women as a % of middle management
Junior management	<ul style="list-style-type: none"> ■ Black people as a % of junior management ■ Black women as a % of junior management
Sub-total	
Skills development	
Spend	<ul style="list-style-type: none"> ■ % of payroll per annum spent on training of black employees
Learnerships	<ul style="list-style-type: none"> ■ Expressed as a % of total staff, the number of matriculants that are employed in the learnership programme
Sub-total	
Procurement and enterprise development	
Total BEE procurement	<ul style="list-style-type: none"> ■ % of total procurement spend
Enterprise development	
Sub-total	
Access to financial services	
Providing products and services to low-income households	<ul style="list-style-type: none"> ■ Indicators for life industry still being determined
Consumer education	<ul style="list-style-type: none"> ■ % of post-tax operating profits
Sub-total	
Empowerment financing	
Targeted investments and BEE transaction financing	<ul style="list-style-type: none"> ■ Spend on agriculture, low-cost housing, infrastructure, black small business development, and empowerment transactions
Sub-total	
Ownership and control	
Direct ownership	<ul style="list-style-type: none"> ■ % shareholding of black shareholders in Old Mutual (SA)
Control	<ul style="list-style-type: none"> ■ Black people as a % of Old Mutual Life Assurance Company South Africa (OMLACSA) Board ■ Black women as a % of OMLACSA Board ■ Black people as a % of executive management ■ Black women as a % of executive management
Sub-total	
Corporate social investment	
Corporate social investment (CSI)	<ul style="list-style-type: none"> ■ % of post-tax operating profit per annum to CSI initiatives, principally in black communities
Sub-total	
TOTAL	

* In the compilation and verification of this scorecard, Old Mutual (SA) and On Track Verification Services have applied their own interpretation in line with the spirit and intention of the Financial Sector Charter (FSC) where inadequate definitions or measurement details remain in the Charter itself and the guidelines issued by the FSC Council.

Financial Sector Charter targets and Old Mutual (SA)'s performance

Charter 2008 Targets	Old Mutual (SA) performance (31/12/05)	FSC points scored (maximum)
20% to 25%	21.07%	3.21 (4.00)
4%	5.75%	1.00 (1.00)
30%	32.53%	4.00 (4.00)
10%	10.53%	1.00 (1.00)
40% to 50%	48.71%	3.25 (4.00)
15%	20.82%	1.00 (1.00)
		13.46 (15.00)
1.5%	3.56%	3.00 (3.00)
Maximum 4.5% of total staff	2.16%	1.44 (2.00)
		4.44 (5.00)
50%	42.00% (Charter-weighted)	12.59 (15.00)
Enterprise development spend is calculated as part of procurement spend	The Old Mutual Academy for Financial Planners, the Group Schemes Black Broker Programme, Masthead, and the Black Distributors Trust are enterprise development initiatives.	
		12.59 (15.00)
Targets still to be set by Charter process	Old Mutual Group Schemes has almost one million policyholders, mostly in the low-income segment.	Not scored
0.2% p.a.	0.03%	0.33 (2.00)
		0.33 (2.00)
Targets still to be endorsed by Charter process	Old Mutual (SA) has directly invested R2.5 billion into infrastructure, and manages R4.9 billion in infrastructure funds. R1.7 billion has been invested in BEE transactions.	4.44 (22.00) (4.12 points scored for BEE transaction financing. Targeted investments remain under discussion at the Charter Council)
		4.44 (22.00)
10% direct (plus 5% direct or indirect by 2010)	14.49%	13.00 (14.00)
33.00%	35.00%	2.00 (2.00)
11.00%	5.56%	0.00 (1.00)
25.00%	24.00%	3.84 (4.00)
4.00%	2.00%	0.00 (1.00)
		18.84 (22.00)
0.5%	0.26%	1.56 (3.00)
		1.56 (3.00)
		55.54 (84.00)

Employment equity and creating a non-discriminatory workplace

The empowerment principle behind employment equity is to ensure that black professionals and staff are afforded the opportunities denied them as a result of discrimination over many years. Targeted recruitment offers people the opportunity to enter positions previously denied them. But this must be accompanied by a concerted effort to ensure all staff work in an environment that values diversity. Old Mutual (SA) has made significant progress in the last few years in realising these principles, as described below.

An integrated human resources development team is implementing several initiatives to ensure that the changing Old Mutual (SA) workplace delivers peak performance.

Complementing targeted recruitment, the Old Mutual Talent Manager implements a processing system to ensure a focus on developing and promoting internal talent across race, gender, and disability.

Old Mutual (SA) has appointed a Diversity Manager whose role it is to facilitate intercultural sensitivity, management action against racism, an inclusive workplace and generally to create a non-discriminatory workplace. The Diversity Manager identifies and addresses barriers to affirmative action, and highlights workplace activities and/or policies that are proving obstacles to transformation. Progress reports are presented to Executive Management and the Old Mutual Employment Equity Consultation Committee (which includes staff representative bodies) during the year, as well as to the Department of Labour. Various workshops are held to support diversity management.

Employment equity and diversity remain the cornerstones upon which the transformation of Old Mutual (SA) rests.

ISSUE
Control



INDICATOR
Black representation on Board and in executive management

PERFORMANCE

35% Board

24% Executive

Old Mutual (SA) – Detailed employment equity profile (using Charter categories)

Black executive management			Black senior management			Black middle management			Black junior management		
2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
20%	25%	24%	14%	19%	21%	25%	30%	33%	33%	45%	49%
Black women executives			Black women senior management			Black women middle management			Black women junior management		
0%	0%	2%	1%	5%	6%	7%	10%	11%	13%	20%	21%
Women executives			Women senior management			Women middle management			Women junior management		
4%	6%	10%	18%	24%	23%	35%	36%	38%	47%	55%	46%
Disabled executives			Disabled senior management			Disabled middle management			Disabled junior management		
0%	0%	0%	0%	0%	1%	1%	1%	1%	0%	1%	1%

(rounded to the nearest decimal)



Scoring against the Charter

Employment equity

Old Mutual (SA) exceeded Charter targets in each of the categories of Black people in senior management, and Black women in senior management, and for each group in the Middle and Junior management categories. As the Charter provides for an extra point to be proportionately scored up to 25% in the Black people in senior management category, Old Mutual (SA) scored a total of 3.21 points in this category. It must be noted that Old Mutual (SA) has included Chinese people in its employment equity statistics. The On Track verification confirmed that the management levels provided do comply with the Financial Sector Charter definitions and salary bands.



Ragil Ratman and Aneline Rhoda (far left) and Jackie Stemmers and Maxwell Kubheka (right) are members of the consolidated Human Capital Development team. On the left is Dennis Beckett, a guest of the Management Encounters with Transformation dialogue series begun in 2005.



Skills development and learnerships

ADMIT is an accelerated development programme that identifies and fast-tracks high-potential young people from black communities who show the potential to become IT thought- and people managers and therefore provide Old Mutual (SA) with future mid-level IT managers. In addition, the highly customised mentorship programme LEAP will be introduced in 2006 to prepare existing black IT staff for senior posts. This investment has totalled R1.9 million over three years (2005: R1 million).

The Old Mutual Actuarial Transformation Programme was launched in 2001 and set out to identify and support black actuarial students through to qualification in the field. The programme began with 13 bursary holders and has since grown to 23 black students out of a total of 34 bursary holders. A notable success of the programme has been the qualification of the first black woman actuary in South Africa. The programme has built on this milestone with another two women actuaries qualifying in the last year. The first seven graduates have all commenced full-time employment in various Old Mutual (SA) business units. The total investment since inception of the programme amounts to R6 million (2005: R1.67 million).

In support of the company's overall transformation initiative, the Retail business segment introduced the Graduate Accelerated Programme (GAP) which aims to

develop talented graduates into Assistant Divisional Managers (ADM's) within three years. The GAP participants undergo extensive orientation and then work within various business units to further their technical understanding of the business and shape their leadership competencies. In the year under review there were 11 graduates on the programme.

The Training Outside Public Practice (TOPP) programme aims to identify and train mostly black Chartered Accountants, an area of skills development which poses a particular challenge to the South African industry. Last year, Old Mutual invested R2.4 million in the programme, on 7 trainees and 12 bursars. This initiative is supplemented by the organisation's involvement with the Association of Black Accountants of South Africa (ABASA), an association devoted to promoting the profession to black students and providing the relevant support.

ISSUE
Training and development



INDICATOR
Black employee training spend as a % of payroll

PERFORMANCE
3.56%

ISSUE
Learnerships



INDICATOR
Black learners as a percentage of total staff

PERFORMANCE
2.16%

»
Scoring against the Charter

Skills development and learnerships

The Financial Sector Charter Council has set an interim target of 3% (as opposed to the 4.5% in the Charter) for the 2005 reporting year which results in an Old Mutual (SA) score of 1.44 points. As the intention of the Charter is that the predominant portion of the skills spend should be on scarce, critical and/or poor skills, a remaining challenge for Old Mutual (SA) will be to evaluate its compliance in this regard. Nevertheless, Old Mutual (SA)'s development spend is well ahead of target and has earned full points.

The Old Mutual Academy of Financial Planners was established two years ago to provide quality training to carefully selected black professionals wishing to start a career in financial planning. The first of its kind in the country, the Academy offers an “earn while you learn” programme through Old Mutual (SA)’s *Selekane* brokerage which was set up to enable students to fast-track their careers under the guidance and supervision of managers. While students have Old Mutual (SA) bursaries, Sanlam and Metropolitan provide product and systems training to students, who may decide to include these companies among their portfolio of assurers. In 2005, Old Mutual (SA) invested R4.6 million in the Academy, with an aggregate three-year investment of R16.3 million. In June 2005, 29 independent black brokers graduated from the Academy.

Old Mutual Broker Distribution has provided R1.4 million in loans to facilitate the development of black broker trainees, and has directly invested a further R2 million in the training and development of black sales staff who are potential managers.

In 2005, the Old Mutual Business School offered learning options under four key themes that address the knowledge and skills needed to grow as an individual, develop change resilience, lead people, and harness the potential workforce.

“Invest in yourself” offers a suite of options for personal development recognising the individual employee as the critical heart of the organisation and as Old Mutual (SA)’s primary source of competitive advantage. “Making change happen” recognises the fluidity of the competitive

environment and develops Old Mutual (SA) employees’ ability to change, to operate in an open environment, responding rapidly in an organisation that is flexible, innovative and learns quickly. “Lead effectively” aims to enhance the capabilities of Old Mutual (SA) leaders at all levels and to entrench an holistic leadership framework that addresses their primary role – to tap into and unleash the energies, passions and potential that exists within the organisation in the execution of the corporate strategy. “Celebrate diversity” helps employees recognise and appreciate differences between themselves that transcend race and cultures, including personalities, thinking, learning and working styles.

Through the Amathuba Learnership Project, the first intake of 84 learners – matriculants with no previous work experience who are trained in the Old Mutual (SA) workplace – graduated during 2005, and a second intake of 200 began service in 2005. Both groups were sourced from around the country.

Learners are provided emotional support, trained in the skills required by financial institutions, and given personal mentorship. The intention is for Old Mutual (SA) to have trained a number of learners equal to 4.5% of its workforce by 2008.

The Old Mutual Business Administration Learnership Qualification (at National Qualification Authority Level 4) was created in cooperation with the Services and Insurance Sector Education and Training Authorities to address the need for a high-quality, entry-level, accredited learnership qualification.

The company’s procurement and enterprise team have a focus on small and medium enterprises. The rationale is that a thriving SME marketplace will drive employment and entrepreneurship, two commodities vital to South Africa’s resurgence.



Two of Old Mutual (SA)’s SME partners are pictured. On the left, Dolores Kilshaw from Key Stationers which provides the Old Mutual (SA) Head Office with its stationery needs and on the right, Durell Platt from the Indibano Coffee Shop located at Old Mutual (SA) headquarters.





Pictured on the left are three key members of the company's empowerment financing team: Derrick Msibi, Mark Gevers and Jacqui Myburgh.

On the right is Ben Kodisang, Managing Director of Old Mutual Properties.



In addition, two new leadership programmes were introduced to build the Old Mutual (SA) pipeline: the Leadership Development Programme facilitated by the Gordon Institute of Business Science for emerging leaders, and the Postgraduate Diploma in Management Practice offered by the UCT Graduate School of Business for middle and senior leaders. An important addition to improving our delivery capability is the introduction of the internationally accredited Prince 2 project-management suite of learning programmes. Talented managers are supported through study loans and at the company's cost to complete various external training programmes, including the Master of Business Administration (MBA) and the Postgraduate Diploma in Management, conducted in collaboration with UCT's Graduate School of Business.

As at the end of December 2005, Old Mutual (SA) had invested 7.7% of payroll (R186.1 million) in training staff at the Old Mutual Business School, with 3.56% of payroll invested in developing skills among black staff. More than 61% of all staff had undergone some form of training during 2005, with a total number of 28 859 courses undertaken by black staff.

Procurement and enterprise development

Old Mutual (SA)'s procurement team set out to consolidate the upsurge in preferential procurement achieved over the last three years (see table on following page).

During the year more than R140 million made up of some 23 000 invoices was paid to black small-and medium-sized enterprises (SMEs). To assist these suppliers with their cash-flow requirements, Old Mutual (SA) endeavoured to pay them within 14 days. During the year Old Mutual (SA) made its target in respect of 76% of the suppliers concerned: 47% were paid immediately, 17% were paid within 7 days, and a further 12% were paid within the 14-day timeframe.

Moreover, in keeping with the company's commitment to assisting mostly black SMEs, 178 new black vendors were loaded onto the Old Mutual (SA) supplier database, representing an aggregate annual spend of R15 million.

ISSUE BEE procurement	↑
INDICATOR % spend on BEE procurement	
PERFORMANCE 42.00%	



Scoring against the Charter

Procurement and enterprise development

As part of On Track's verification process, where Old Mutual (SA) was not in possession of scorecards for the top 70% of suppliers, the company went directly to the suppliers themselves to obtain their broad-based black economic empowerment status. Where no verification certificates were available, On Track looked at various levels of ownership attested to in the vendor information forms supplied by Old Mutual (SA). Where no documentation was provided and research efforts yielded nothing, spend was recognised as zero. Old Mutual (SA)'s list of exclusions was examined and found to be in line with Charter-permitted exclusions. Old Mutual's procurement performance is just 8% short of the 2008 Charter target.

Affirmative procurement

Total spend	Total influenceable (discretionary) spend	Non-affirmative spend	Spend with black-owned companies, including SMEs and women-owned companies (weighting 125%)	Spend with black-empowered companies (weighting 100%)	Spend with black-influenced companies (weighting 50%)	Total Charter-weighted preferential procurement (% of total influenceable spend)
R6.3 billion	R2.2 billion	R1.3 billion	R595.1 million (26.4%)	R421.1 million (18.7%)	R63.4 million (2.8%)	42.00%

This year Old Mutual (SA) will measure all suppliers on broad-based BEE performance in line with the dti Codes of Good Practice.

Old Mutual (SA)'s procurement team has facilitated partnerships between large and small companies, particularly in the area of auditing. Larger audit firms were encouraged to identify and partner with smaller black audit firms to create relationships that made skills transfer possible, and heightened the visibility of smaller firms in the broader market. One such partnership was facilitated in the award of the audit of the Old Mutual Orion Fund, a contract worth just under R1 million in audit fees. In this instance, KPMG won the contract, and elected to work with SAB&T.

The procurement team has also been instrumental in creating opportunities for other SMEs, such as AV Alliance that was awarded a R350 000 contract to renovate the Old Mutual (SA) auditorium and successfully worked together with Old Mutual (SA) teams to complete the work within budget and timelines.

Access to financial services

Access to financial services as defined in the Financial Sector Charter is achieved in two ways: through products that are affordable and relevant to South Africans in the LSM 1 – 5 range, and through consumer education. The latter is intended to ensure that people are empowered to make worthwhile financial decisions.

Agreement was reached late in 2005 on a suitable product for the life assurance industry, but this was too late to be considered for scoring under the Charter in 2005. Nevertheless, Old Mutual Group Schemes has already made available products to this market and counts over 600 000 of its 800 000 customers in the low-income category (earning between R2 500 and R8 000 gross income a month).

ISSUE

Financial education

INDICATOR

Percentage of post-tax operating profits

PERFORMANCE

0.03%



Scoring against the Charter

Empowerment Financing and Access to Financial Services

Old Mutual (SA) provided to On Track Verification Services the BEE transaction financing figure of R2 216.6 million. In terms of provisional guidance from the Charter Council, pension funds are excluded from designated investments while underwritten retirement funds are included but ring-fenced amounting to 10% of designated investments. After applying the designated and non-designated split, R1 341 million was counted. An additional R1 729 million is invested in vendor financing totalling R3 070 million. Translated, this provided 4.44 points on the scorecard. In Targeted Investments, Old Mutual (SA) performed primarily in Transformational Infrastructure with an amount of R119 million claimed but of which R72 million could be counted, providing a score of 0.24 points. There remain a number of debates and outstanding research reports at the Charter Council which may significantly influence these point totals. This section of the scorecard must be considered subject to change. Old Mutual (SA) has not scored any points under the Access category of the scorecard as all life offices have decided to suspend scoring under this category until 2006 to allow for more accurate measures to be undertaken and for the introduction to the market of a sector-driven product.

Consumer education has long enjoyed sponsorship by Old Mutual (SA). During 2005, SABC2 aired the Old Mutual (SA) sponsored *Big Five Secrets of Financial Management* series. This sponsorship amounted to R2.1 million. Old Mutual (SA) continued its Soul City sponsorship at a cost of R3.1 million. Soul City includes financial education as a theme throughout the series.

Empowerment financing

During 2005, Old Mutual (SA) facilitated empowerment transactions worth R2.2 billion (R1.9 billion for companies more than 50% black owned, and R276 million for companies more than 25% black owned).

Infrastructure is fundamental to the continued growth of the South African economy. In turn, a strong South African economy is key to the objective of an "African Renaissance", which our government has made central to its foreign policies. Old Mutual (SA), as a major investor in, and manager of, infrastructural assets plays a major role in enhancing the country's infrastructure.

At the end of 2005, Old Mutual (SA) managed R5.02 billion worth of infrastructure assets at market value (2004: R4.9 billion). As at the same date, commitments and direct investments into infrastructure made by OMLACSA amounted to R2.2 billion at market value.

Based on an interim assessment of contributions, R119 million can be counted under Charter criteria. There are still issues that require resolution by the Charter Council and which may affect which amounts can be used and scored against.

Corporate social investment through the Old Mutual Foundation

Category	Total spend
Flagship programmes (long-term and existing initiatives): Rural Economic Development Initiative (REDI): R3.4 million AIDS Orphans Programme: R3.0 million Staff Volunteer Programme: R3.2 million TOTAL	R9.6 million
General donations: Education: R2.5 million Community development: R2.5 million Ad hoc donations: R0.9 million TOTAL	R5.9 million
New initiatives: "Out of the Box" primary schools' environmental education programme: R2.0 million "Product 2 Market" project: R2.5 million TOTAL	R4.5 million

Corporate social investment

The Old Mutual Foundation is the main contributor to corporate social investment in the Group.

The past year was the second year in the Old Mutual Foundation's three-year medium-term strategy.

The Foundation successfully invested its full R20 million budget in three long-term flagship projects, two new initiatives, and a programme of general donations. The table below is a summary of those investments.

The Foundation team aims to add value to communities through a concerted focus on sustainable development, HIV/AIDS orphans, and education. In addition, staff have been encouraged to participate in volunteer activities through long-standing internal initiatives such as the Staff Community Builder Programme, the "Adopt" an Orphan initiative, and the Staff Charity Fund.

The Rural Economic Development Initiative (REDI) network has grown both in the number of champions who act as catalysts to initiate projects in their areas, and in the number of communities affected. Some excellent new businesses (mostly rural) have been supported, and a number of food security programmes implemented, enabling communities to begin to address other developmental issues.

ISSUE
Social investment

INDICATOR
Percentage of post tax operating profits

PERFORMANCE
0.26%

More and more orphans are being identified and included in the AIDS orphans projects in partnership with Nurturing Orphans of AIDS for Humanity (NOAH), Heartbeat and, more recently, with Children of the Dawn (previously a small initiative within REDI).

The new initiatives piloted by the Foundation last year (and described in the 2004 Corporate Citizenship Report) are beginning to demonstrate their worth. Through the "Product 2 Market" initiative, for instance, numerous people have been trained in organic farming and they are now being assisted to access genuine fresh produce markets. The result is an income for some families – in several cases for the first time. Also, 18 master craftsmen came to Cape Town to receive six weeks of intensive training in product development, marketing and sales skills during 2005. They returned to their communities to share their learnings and will provide products for the "Product 2 Market" initiative in Darling Street in central Cape Town starting in 2006.

The "Out of the Box" schools environmental education programme already has 116 institutions using the provided resources. The SABC has shown an interest in including some lesson plans designed for use in school classrooms in their "Beyond the Classroom" programme on SABC2 and has already filmed one such lesson.

Rural Economic Development Initiative (REDI)

REDI serves 20 communities through its focus on creating local economic development opportunities and providing holistic community development/support initiatives. These initiatives range from providing capital to start-up and existing micro-enterprises, to facilitating the renewal of school facilities, and providing support for AIDS orphans.

The initiative is financially sound and therefore well positioned to continue making a difference to communities

on a sustainable basis. REDI has successfully met its fiduciary responsibilities and is a benchmark for similar agencies.

In 2006, a final amount of R2.8 million will be allocated to the REDI network. Thereafter the Old Mutual Foundation will work with the network to fund specific sustainable development and/or welfare projects undertaken by the network.

The AIDS Orphans Programme

The programme continues to expand. The Old Mutual Foundation now supports orphan projects in seven provinces: Gauteng, Free State, KwaZulu-Natal, Eastern Cape, North West, Mpumalanga, and Limpopo. A total of 16 671 children are now supported through these projects, either directly or indirectly, through partnerships with NOAH, Heartbeat, Children of the Dawn, Uthando, Helping Hands, and others.

The Staff Volunteer Programme

The programme is designed to provide resources and donations to initiatives in which Old Mutual (SA) staff members are involved as volunteers. During 2005, a total of 106 projects were approved via the Staff Community Builder Programme, resulting in an amount of R1 806 250 being allocated to the community through the work of volunteers.

Group Schemes again proved to be the business unit most active in promoting staff volunteerism, followed by the Personal Financial Advice (PFA) unit.

Staff members can also elect to make donations from their monthly salaries, and have these deductions made payable to organisations supporting abused children, HIV/AIDS, the elderly, and/or animal welfare.



**Scoring
against the
Charter**

Corporate Social Investment

The information assessed for Corporate Social Investment included the Old Mutual Foundation's work and contributions made through various divisions and subsidiaries. Not all expenditure could be counted but the claimable portion of CSI spend translated into 1.56 scorecard points.

These deductions are matched rand-for-rand by the Foundation.

A total of 20 organisations were supported through the Staff Charity Fund this year, with R374 121 being distributed.

Since the inception of the volunteerism programmes in August 2002, Old Mutual (SA) staff have donated just over R1.8 million.

General donations

In 2005, community development donations were made to hospices and hospitals, welfare organisations, and a further 38 projects operating in the areas of skills development, providing food security and equipment for income generation.

In total, 15 projects received funding from the general ad hoc fund totalling R0.6 million, whilst three projects totalling R0.2 million were funded out of the Chairman's and Managing Director's fund. Substantial donations were made to the Tsunami disaster, the Cape Philharmonic Orchestra, the SA Youth Ministers project, and to the Transnet Foundation's Phelophepa Health Train.

New initiatives

The "Out of the Box" environmental education programme piloted in 2004 in 20 schools in Gauteng is now being implemented in 116 primary schools in four provinces: Eastern Cape, Gauteng, KwaZulu-Natal, and Western Cape. There are 750 teachers on the programme, impacting on some 25 000 learners. Each teacher on the programme has received a resource kit designed to

enable teaching across subjects with environmental education at the core. The programme was designed with grades 4 – 6 (intermediate phase) in mind, however in most schools both senior and foundation educators attend the workshops.

Four service providers assist the Old Mutual Foundation in delivering the programme to schools. They are ECO Schools, the Maths Centre, the Primary Science Programme, and the Schools Development Unit (SDU).

The "Product 2 Market" project was developed in partnership with the Cape Craft Design Institute (CCDI) to facilitate sustainable development with special reference to black economic empowerment. A budget of R2.0 million was allocated to this project in its first year. The project's aims are:

- to create access to markets for crafters;
- to encourage economic growth and empowerment;
- to offer ongoing training and development; and
- to exhibit crafts and products.

The small-scale farming project, in partnership with Organic Farms Group (OFG), began in 2005 with projects established in KwaZulu-Natal, Limpopo, Western Cape, Gauteng, and Free State. Numerous training programmes have been undertaken with excellent results and with good relationships having been built between Old Mutual (SA), the Foundation, and various government departments. Some commercial successes have already been recorded where food security projects have become financially viable.



Old Mutual (SA) is deeply involved in community issues, supporting teaching in areas around the country such as Gugulethu. Particular attention is paid to supporting the teaching of mathematics, science and environmental management.



Business units and corporate social investment

While the Old Mutual Foundation is the principal corporate social investment practitioner in the group, various business units have built up long-standing community

relationships of their own, and have developed strong track records for community giving.

The table below summarises the corporate social investments made by Old Mutual (SA) business units.

CSI spend by Old Mutual (SA) business units

Business unit	Value
Old Mutual Asset Managers	R366 151
Employee Benefits	R59 301
Personal Financial Advice	R17 000
Old Mutual Specialised Finance	R171 000
TOTAL	R613 452



Old Mutual (SA) commissioned On Track Verification Services, a division of Mohlaleng, to conduct a verification of its black economic empowerment performance in line with the Financial Sector Charter (FSC).

On Track has carried out the verification to the full extent possible with the information made available. A detailed verification report has been submitted to Old Mutual (SA) explaining the approach and qualifying certain findings.

The FSC provides for an interim rating mechanism, which enables companies to measure their final score against a matrix provided by the FSC Council. Old Mutual (SA)'s total score, after discounting Access to Financial Services which was not scored, is 55.54/84. Old Mutual (SA) scores 67.73 measured against the interim rating matrix and is therefore classified as an "A" contributor to black economic empowerment, the highest rating possible.

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The Old Mutual (SA) Plan of Action

Old Mutual (SA) will seek to continue to capture the spirit and intent of the Financial Sector Charter (FSC) and therefore implement broad-based black economic empowerment. In doing so Old Mutual (SA) will take cognisance of the dti Codes of Good Practice as they are finalised during the year.

- The Financial Sector Charter Council needs to clarify issues relating to the measurement of indirect black ownership, infrastructural investments and the alignment of the Charter with the dti Codes. Once this is accomplished all financial services companies can be more accurately compared in relation to their implementation of empowerment.
- Old Mutual (SA) remains committed to continuing to improve its employment equity performance across all management levels, notwithstanding the steady progress already made.
- While Old Mutual (SA) is already well ahead of the 2008 skills development targets, it remains committed to ensuring that such spend is directed towards black skills development in core and critical parts of the business.
- Old Mutual (SA) has made great strides in directing its discretionary procurement towards black suppliers and will continue to implement enterprise development strategies through its supply chain.
- In Targeted Investments Old Mutual (SA) will address new initiatives in SME finance and enhance its impact in Infrastructural Investments in line with the FSC. Finalisation of outstanding issues with respect to Access to Financial Services and Empowerment Financing needs to occur at the Financial Sector Charter Council so that Old Mutual (SA) is able to apply its financial strength and capability to enhance its contribution to economic growth and sustainability.
- Old Mutual (SA) will continue to build upon its past successes and proven strategy in Corporate Social Investment. This includes investing in rural communities to create employment, supporting HIV/AIDS orphans and encouraging staff to engage in volunteerism.



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