



Resilience Report **2017**

Insurance | Financial Planning | Retirement | Investments | Wealth

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Contents

		Page
	Introducing our 2017 Resilience Report	1
Sanlam at a glance	01 Understanding how our business creates shared value	4
	Understanding our strategy	6
	01 Understanding our business	8
	Understanding our governance approach	13
	Understanding our key risks	20
	Case study: A multinational governance framework	28
Our contribution to resilient individuals	02 Factors that contribute to the resilience and prosperity of our individual clients	33
	Case study: Innovation in insurance channels	41
	Case study: Sanlam Sky launches South Africa's first WhatsApp drama series	48
	Factors that contribute to the resilience and prosperity of our employees	52
Our contribution to resilient organisations	03 Factors that contribute to the resilience and prosperity of our organisational clients	72
	Case study: Smooth commitment to transformation	80
Our contribution to a resilient society	04 Factors that contribute to the resilience and prosperity of society	82
	Sanlam's BBBEE contribution	85
	Case study: Fashion with a difference: tackling South Africa's low savings rates	90
	Case study: Partnering for risk and resilience at Santam	100
	Case study: The Sanlam Cape Town Marathon – a unique and truly African marathon	107
About this report	05 Scope and boundary of our reporting	111
	Independent limited assurance report	113
	Combined assurance	116



In this report, we explain our insights and strategic response to remain true to our purpose. These define and recognise the need for Sanlam to contribute to financial resilience and prosperity in all the markets where we are present. Resilience generally describes the capacity of a system, be it an individual, an organisation, the environment or an economy, to absorb internal and external shocks, and deal with change while continuing to flourish.

Introducing our 2017 Resilience Report

At Sanlam, resilience is about protecting our stakeholders against the potential negative financial consequences of unexpected events. We create financial prosperity through enhancing people's ability to maintain financial independence beyond their income-generating capability.

We have been creating value for stakeholders since 1918 – for almost 100 years.

Our world has changed beyond recognition over this time. The pace of development is increasing exponentially, creating opportunities, presenting challenges and opening ways to improve future prospects for all. At Sanlam, the essence of our purpose has not changed: to build a world of Wealthsmiths™, supporting people in living their best possible lives through financial resilience and prosperity at the individual, organisational and societal levels.

Sanlam is one of the biggest internationally active insurance groups globally, and is classified as a domestic systemically important financial institution (D-SIFI) in South Africa. As one of the largest financial services groups in Africa, we are a key pillar of the continent's infrastructure – and any material instance of failure or impairment of Sanlam would have a significant impact on the economies in which we operate. Through the insurance of physical infrastructure, Sanlam also supports the functioning of economies on the continent.

We therefore take our role and contribution to a stable financial system seriously and are committed to supporting financial resilience, well-being, prosperity and inclusion. We achieve this in a sustainable manner by creating shared value for our stakeholders.

The profile, impact and influence of our different stakeholder groups transformed over the ten decades in line with the changing world. They require new responses to changing economic, social and political environments. Over time, the needs and value perceptions of stakeholders have also changed, with Sanlam often in a position where our strategic decisions have to balance different stakeholder groups' interests.

By serving our individual and institutional clients, we alleviate the burden on community resources as clients become increasingly stable and self-sufficient. This is strengthened by Sanlam's commitment to client-centricity and fair treatment, which embodies crafting and delivering appropriate products and services that exceed clients' expectations.

By making a positive contribution to society and creating value in a sustainable way, we further support clients' and their communities' long-term resilience and their relationships with Sanlam, as well as increase Sanlam's potential client base. Sanlam's contribution to society is shaped by high-value and transformative initiatives that support entrepreneurship, education, economic growth and stability, and environmental-related risk management through responsible investment.

To strengthen Sanlam's internal capacity for financial and non-financial resilience, the Group is developing specialised skills and capabilities, employing agile strategies, and learning new and interconnected ways to manage and overcome disruption within its operating environment. This includes helping our employees to personally experience the benefits of wealth creation and protection through financial literacy, supported by training and development that results in income and career growth opportunities.

The focus areas and outcomes that ensure the sustainability of Sanlam's contribution to financial resilience and prosperity are set out in detail in this report, which is supplementary to our Integrated Report.

This report reflects our journey in 2017 by describing how we enabled financial resilience and prosperity for individuals, organisations and society, while looking forward to the next 100 years.



It has taken 100 years of hard work and perseverance over many generations to get us to this milestone. As our group evolved we have stayed committed to creating lasting value and enabling people to live their best lives possible. For now and for generations to come.



Read more at www.forgenerationstocome.co.za.

Introducing our 2017 Resilience Report (continued)

Building on last year's efforts to integrate our financial and non-financial reporting, we reviewed our material sustainability matters and restructured our Annual Reporting Suite. Internal working sessions were hosted, followed by discussions with the executive team. Through these discussions, we refined our strategic and reporting approach based on the "resilience" theme. This theme encapsulates our previous material sustainability matters. A key change from 2016 is the replacement of the sustainability chapters with this Resilience Report.



Read more about this process from page 4 of this report.

Navigational icons

The following navigational icons are featured throughout this report to improve usability, and to indicate where additional information can be found within this report, within Sanlam's 2017 Annual Reporting Suite or online.



This icon indicates where additional information can be found within this report.



This icon indicates where additional information can be found in Sanlam's 2017 Annual Reporting Suite online.



This icon indicates where additional information can be found elsewhere online.

Feedback

Sanlam values the feedback of its stakeholders on our performance and sustainability reporting. Queries, concerns and comments can be sent to sustainabilitymanagement@sanlam.co.za.

We define individuals, organisations and society as follows:

Individuals



Individuals are profiled in terms of individual clients and employees.

Organisations



Organisations are profiled in terms of organisations which are Sanlam's clients, as well as material stakeholder organisations (including industry bodies, regulators and trade unions).

Society



Society is profiled in terms of the communities where Sanlam operates.

Sanlam at a glance

We track our sustainability performance against leading national and international codes of best practice.

THE CARBON DISCLOSURE PROJECT (CDP)

Sanlam has been a signatory of the CDP since 2007. This year, we achieved a score of B. This indicates that Sanlam implements a range of actions to manage climate change in its own operations and beyond.



Read more about our environmental performance from page 102.

THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The United Nation's SDGs provide an overview of the world's most pressing economic, social and environmental issues of our time. We integrated the SDGs in our strategies and Sustainability Management Framework, and commit to the goals material to our business.

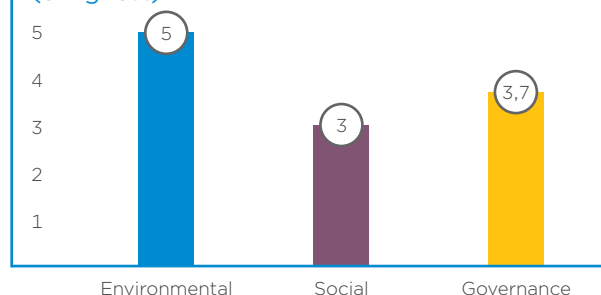


Sanlam once again achieved Top Employer status for 2018



THE FTSE/JSE RESPONSIBLE INVESTMENT INDEX

Sanlam's performance against the pillars (5 highest)



THE DOW JONES SUSTAINABILITY INDEX

We use the Dow Jones Sustainability Index as a tool to improve our sustainability processes and associated reporting to ensure that we have a comprehensive internal structure. We use this index to benchmark ourselves against our peers. Sanlam was again included in the Dow Jones Sustainability Index – achieving an index score of 54 out of 100 (2016: 60). Sanlam is also the only South African life insurer included in the Dow Jones Emerging Market Index

GOVERNMENT INTEREST-BEARING INVESTMENTS (SOUTH AFRICA ONLY)

R60,1 billion

Understanding how our business creates shared value



The cornerstone of our purpose, to build a world of Wealthsmiths™, is our ability to create shared value for our material stakeholders. In this way we are able to strengthen their financial resilience and prosperity.

This contributes to a mutually beneficial value ecosystem for individuals, organisations and society.



Creating a world worth living in means that organisations have the benefit of:

- Wealth creation, management and protection through sound advice, fair treatment and a range of financial solutions that meet collective needs and expectations
- Opportunities to generate fee income as distribution partners of Sanlam products and services
- Growth in dividends and the value of institutional shareholding in Sanlam
- Access to financial capital for businesses in support of sustainable economic growth through Sanlam's investment of client and shareholder funds under management
- Technical and financial support to regulators to enable economic, social, regulatory, political and environmental resilience and prosperity



Creating a world worth living in means that society has the benefit of:

- Economic empowerment and choice through consumer financial education and entrepreneurship support
- Enhanced levels of education and skills development at primary, secondary and tertiary levels
- Execution on Government's social agenda, including reduced risk through environment-related risk management and transformation initiatives
- Stability and liquidity in the financial sector through Sanlam's investment of client and shareholder funds under management
- Trust in the financial sector as a result of technical and financial support to regulators
- Collaboration and trust between business, government and labour in support of inclusive economic growth



Creating a world worth living in means that individuals have the benefit of:

- Wealth creation, management and protection through sound advice, fair treatment and a range of financial solutions that meet individual needs and expectations
- Employment opportunities and fair remuneration that leads to career development and financial security
- Growth in dividends and the value of Sanlam shares owned by our individual shareholders

Creating a world worth living in creates shared value for Sanlam as we benefit from:

Sustainable economic growth and an expanding client base

The uptake of products and services which generates income from margins and fees

Investment return earned on financial capital provided by Sanlam's individual and institutional shareholders

Access to an increasing pool of specialised skills required by our business model

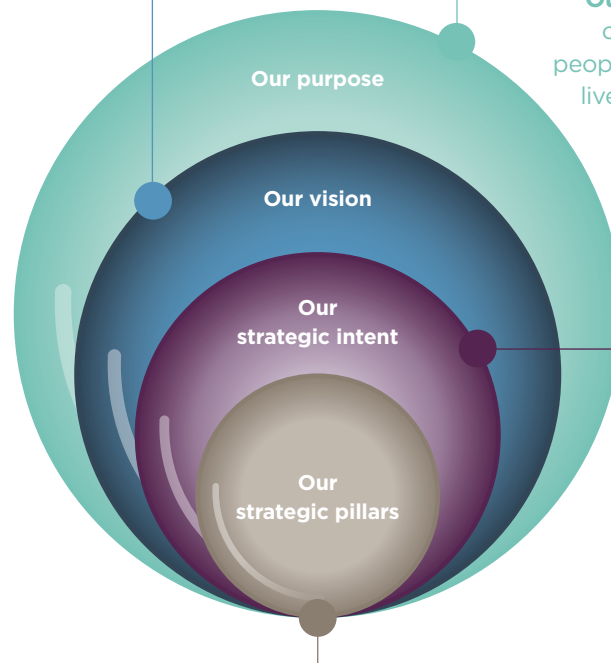
Financial stability through healthy, resilient and prosperous societies in the markets where we operate

Consumer confidence and trust which leads to systemic financial stability

Understanding our strategy

Our vision is to:

- Lead in client-centric wealth creation, management and protection in South Africa;
- Be a leading Pan-African financial services group with a meaningful presence in India and Malaysia; and
- Play a niche role in wealth and investment management in specific developed markets.



Our purpose is to build a world of Wealthsmiths™, supporting people in living their best possible lives through financial resilience and prosperity at individual, organisational and societal levels.

Our strategic intent is to create sustainable value for all stakeholders.

Sanlam's vision and strategic intent is pursued through a strategy focused on **four pillars**:



Continuous transformation is central to Sanlam's ability to adapt to a changing world and underpins all of the strategic pillars.



Read more about our long-term strategic execution through the pillars in our Integrated Report online.



RoGEV – our primary quantitative performance measure

Our primary performance target for measuring shareholder value creation is Return on Group Equity Value (RoGEV), which measures the outcome of a combination of value drivers. These value drivers are directly related to our material stakeholders, and the optimisation of RoGEV is therefore reflective of optimal value creation for all stakeholders. This makes RoGEV a robust composite value measure for a diversified group such as Sanlam. RoGEV measured against a minimum performance hurdle is our primary quantitative performance benchmark in evaluating the success of our strategy to maximise shareholder value. Group Equity Value (GEV) provides an indication of the value of Sanlam's operations. It includes: the value of Sanlam's in-force book of life insurance business, the value of non-life operations based on longer term assumptions and the fair value of discretionary and other capital not allocated to our operations. GEV does not allow for future new life insurance business, only new business written within a particular year contribute to RoGEV.



Read more about RoGEV in our Integrated Report online.

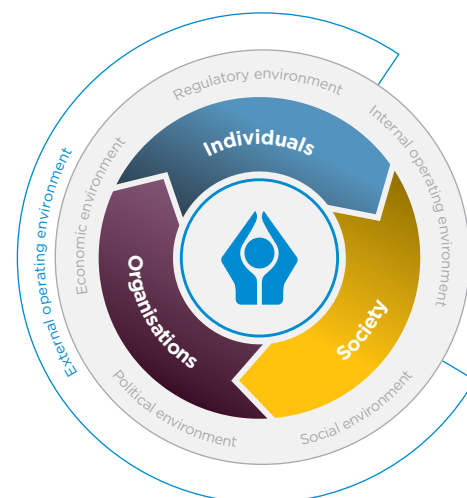
Our key opportunity

As an emerging market player, we are positioned to meet the growing demands that follow when demographic profiles change due to economic growth, urbanisation, young people entering the formal economy, and aspirational lifestyles developing. This change expands market segments and increases wealth – with the concomitant demand for financial advice, planning, investment management and protection. As we meet these demands through our products and services, we expand our client base, thereby contributing to higher levels of collective financial resilience and prosperity in society. We have a unique footprint, spanning countries with high economic growth potential and low financial services penetration – a leveraged opportunity for growth at Sanlam.

Our three stakeholder groups encapsulate our material stakeholders, being: shareholders, clients, employees, advisers, independent distribution partners, regulators and the broader society in which Sanlam operates.

In South Africa, our strategy is about retaining our leadership position in financial services and putting distance between us and our competitors.

Outside South Africa, our strategy is about deepening our existing relationships and product ranges to become a leading player in our targeted territories and accelerate organic growth.



Financial resilience and prosperity – our primary qualitative performance measures

The intended outcome of Sanlam's stakeholder value creation is to create financially resilient and prosperous individuals, organisations and societies. Resilience is the capacity of a system – be it an individual, organisation or an economy – to deal with change and continue to develop, and its ability to use shocks and disturbances, such as a financial crisis or climate change, to spur renewal and innovative thinking. Resilience thinking at Sanlam is about generating increased knowledge about how we can strengthen the financial resilience and prosperity of individuals, organisations and society to the mutual benefit of all our material stakeholders.

Understanding our business

Sanlam is a diversified financial services group, based in South Africa, operating across a number of selected global markets.

We use a decentralised operational model, managed through tight principles set at a Group level, to execute on our strategy. This model is a key part of our ability to differentiate ourselves from our peers in strategic execution.

We offer the following products and services:

Life insurance

- Risk solutions provide monetary benefits to compensate for the financial impact of unexpected events such as death, disability, trauma and retrenchment
- Investment solutions facilitate wealth accumulation and provide for income at retirement through a full range of investment options that offer varying levels of investment guarantees

Credit and structuring

- Retail client solutions offer access to personal loans and traditional banking to create long-term financial prosperity
- Institutional client solutions provide asset-based financing, debt origination and structuring, asset-liability management, equity and interest rate derivatives, and collateralised lending in support of business activity and economic growth

General insurance

- Insurance solutions provide monetary benefit to compensate for the loss of physical property, loss of trading income or liability incurred. It includes motor, property, aviation, crop, engineering, guarantee, liability, accident, transportation and alternative risk transfer insurance

Administration, health and other

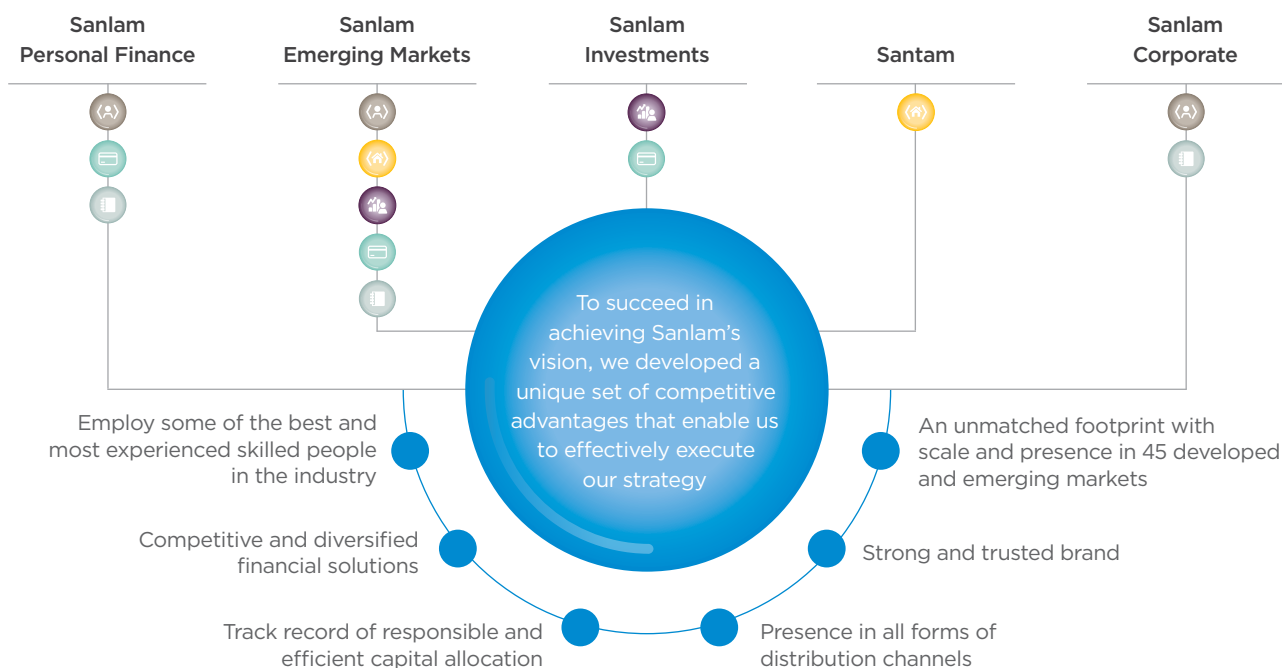
- Long-term financial resilience and prosperity is created through individual and organisational financial needs analysis and advice (including estate planning, trusts, wills), health management and retirement fund administration

Investment management

- Retail client solutions offer savings options that create wealth through a range of collective investment schemes and wealth management solutions, including stockbroking
- Institutional client solutions offer wealth creation through traditional and specialist asset management in South Africa and abroad

Sanlam's financial and risk solutions support wealth creation and protection for individuals and organisational clients. The nature of these solutions often have a positive impact beyond the client, as it supports systemic resilience for businesses, families and communities, such as in the case of death, disability or fires and floods.

We offer these products and services through businesses managed in five clusters:



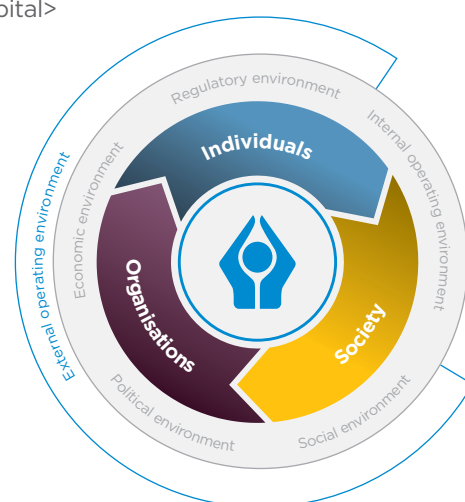
Sanlam depends on the following key resources to create sustainable shared value:

- A strong capital base to ensure our solvency over the long term <financial capital>
- Specialised financial, actuarial, investment, risk management and administration skills <human capital>
- Mature and efficient operational, financial and risk management processes <intellectual capital>
- Information technology and data transfer infrastructure <manufactured capital>
- A trusted relationship with our clients, business partners, regulators and society <social and relationship capital>
- A sustainable environment in support of a healthy and prosperous society <natural capital>



Read more about our shared value creation from page 4.

The external operating environment has a significant impact on our ability to create value for our stakeholders. This environment was marked by major change in recent years, which we continue to monitor, evaluate and respond to as appropriate.



Understanding our business (continued)

We deliver client-centric products and services through the following five primary operational activities:

Product development

Develop innovative wealth creation, management and protection products and services, including appropriate distribution channels and branding

Business support

Provide business support services including financial management, accounting, actuarial valuations, regulatory reporting, human resources and information technology

Distribution and client support

Manage our various distribution channels
Provide client support services, including administration, actuarial, human resources and information technology

Capital and risk management

Deploy discretionary capital
Optimally allocate financial capital to clusters
Financial and actuarial risk management
Regulatory compliance

Product management

Investment management of client and shareholder funds
Asset-liability matching in line with clients' needs and preferences
Conduct experience analyses to identify emerging trends as input to product pricing and claims management
Governance of participating products

Sanlam provides financial solutions to individuals and organisations through a network of channels and partnerships in 45 countries.

The key trade-offs that we manage for sustainable shared value creation:



How profitable products are vs what is appropriate for our client



The level of investment of shareholder profit in transformation initiatives



Balancing profitability against investment in our employees



Considering the potential impact of responsible investment practices on the investment return we generate for our clients



Weighing the cost of investment in innovation against long-term efficiencies



Optimising the level of shareholder capital to retain while ensuring our sustained solvency

We follow an omni-channel distribution approach to ensure that clients are reached and serviced through their preferred channel. The distribution model is continually adapted to changing client preferences, with increased focus being placed on further developing Sanlam's digital capability. Sanlam's current distribution channels are broadly classified into four categories:

Advisers

Advisers service our retail clients via two categories: those who are only accredited to sell Sanlam products, and those accredited to sell a wider product range. Where an adviser is accredited to sell a wider product range, limits apply to the proportion of business that can be placed at competitors.

Adviser channels are typically managed according to market segment (lower income/entry-level, middle income, affluent and professional/small business). This ensures appropriate focus on the specific needs of the various segments in line with our client-centric business philosophy.

Independent brokers

Brokers service retail and institutional clients across market segments and are supported by dedicated broker support units. Brokers are an important distribution channel, especially in the South African affluent market, where the majority of new business is written through brokers, and in the Rest of Africa, where most institutional general insurance business is placed by brokers. Given their independence to distribute all competitor products, establishing and maintaining superior support and relationships with this channel are key focus areas of the broker support units.

Direct

Direct units distribute Sanlam products directly to retail and institutional clients using technology-based channels such as outbound call centres, online platforms and mobile communication. Direct distribution contributes a major portion of Santam's general insurance premiums through MiWay, but the contribution to life and investment business volumes is still relatively small. However, this is expected to change over time as the use of technology to buy financial services becomes more prevalent. The development of our digital capability as part of the omni-channel approach is therefore receiving particular emphasis.

Affinity groups, bancassurance and telecommunications partners

Affinity groups focus on distribution through groupings of retail clients, for example, employer and church groups. The affinity group partner is typically responsible for administration at an individual member level, and Sanlam provides the relevant products.

Sanlam has relationships with a number of banks and telecommunications companies across Africa through which we distribute insurance and investment products to their client bases.

Affinity groups, bancassurance and telecommunications relationships offer us access to large client bases through single entry points. This is a key benefit for start-up operations to gain economies of scale significantly faster than through traditional retail intermediaries. It also forms a critical part of our omni-channel distribution approach and promotes financial access in under-served low income segments due to the lower distribution cost.

What makes a Wealthsmith™?



Our purpose – to build a world of Wealthsmiths™ – is the foundation of our long-term sustainability.

A Wealthsmith™ never gives up



Wealthsmiths™ have a roll-up-your-sleeves readiness and deep-rooted determination. Whether they're training for a marathon or learning a new language, they recognise the effort it takes to reach their goals so they persist, perfect and never settle.

A Wealthsmith™ is solid and sensible



What matters to them is how they think, not what others think of them. They choose functional over fancy any day and aren't bothered with keeping up appearances. They're the ones using solar panels, car-pooling to work or choosing two wheels instead of four. The influence of their decisions benefits the environment, their pockets and people around them.

A Wealthsmith™ does things very, very well



There are no shortcuts or stones left unturned. They're methodical and cautious and that's what makes them masters in their craft. They do and redo and do again. They may buy a house, but they'll turn it into a home. They put in the extra hours to study for the marks that matter and will only stop when they're satisfied that they've given their best effort.

A Wealthsmith™ does it for good



A Wealthsmith™ makes a real and positive difference. They actively choose to make life better for themselves and those around them. Whether it's voting, standing up for what they believe in or recycling their waste, they know that their actions, and the example they set, are important tools to get to where they want to be.

A Wealthsmith™ knows the true definition of wealth



They have a good relationship with money and that means they understand the value of every rand. Wealthsmiths™ know what they spend on, and how to spend without being wasteful. Their long-term needs are more important than their immediate ones so they don't let their emotions get in the way of good financial decisions. At the end of the day they still know that how much money they make will never be the sole measure of their success. It's the decision to live their best possible life every day and choose to make the most of what they have.

To deliver on our purpose to build a world of Wealthsmiths™, we identified specific focus areas to enhance financial resilience and prosperity for individuals, organisations and society, in a mutually beneficial value ecosystem.



Read more about our shared value creation from page 4.

Understanding our governance approach



The concept of traditional governance is being disrupted and reformulated due to shifting global realities. For example, the governance of emerging technologies adds complexity to existing regulatory uncertainty. These and other global challenges, such as climate change, place pressure on governing bodies around the world. This includes policymakers, government, industry and civil society.

In many developing countries, governments are simultaneously challenged by limited resources, strained budgets and systemic corruption, while feeling the pressure of society's demands for access to services and infrastructure, fair opportunity, and shared prosperity.

Many countries around the world continue to perform poorly in terms of the Human Development Index (HDI), which measures key aspects of human progress such as life expectancy, per capita income and education.

Aside from increasing pressure on governments, there is a renewed and nearly global focus on corporate governance as a contributor to economic stability and safer capital markets. This focus comes in the wake of corporate governance failures, such as the global financial crisis in 2008, and the Libor scandal.

Governing bodies are increasingly accountable and are expected to lead ethically and in a way that contributes to inclusive and sustainable development for all stakeholders. This accountability is spurred by increasing levels of activism by civil society and shareholders.

While South Africa's socio-political and economic environment is stabilising following a period of uncertainty, widespread corruption and the systemic threat of state capture remain issues of concern.

Despite this, South Africa is fortunate to be a forerunner in corporate governance.

The King IV Report on Corporate Governance™ for South Africa (King IV™) was released in 2016. King IV™, and its preceding Codes, is respected as one of the leading and most mature codes of corporate governance in the world. The Johannesburg Stock Exchange is rated as one the top-ranking stock exchanges in the world.

These systems, among others, provide organisations and governing bodies in South Africa and around the world with the tools to implement ethical and transparent leadership. For example, the implementation of King IV™ is paramount to prevent the involvement of corporates in state capture and corruption in South Africa going forward.

Understanding our governance approach

(continued)

Creating resilience and prosperity through Sanlam's governance and risk management approach



Sanlam's governance structures and risk management approach combine to create a comprehensive system that supports our contribution to financial resilience and prosperity for individuals, organisations and society. At the core of this system is the trust that material stakeholders place in us to uphold the highest level of integrity and ethical conduct, guided by:



Sanlam's Code of Ethical Conduct, which embodies our core values



The Sanlam Way, which defines our values and behaviour



The Sanlam Business Philosophy, which sets out the most appropriate approach for implementing our strategy



Read more about our approach to corporate governance at Group and cluster level in our Governance Report online.

Governing our contribution to resilience and prosperity at Board level

The Board mandates the Social, Ethics and Sustainability (SES) committee to monitor and advise on all SES matters and relevant issues that significantly impact Sanlam and its material stakeholders. The committee's role and responsibilities directly contribute to the creation of resilient individuals, organisations and societies. Following the release of King IV™, the SES committee charter was updated to align with the recommended practices of the King Code, which include assisting the Board with:

- Ethical and effective leadership (including cultivating a culture of integrity, competence, responsibility, fairness, transparency and accountability at Sanlam);
- Ethical governance (including overseeing ethics management);

- Responsible citizenship (including compliance and ensuring that our purpose, values, strategy and conduct support our role as a responsible corporate citizen, which includes monitoring Sanlam's impact on the workplace, economy, society and the environment);
- Stakeholder relationships (including stakeholder management and ensuring a stakeholder-inclusive approach that balances the needs, interests and expectations of our material stakeholders); and
- Responsible investment (including the promotion of good governance and value creation in all entities in which Sanlam invests).

The members of Sanlam's SES committee are:

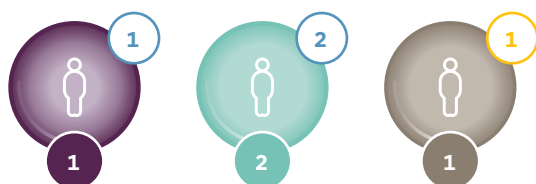
- Valli Moosa (Chairman)
- Temba Mvusi
- Lazarus Zim*
- Flip Rademeyer (retired in September 2017)
- Rejoice V Simelane
- Yegs Ramiah*
- Ian Kirk
- Paul Hanratty (joined December 2017)

* Lazarus Zim and Yegs Ramiah resigned from the Board on 5 January 2018.

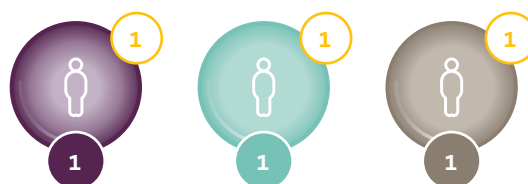
The diversity of Sanlam's SES committee

 White male
  Black male
  Black female
  Independent
  Not independent

Non-executives



Executives



Read more about the diversity and experience of Sanlam's Board of directors in the Governance Report online.



The SES committee reports on the progress of Sanlam's sustainability journey through quarterly feedback to the Board, and to stakeholders through the yearly production of Sanlam's Annual Reporting Suite. The Chairman of the SES committee attends Sanlam's annual general meeting.

Understanding our governance approach

(continued)



Sanlam has specific governance functions in place to oversee and monitor our contribution to financial resilience and prosperity for individuals, organisations and society.

How we govern our contribution to resilience and prosperity for individual and organisational clients

Sanlam is a pioneer in incorporating the client view into governance structures. The Sanlam Customer Interest committee was initiated in 1998 as a Board committee, and since then broadened its mandate in terms of Treating Customers Fairly (TCF) Regulations. As an advisory body, its scope encompasses the entire Group as it provides guidance to the Board on strategic issues relating to clients. The committee reviews and monitors all client-related decisions. These are closely aligned with the six fairness outcomes of TCF, as defined by the Financial Services Board (FSB).

In addition to guidance provided by the Sanlam Customer Interest committee, Sanlam initiated a TCF implementation project in 2013. The outcome of this project was the TCF Product Governance Framework for relevant Sanlam Group businesses. While TCF is not a regulatory requirement in the emerging markets in which Sanlam operates, Sanlam Emerging Markets (SEM) adopts a similar philosophy to matters related to client interests.

The interests of Sanlam's shareholders are directly linked to the value created for our clients. This interdependency is at the core of our business model. The Sanlam Customer Interest committee plays an important role in ensuring that this inter-dependency is appropriately managed.

Sanlam has a strong internal complaints management process. We further subscribe to the independent Ombudsman of Long-Term Insurance's (OLTI) Long-Term Ombudsman Scheme.



Read more about TCF from page 50, and about our complaints management process from page 36.

How we govern our contribution to resilience and prosperity for individual employees

Sanlam's human resources (HR) function is located at Group and cluster levels. Our HR function is also represented on the Sanlam Board through the presence of the Human Resources and Remuneration committee.

Group HR aligns employee performance, behaviours and corporate culture with Sanlam's long-term business strategy. It provides employee-focused strategic direction and guidance on HR governance. This includes compliance with relevant statutory and legislative requirements. Group HR further provides shared services to Sanlam where necessary and appropriate. This includes, for example, training and development initiatives, as well as recruitment platforms.

Group HR fosters collaboration and drives potential synergies between the clusters. It participates in special interest forums that enable it to leverage available expertise to forge mutually beneficial HR strategies. The various cluster HR functions manage HR strategies and operations in a decentralised manner. The clusters are accountable for identifying and addressing their specific commercial and strategic needs from a human capital perspective, while supporting Group HR priorities.

How we govern our contribution to resilience and prosperity for individual employees (continued)

Group HR has identified three key strategic focus areas that support its HR strategy. This strategy was implemented in 2014, and was revised for the period 2017 to 2019 in 2016. The three core focus areas are:

Talent for the future

Group HR strives to ensure that Sanlam attracts, develops and retains the best talent available. This is achieved through the Sanlam Brand and Employee Value Proposition (EVP), and cross-cluster processes designed to nurture and position high-potential talent for growth, career development and progression.

Shape the culture

Group HR drives initiatives that shape and strengthen Sanlam's corporate identity and culture. These include supporting Sanlam's shared business philosophy to create a 'One Firm' firm. The focus area further supports a culture of transformation, diversity and inclusivity across Sanlam and our business clusters.

Governance and operational excellence

A governance and compliance focus underpins Sanlam's HR offerings and capabilities. This includes full compliance with all reporting and governance requirements of relevant regulations (for example, the FSC in South Africa). This ensures appropriate internal equity regarding employee benefits, policies and remuneration across Sanlam, and providing payroll information and talent management systems that support HR excellence.

These three strategic focus areas support Sanlam's contribution to creating resilient and prosperous employees through a focus on training and development, business diversity and inclusion, and effective governance that supports a fair and equitable workplace.



Read more about Sanlam's employees across its clusters from page 52.

Understanding our governance approach

(continued)

How we govern our contribution to resilience and prosperity for other organisations

Sanlam has a documented strategy to guide engagement with material organisational stakeholders, with stakeholder engagement identified as one of the focus areas of the SES committee. An approved stakeholder communication policy is in place and available on the Sanlam website. Each business cluster manages stakeholder engagement according to the specific focus in their operations. The various clusters report all stakeholder engagement activities and concerns raised to the Sanlam stakeholder hub on a quarterly basis. The stakeholder hub is a centralised stakeholder database that also serves as an issue log. This information is collated and reported to the SES committee.

Our commitment to ongoing and inclusive engagement ensures that we understand and involve stakeholders and take their concerns into account in our decision-making processes. This creates sustainable relationships that enable us to achieve our own business objectives, while contributing to meaningful resilience and prosperity of individuals, organisations and society.

How we govern our contribution to resilience and prosperity for society

Sustainability Management Framework (SMF)

Our SMF underpins the various pillars of our strategy and is a business function that transcends the clusters.

Drawing on established processes and systems, Group Sustainability works cooperatively with business to provide guidance on non-financial matters where relevant. The core focus of Group Sustainability is therefore to ensure that the non-financial value of the business is entrenched and understood internally, and communicated externally.

Each business cluster ensures that appropriate systems are in place to measure and report on their sustainability performance.

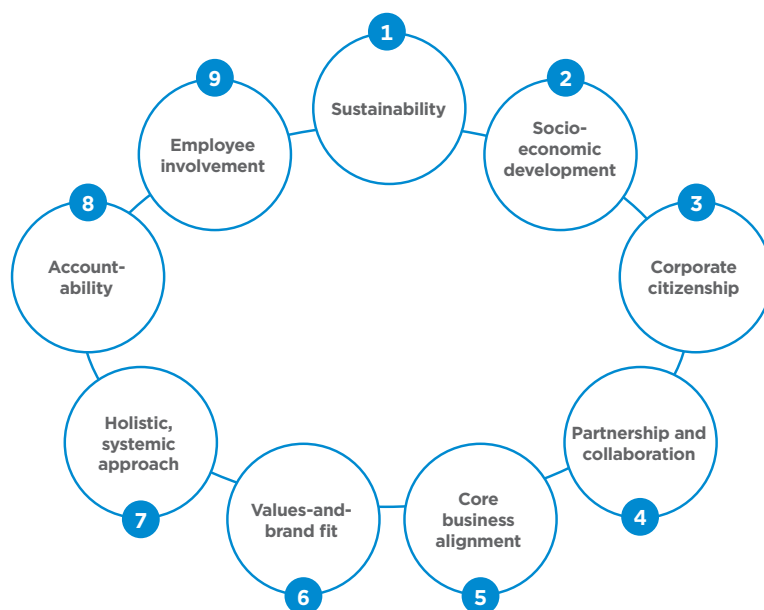
The Sanlam Foundation

The Sanlam Foundation was established in 2011. It is Sanlam's primary corporate responsibility vehicle, and provides a coordinated approach to community investment. The Sanlam Foundation's strategy is aligned with Sanlam's core business strategy, providing focused contributions in areas of significant impact. The focus areas of the Sanlam Foundation rest on three pillars: consumer financial education, socio-economic development, and enterprise and supplier development. These pillars support our approach to creating resilience and prosperity for society, and are unpacked in more detail later in this report on page 81.

The Sanlam Foundation holds itself accountable to the highest standards of governance and accountability.

How we govern our contribution to resilience and prosperity for society (continued)

The Sanlam Foundation allocates resources to selected, high-impact projects that represent the Sanlam vision and align with the Sanlam Foundation's guiding principles:



Due to the mandate of the Sanlam Foundation, its scope of direct funding is limited to South Africa only. However, the Sanlam Foundation is working with SEM to provide guidance on how best the cluster can work with in-country partners to replicate the Sanlam Foundation's core focus areas across the Rest of Africa, India, and Malaysia.

During the year, the Sanlam Foundation held discussions with SEM's management team, as well as with certain in-country representatives, to establish the key social and community issues facing the different markets in which we operate outside of South Africa. The Sanlam Foundation will then work with SEM to identify where these areas overlap with the core focus areas of the Sanlam Foundation, with a particular focus on consumer financial education, poverty alleviation and social and enterprise development.

This will ensure that SEM and our in-country partners have a similar focus that aligns with the Group's strategy, thereby broadening the impact of our business activities and contributing to the financial resilience and prosperity of individuals, organisation and societies across the markets we operate in.



Read more about the Sanlam Foundation from page 81.

Sanlam's comprehensive and entrenched governance system and approach contribute to the achievement of the following governance outcomes, as defined by King IV™: ethical culture, good performance, effective control and legitimacy.



Read more about Sanlam's approach to King IV™ in the Governance Report online.

Understanding our key risks

How we identify and respond to risks

To provide the benefits underlying our products and services and to sustainably create value for all stakeholders means that we are exposed to a range of risks. These risks, however, also create opportunities for innovation and differentiation. We distinguish between strategic and operational risks, which are mitigated through a mature risk management governance structure.

Risks are managed on a preventive basis as far as possible through various risk management activities. Should risks materialise, Sanlam’s financial capital is available to absorb the financial impact to ensure we remain solvent to honour our commitments to clients.



Our governance approach to manage risks

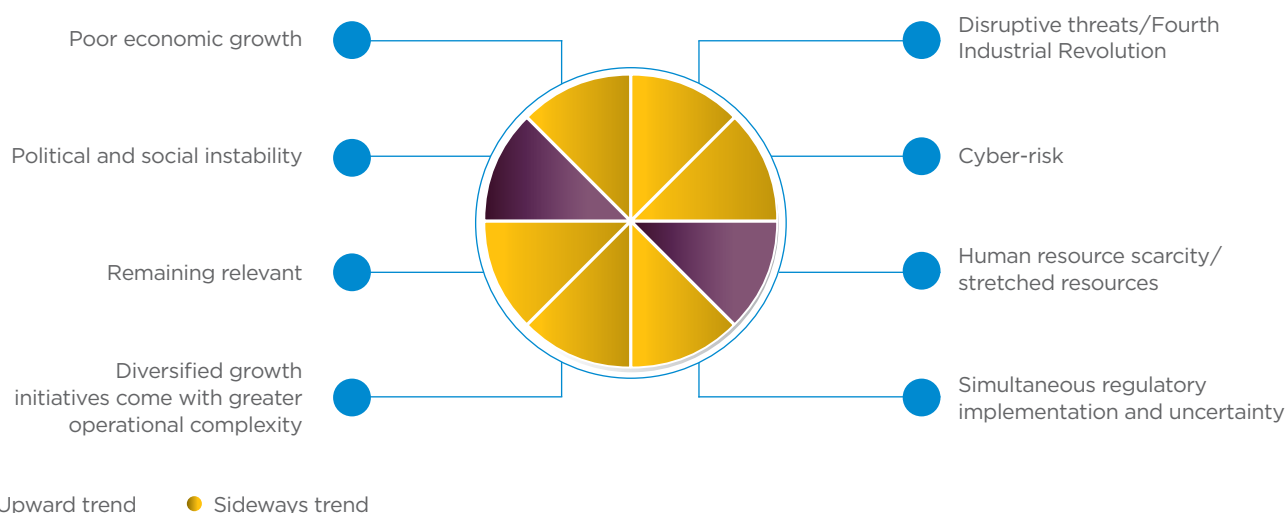
Sanlam has a comprehensive enterprise risk management framework in place, with appropriate risk escalation processes from a business unit to Group level. Sanlam’s risk appetite statement is the key mechanism through which limits are set for the following material risk categories applicable to our operations:

Strategic risk	Liquidity risk
Earnings risk	Market and asset concentration risk
Capital and solvency risk	Operational risk
Credit risk	Brand and reputational risk
Insurance risk	Contagion risk

In the financial year, there were no material breaches of our risk appetite statement.

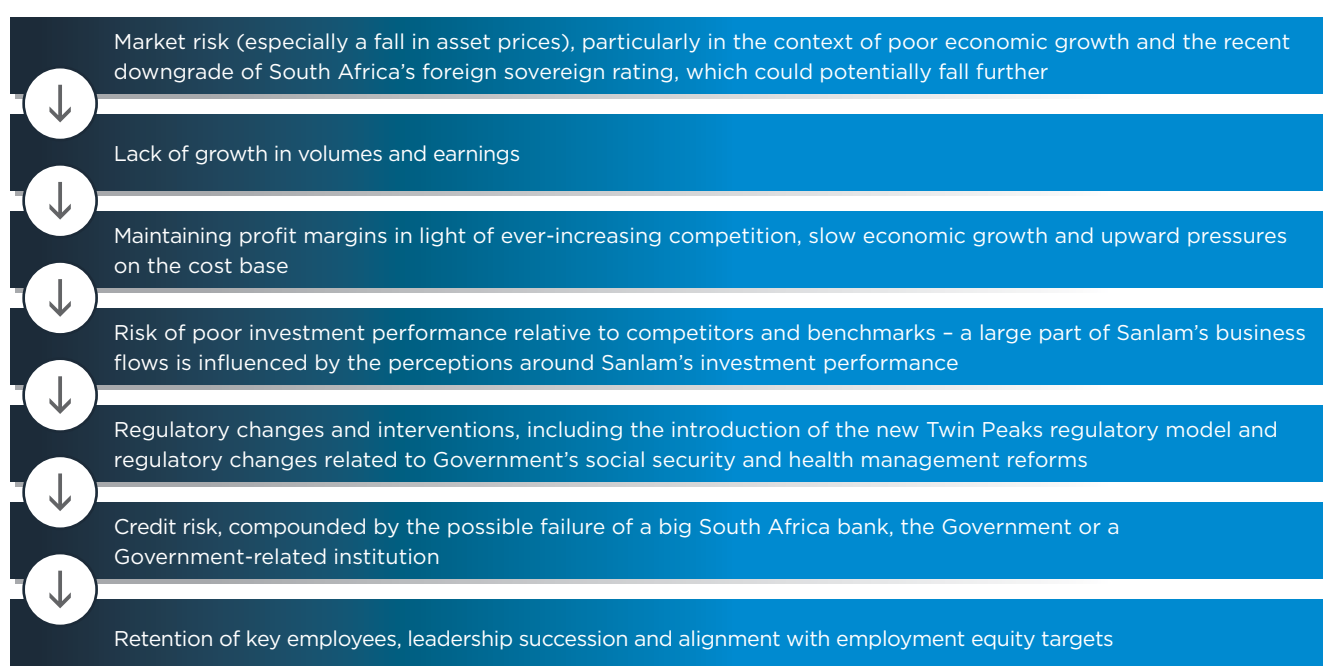
Strategic risks

The Group's key top-down strategic risks are shown and discussed on the pages that follow:



Operational risks

The bottom-up approach embeds risk management into Sanlam's day-to-day operations. Maintenance of risk registers and reports in each area control this process. Risk registers are aggregated and reviewed by each cluster's finance and risk committees or forums, with significant and emerging risks escalated to Group level for consideration as appropriate. The following are the key bottom-up risks facing the Group's business units and clusters (in decreasing order of relative significance):



Understanding our key risks (continued)

Our key strategic risks

Poor economic growth

Developed markets are showing increased economic growth and lower levels of unemployment, however possible exchange and interest rate volatility might persist in emerging markets. Improved global economic conditions have led to an increase in commodity pricing and improvement in terms of trade for economies with commodity exposure, including South Africa. South African gross domestic product (GDP) growth expectations, however, remain muted, and the sovereign rating status precarious, despite increasing investor confidence and growing political commitment to address issues of governance, inclusive growth and economic transformation.

Group response

Diversifying the business portfolio (geographic, product type, market segment and distribution platform) is a key mitigating factor, combined with a significant reduction of risky asset classes in the shareholder capital portfolio.

We adapted our investment strategy to reduce GEV exposure to interest rate risk and increased the offshore allocation in our ALCO funds.

Disruptive threats/Fourth Industrial Revolution

Threats to Sanlam's relevance (the Fourth Industrial Revolution and digital disruption) include fundamentally altering ways Sanlam's current and future clients, employees, partners and other stakeholders live, work and relate.

This coincides with longer-term changes in demographics and globalisation, and disruptive innovation from new entrants.

There is a risk that Sanlam's competitive position could be compromised if we fail to properly manage and respond to disruption.

Group response

Our ability to respond is hampered by slow and unwieldy legacy systems and associated pressure on costs. A group-wide business intelligence project is identifying foundational blocks to enable us to respond to these trends and add value to the business.

Sanlam Reality can link technology solutions to financial products, and the business clusters are pursuing various experimental initiatives. Sanlam Investments further acquired a stake in EasyEquities, a fintech business that can disrupt the investments sector with low barriers to entry through its low-cost platform.

Although still in its infancy, our omni-channel approach will help us to adapt our business in line with changing client expectations.

Cyber-risk

Cyber-risk emanates from digitised information, aging information technology infrastructure, and increasing use of digital channels. The threat of direct cyberattacks is escalating, and could result in reputational damage, business disruption, and theft, fraud or corruption of data and intellectual property.

Group response

Protecting against cyberattacks demands timely and effective risk intelligence, which includes a better understanding of the changing nature of threats and the assets most at risk. We respond to cyber-risk on multiple levels. This includes addressing control gaps, formulating cybercrises management processes and principles, and improving infrastructure security. Given the volume and rapid evolution of cyberattacks, prioritisation is critical. We are also focused on improving our core cyber-resilience capabilities – namely intelligence, monitoring, detection and response.

Human resource scarcity/stretched resources

Human resource scarcity and stretched resources are evident from the great demand and strain on our human resource capabilities. In addition to operational challenges, we might lose our key employees, if they seek alternative work environments in South Africa and elsewhere with more manageable workloads.

Group response

In the shorter term, retention plans are in place for key resources. We are also making additional resources available and are implementing change management processes for current projects.

Over the long-term, mitigating actions include an increase in talent pipeline feeder programmes, continued focus on compelling workplace practices, building internal resource capability, and a sharper focus on succession planning processes and pipelines.

Understanding our key risks (continued)

Simultaneous regulatory implementation and uncertainty

Simultaneous regulatory implementation and uncertainty impact our business model, competitive position, and operational efficiencies. While the recent publication of multiple pieces of regulation boosted certainty in South Africa, considerable uncertainty remains relating to further phases under the Retail Distribution Review (RDR), the National Social Security Savings Scheme (NSSS) and National Health Insurance (NHI).

Group response

We proactively investigate and formulate views on all regulatory proposals facing the financial services industry. We participate in discussions with regulators, directly and through industry associations. Our South Africa-based clusters continuously re-evaluate their business models to align with and obtain a competitive advantage in an RDR environment. We are also investigating initiatives to improve compliance monitoring and coordination with local management in the Rest of Africa through SEM's compliance team.

The simultaneous implementation of other regulatory changes further hinders our ability to invest time and resources on other initiatives. IFRS 17 requires significant investment in new valuation models and accounting systems, as well as data management and process optimisation across the Group. In response, we have initiated an IFRS 17 project to facilitate and support implementation across the Group.

Diversified growth initiatives come with greater operational complexity

Diversified growth initiatives lead to greater operational complexity and other strategic risks. Our footprint has grown rapidly over the past few years. This includes areas where we do not traditionally have expertise. This poses the risk that our operational capabilities are not well geared, or have not expanded adequately to provide the necessary support to acquired businesses or business partners.

The vast number of Group entities across Africa, India and Malaysia makes alignment with our Group governance standards challenging.

Group response

SEM has expanded its capacity and breadth of skills to help cope with the increased support requirements, while leveraging existing skills from other clusters. SEM has placed increased focus on managing risks from consumer credit and retail banking, and avoids expansion into high risk countries. This includes exercising caution with regard to further expansion into Malaysia.

Remaining relevant

Transformational challenges and changing demographics make it increasingly difficult to remain relevant in South Africa. This includes more strenuous BBBEE targets, and higher penalties if certain minimum requirements are not met.

Group response

The clusters are focused on shifting our internal leadership demographics. This is supported by targeted recruitment strategies, diversity and inclusion initiatives (with a focus on gender), and participation in industry and societal initiatives, for example the CEO Initiative. We further support product and service transformation efforts at cluster level.

Political and social stability

South Africa's socio-political and economic environment is stabilising following a period of uncertainty. Income inequality, unemployment and poor service delivery remain issues of concern. Government's resolve to confront corruption and service delivery are some of the factors contributing to a more positive outlook for the period leading up to the 2019 elections.

Group response

Sanlam's Board and executive team engage with businesses, labour and government. We continuously ensure that Sanlam businesses are in line with the relevant regulations.

Our key operational risks

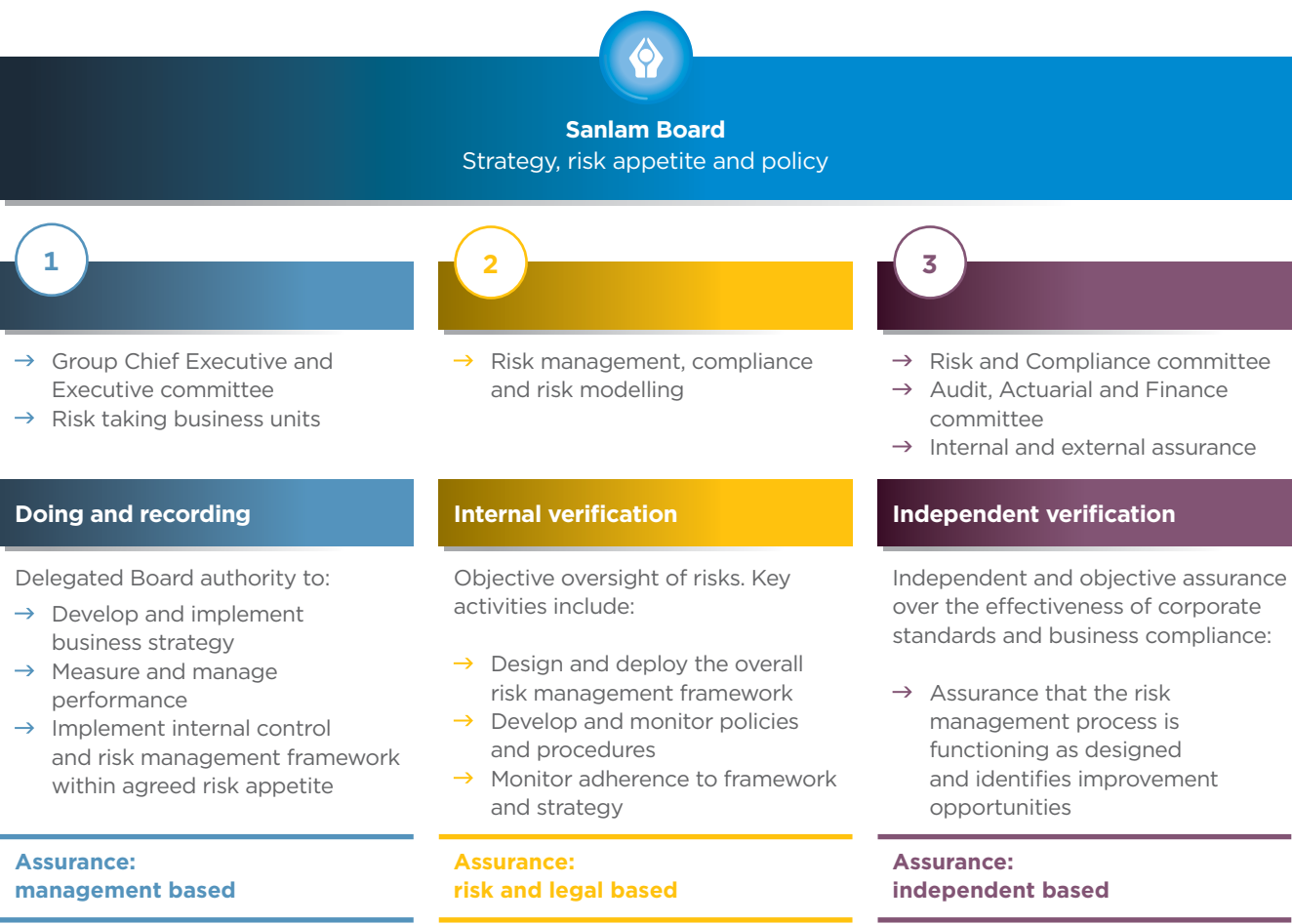


Read more about our operational risks in the Capital and Risk Management Report included in the Annual Financial Statements online, and the Regulatory environment on page 40 of the Integrated Report.

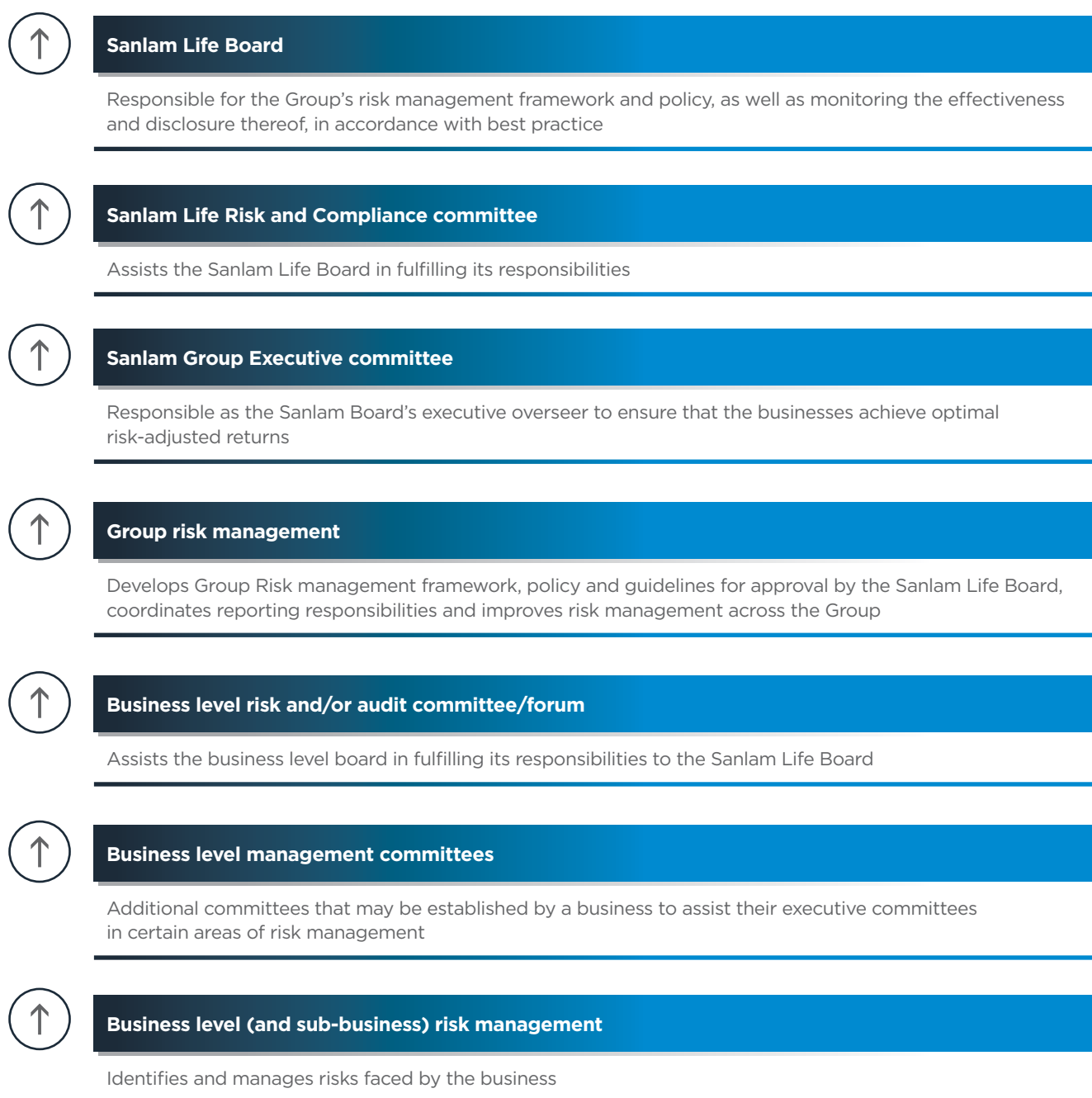
Understanding our key risks (continued)

The Sanlam Board adopted the three lines of defence model for managing risks. This model defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and other matters throughout the Group. The model incorporates the oversight, management and assurance of risk

management, essentially giving three independent views of risk. This approach ensures that risk management is embedded in the culture and daily activities of business units and provides assurance to the Board and Executive committee that risks are managed effectively.



The following diagram depicts the flow of risk management information from the individual business units to the Sanlam Life Board.



A multinational governance framework



Sanlam's governance framework aligns all business units and geographies with the following:

- Achieve strategic goals and targets;
- Safeguard Sanlam's assets;
- Secure Sanlam's information and data;
- Support business sustainability;
- Protect our reputation;
- Align our interests with common values;
- Unlock synergies ("Sanlam for Sanlam");
- Ensure the quality of financial results;
- Implement to the benefit of all stakeholders; and
- Ensure compliance with laws and regulations.

With an expanding footprint and operations in 34 countries across Africa, India and Malaysia, the SEM cluster faces a particular challenge to ensure strong governance, ethics and similar values in all in-country partners, as well as in the execution of all cross-border partnerships and strategic alliances. This is reflected in SEM's strategy, which includes a strong focus on governance principles.

All subsidiaries are expected to confirm compliance with Sanlam's governance principles in their annual board representation letters. This includes a focus on risk management, compliance and forensics, internal control, IT and information governance, information security, and financial reporting. Board member onboarding and training is required to ensure that strong governance structures are in place in all in-country partners.

SEM's oversight function enables the cluster to assess the ethics and compliance standard of subsidiaries and identify where risk management, ethics and compliance skills gaps exist. SEM assists where appropriate with support from the centre in developing skills, policies and frameworks to strengthen the governance controls of Sanlam's network of emerging market businesses.

During the year, SEM initiated a series of one-day value and culture sessions with in-country partners. These sessions create opportunities to discuss how SEM and its business partners can align their workplace cultures, values and ethics, while retaining behaviours that are unique or specifically important to their success.

Outcomes include:

- An enhanced understanding of Sanlam and our vision
- Recognising the importance of company culture, values and employee behaviour in being a successful company and member of Sanlam
- Identifying the employee behaviours that are required internally to ensure that "what we stand for" shapes how we interact with customers and markets
- Understanding the importance of "correct" employee behaviour

Countries reached during the year include Kenya, Mozambique, Uganda, Zambia, Malaysia, Namibia and Tanzania.





Our
contribution
to resilient
individuals



Our contribution to resilient individuals

To achieve our purpose to build a world of Wealthsmiths™, supporting people in living their best possible lives through financial resilience and prosperity at the individual, organisational and societal level, Sanlam identified a specific set of factors that build financial resilience and prosperity for individual clients and employees.

Clients are the consumers of Sanlam's products and services to achieve their wealth creation, management and protection goals. Individual clients require specific products and services to suit their lifestyles.



For individual clients, Sanlam aims to provide:

- Financial solutions that meet clients' needs and expectations;
- Access to financial solutions and advice through preferred distribution channels;
- Suitable advice provided to clients for them to obtain the benefit of savings and risk management; and
- Fair treatment.

Employees provide skills and expertise that support the activities inherent in Sanlam's business model. Sanlam employs a diverse group of individuals across South Africa and in various emerging markets across the Rest of Africa, India, and Malaysia, as well as in selected developed markets.



For employees, Sanlam aims to provide:

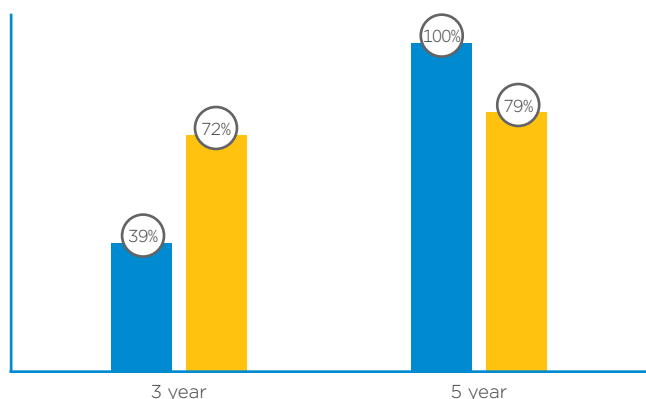
- Employee financial education that enables employees to experience the benefit of savings and risk management;
- Training and development that results in income and growth opportunities;
- Employment equity; and
- Fair remuneration.

Factors that contribute to the resilience and prosperity of our individual clients

Performance highlights

Funds outperforming over three and five years

Percentage of Sanlam Investment's benchmark-managed funds exceeding hurdle



Legend

- Sanlam portfolios
- Third party portfolios

POLICY BENEFITS PAID AND INCREASE IN VALUE OF POLICIES

R123 billion

(2016: R80 billion)



Persistency experience: lapses, surrenders and fully paid-up policies as percentages of in-force policies at the beginning of the year

Persistency – SA middle-income market

Lapses, surrenders and fully paid-ups as % of in-force per half year

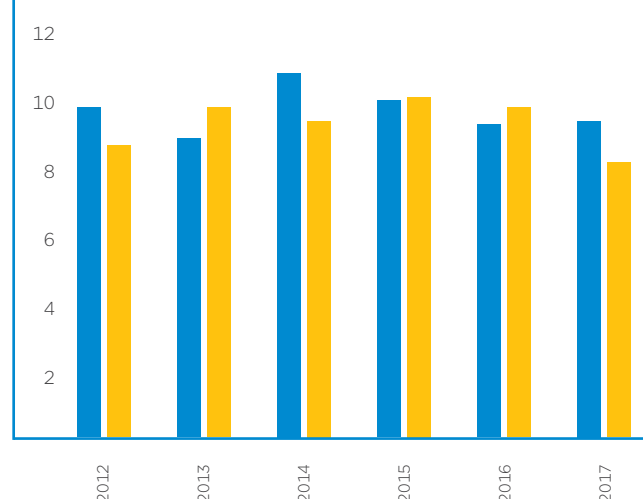


Legend

- First half of the year
- Second half of the year

Persistency – SA lower-income market

Lapses, surrenders and fully paid-ups as % of in-force per half year



Factors that contribute to the resilience and prosperity of our individual clients (continued)



Sanlam seeks to satisfy the wealth creation and protection needs of a growing network of individuals and organisations by providing advice, services and products in the areas of savings, investments and insurance.

Financial solutions that meet clients' needs and expectations

We offer individual clients the following products and services:

Life insurance



Credit and structuring



General insurance



Administration, health and other



Investment management



Read more about these products and services on www.sanlam.co.za.

Through Sanlam Corporate, employers access a range of financial service solutions that benefit their individual employees. These solutions include retirement planning, savings and risk management, and insurance cover against death and disability.

Sanlam's five business clusters are responsible for developing specific products and services through Sanlam's range of financial and risk solutions across market segments and geographies. These solutions aim to fulfil clients' needs of wealth creation, management and protection, and are tailored to clients' specific needs and circumstances – at a

fair price. Our ability to fulfil clients' needs is at the core of their confidence in us. Failure to meet clients' needs has broader implications for them, as an inappropriate product or service could erode their financial soundness, stability and resilience, particularly if clients have low levels of financial literacy or are excluded from the formal economy.

To be appropriate and suitable, products and services should therefore align to our clients' financial situation, investment objectives, level of risk tolerance, and level of financial knowledge and experience.

Sanlam must therefore ensure:



Products and services should be marketed through clear and fair communication appropriate to the target group

Our Product Governance Framework provides guidance on how product material should be formulated. All product material goes through a rigorous sign-off process. This process ensures that a single message is delivered to the target group to communicate product features and limitations.

To further facilitate this process, our web-based marketing system provides a record of all marketing decisions, centralises all marketing data, and ensures brand and regulatory compliance on a global scale. All material must be in line with Sanlam's plain language policy to ensure clear, simple language and ease of understanding.



Intermediaries are suitably trained and informed on the risks and benefits of products and services

The South African Financial Advisory and Intermediary Services (FAIS) Act, 37 of 2002, imposes certain obligations on authorised financial services providers and their representatives.

While it is mainly the product supplier's responsibility to ensure that a product is appropriate for a particular target market, the Financial Services Board (FSB) stipulates that an intermediary should take responsibility for ensuring that a product is suitable for the particular client concerned, i.e. that the product is in line with the client's needs, budget and risk appetite. Sanlam's intermediaries are expected to understand for which client segments the product or service is suitable. Products and services should be targeted accordingly.

Sanlam supports its intermediaries with administrative guidance, leadership and advice. We provide access to value-adding and competitive financial solutions, and leading-edge tools of the trade. Our Product Governance Framework mandates aligning the launch of new products or services with the training of intermediaries and support staff (including call centre employees). This includes training on new regulatory reforms, such as the Retail Distribution Review (RDR), which impact financial advisers.



Read more about the impact of new regulatory reforms on Sanlam, our advisers and the financial services industry in the regulatory environment chapter of our Integrated Report.



Products and services should be designed and developed for specific target markets. This should be based on a clear understanding of the likely needs and financial capability of each client group

Our Product Governance Framework mandates five steps to ensure a clearly defined target market is identified at the start of the product development process:

- 1 Develop a product initiation memorandum, which includes insights into product features, a competitor analysis (including current industry and market penetration), and proposed distribution channels.
- 2 Identify elements of the new product (and any product changes) that put the client at high risk. Risk-mitigating actions are also identified at this stage.
- 3 Formulate detailed product rules and pricing, and sign off on the actuarial and economic integrity of the product.
- 4 Analyse processes and systems required to implement a product, as we recognise that constrained processes or systems could influence product design. This poses a risk that the product could be adjusted in a way that does not meet clients' needs.
- 5 Step five mandates the approval of the Executive committee.

We adhere to a Product Segmentation Policy. This policy mandates that due consideration should be given during the product development process to ensure all products are designed with a target market in mind. It stipulates for which client segments the product in question was designed, and for which clients the product is not appropriate.

During the year we simplified our client segmentation model and reduced the number of sub-segments to a meaningful and workable number, while remaining representative of key behavioural and attitudinal groups. This ensures we understand which products are targeted for which clients, and which products and communications reach those clients.

Factors that contribute to the resilience and prosperity of our individual clients (continued)

→ Sanlam should have adequate systems in place to deal with complaints in a timely and appropriate manner to remedy mis-selling

Clients should not face unreasonable post-sale barriers, specifically:

- Changing products;
- Switching providers;
- Insurance (long and short-term risk); and
- Resolving and handling complaints.

Sanlam has a strong internal complaints management process. This is governed by a Group Complaints Policy. Our internal complaints processes provide clients with the opportunity to lodge complaints with the Sanlam arbitrator. We further subscribe to the independent Ombudsman of Long-Term Insurance's (OLTI) Long-Term Ombudsman Scheme. Sanlam's long-term insurance policyholders can lodge a complaint with the OLTI for resolution. The OLTI publishes industry complaints data for all subscribers in their annual report. This information is available on their website at www.ombud.co.za.

Sanlam creates further value for clients through a client-centric culture and optimised processes and scale. Our legacy of policyholder ownership entrenches a culture where decisions are weighted according to their value to clients. This is supported by a disciplined and consistent approach to providing appropriate financial advice.

→ Sanlam embeds client-centricity firmly within business practices. We define client-centricity as:

- Understanding clients and their financial services needs;
- Providing the right, tailored solutions to fulfil their needs and perform as expected;
- Being fully accountable for delivering on client promises;
- Getting things right the first time, every time;
- Taking responsibility;
- Assisting and serving clients efficiently and within an acceptable time frame; and
- Providing clear and understandable answers.

The Sanlam Way of doing business supports our client-centric approach. The Sanlam Way is one of the tight principles within which the clusters must operate. This ensures that client-centricity is embedded across the different markets and geographies within which we operate. SEM's values and culture workshops further ensure that client-centricity is integrated into the daily operations of in-country partners.

We measure client engagement in South Africa through client experience research in the course of client transaction processes during all stages of the product life cycle. We conduct research among clients, intermediaries and employees to measure trends in client experience. Sanlam tests client satisfaction with products and services against the South African Customer Satisfaction Index (SAcsi) and Ask Afrika Orange Index. The objective of this research is to gain insight into overall client and intermediary experience at main client contact points.

Client satisfaction

We received the following industry awards in 2017, demonstrating the value of our client-focused approach.

Sanlam was recognised as the

2017 SOUTH AFRICAN NEW PRODUCT INNOVATION LEADER

in the Insurance Industry on Digital Transformation by global consulting and research firm, Frost & Sullivan.

Santam was named the country's TOP SHORT-TERM INSURER

for the second year running. With an overall SAcSi score of 81,3, Santam beat the industry average of 75,8. Santam is the only general insurer to consistently improve its score over the past three years.



Sanlam Investments received a number of

TOP PERFORMER AWARDS AT THE 21ST RAGING BULL AWARDS.

SEM won the INSURANCE COMPANY OF THE YEAR

award at the third annual Africa Reinsurance Corporation (Africa Re) Awards.



Sanlam Employee Benefits and Sanlam were awarded

TOP ACCOLADES AT THE 2017 FINANCIAL INTERMEDIARIES ASSOCIATION OF SOUTHERN AFRICA (FIA) AWARDS,

which celebrates the financial services brands that provide the best product, relationship and service to the country's financial advisers and insurance brokers.

THE SANLAM UMBRELLA FUND RECEIVED FOUR AWARDS FROM THE INSTITUTE FOR RETIREMENT FUNDS AFRICA:

Best in Class Trophy for Investment Practices, Best in Class Trophy for Governance, Gold Standard Certificate for Excellence in a Communications Project and Special Merit Award for communication to stakeholders.

Factors that contribute to the resilience and prosperity of our individual clients (continued)

2017 highlights: Cluster contributions to financial products or services that meet clients' needs and expectations

Sanlam Personal Finance (SPF)



SPF is responsible for our retail business in South Africa. It provides a comprehensive range of appropriate and competitive financial solutions to a significant number of individual clients. SPF plays a critical role in contributing to financial resilience at an individual level. During the year, SPF achieved the following milestones in enhancing its value proposition to clients and ensuring appropriate financial solutions that meet clients' needs and expectations.

SPF acquired a majority share in BrightRock in September 2017. With an established presence in the South African risk insurance environment, BrightRock will strengthen SPF's client value proposition by offering competitive, needs-matched life insurance. BrightRock products and Sanlam Life's Matrix product range address clients' risk cover needs – Matrix via a more traditional approach, and BrightRock via an alternative needs-matched approach. Combined, these products enhance our total insurance value proposition. The different characteristics of these products will resonate with different potential clients, enabling us to have a wider reach in our target markets and providing clients with a wider variety of products to meet their needs.

SPF established a new division in its Shared Services business unit, named Client Experience. This division's role is to contextualise, analyse and integrate client information to guide better decision-making, and to gain insights to influence how we serve and interact with our clients. Client Experience comprises: Client and Market Insights, Information Management, Client Relations and SPF Communication. These areas collectively inform an integrated view of our clients and our relationships with them.

Sanlam's severe illness offering has been revised to be more comprehensive, marketable and flexible, without compromising on our philosophy to always provide proper cover for our clients. Cancer and cardiovascular-related events, in particular, are most likely to affect clients – more than 80% of severe illness claims admitted by the life insurance industry in any given year are linked to these types of events. Our severe illness offering therefore includes cancer-only and cardiovascular-only benefits, enabling clients to directly address what concerns them most.

MiWayLife, a division of Sanlam, developed a bespoke insurance policy for South Africa's estimated 200 000 cyclists, 750 000 runners and 15 000 triathletes. This South African-developed product is unique globally, enabling individuals to obtain cover without any medical underwriting or testing. The product is designed around the key risks facing athletes, and addresses accident and illness cover with lump sum payouts, discounted insurance cover on sporting equipment, race fee refunds in the case of injury or illness preventing the policyholder from competing, and specialised training programmes from MiWayLife coaches.

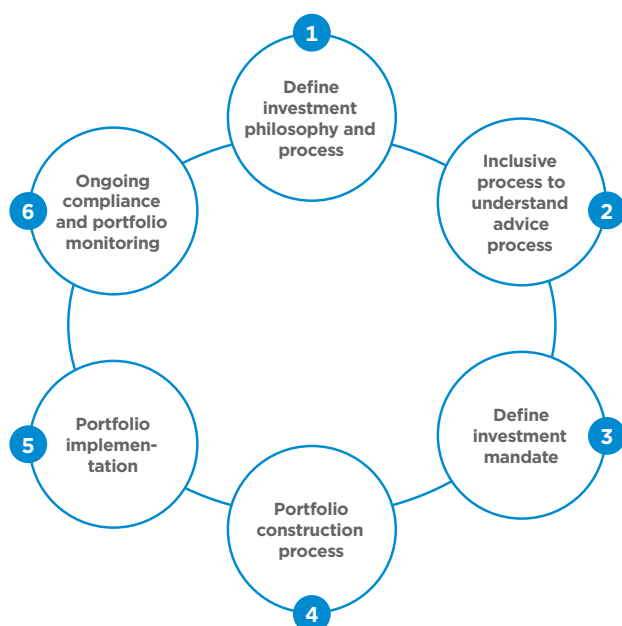
Sanlam Emerging Markets

During the year, SEM embarked on a client value proposition process to better understand clients' needs in the retail markets in which the cluster operates. This process was initiated in Malaysia, and will be extended into India, Kenya, Botswana and Nigeria over the course of the next 12 months. Through this process, SEM will get a better understanding of the gaps in its current product sets.

Sanlam Investments

Sanlam Investments has embarked on a number of initiatives to enhance financial outcomes for clients.

Sanlam Investments' implemented consulting solution was launched in 2013. This solution offers intermediaries the ability to work with Sanlam Investments' qualified investment professionals to tailor an investment portfolio that is uniquely positioned to meet their clients' needs. Intermediaries share the needs and expectations of their clients with our investment professionals, who then manage each portfolio on their behalf. This process is governed by the Investment Committee Framework, which ensures that the solutions delivered to clients follow a robust and disciplined process:



This implemented consulting solution is therefore underpinned by strong research and regulatory support. It further enables intermediaries to balance diverse client needs and expectations, while offering them an investment solution that is well-defined and well-managed.

Other initiatives to enhance financial outcomes for clients include the launch of Sanlam Investments' first investment capability wholly managed by artificial intelligence (AI) and machine learning (ML). This fully-automated investment process uses multiple machine learning techniques to learn from large sets of data, deduce evolving relationships, and predict expected prices with a high degree of accuracy. The investment engine also contains an AI risk manager, which attributes weights intelligently across asset classes. Its goal is to achieve a certain minimum level of return, while minimising expected portfolio capital loss.

Introducing AI capability into our investment strategy increases the resilience of our product solutions as we can react more quickly to rapidly changing market conditions. This will help us to deliver better, more consistent outcomes for investors – thereby enhancing the client experience and ensuring that our products meet their needs and expectations.

The Sanlam Managed Risk UCITS Fund is the first balanced fund in the world that is fully driven by AI.

Sanlam Investments further supports clients' access to financial solutions that meet their needs and expectations through alternative investments. Traditional asset classes are no longer yielding attractive returns in the current global low interest rate environment. Alternative investments can improve diversification and reduce overall volatility. This creates more flexibility for investment managers to maximise returns, thereby growing and protecting their clients' wealth, irrespective of market conditions. This contributes significantly to financial resilience in uncertain times.

Factors that contribute to the resilience and prosperity of our individual clients (continued)

Santam



Santam recognises that extreme weather events are increasing in intensity and frequency. This poses serious risks to the stability and quality of human society and the global economy.

Santam is a strong advocate for the need to build local resilience and risk protection. As South Africa's leading general insurer, Santam is committed to enhancing risk-based decision-making that builds community resilience along its value chain.

In addition to increasing client resilience by insuring them against the risk of extreme weather events, Santam has partnered with Sanlam Reality to reward clients for managing their risks better. This partnership will provide clients with a more comprehensive product and solution offering. While Santam clients have previously been able to join the programme, rewards were focused on general financial well-being and improving life and health risks.

The programme enhancements will extend rewards for members with at least one qualifying Santam personal insurance product to cover safe driving, getting their cars checked annually, looking after their homes, and other behaviours important to managing their asset risks. General insurance is a key aspect of financial wellness. By engaging in these activities, members will gain a better understanding of the safety and security of their assets and enhance their resilience to everyday risk.



Read more about Santam's contribution to community resilience from page 100.

Sanlam Corporate

While Sanlam Corporate typically focuses on providing financial solutions to corporate clients at an organisational level, the cluster has increased its focus on members of retirement funds. Sanlam Corporate launched a member portal during the year to enhance fund member education and communication. Any fund member who is part of a fund administered by Sanlam can access information about their own retirement savings through this portal.

The portal further provides a range of educational tools, including a retirement calculator and guidance on how to achieve individual retirement outcomes. The portal was supported by the launch of a member app, which provides clients with remote access to the services offered through the portal. This contributes to improved retirement outcomes for individual members, as they are better positioned to make informed decisions about retirement savings and risks.

Innovation in insurance channels



“Morocco: Road Traffic Accidents Kill Thousands Each Year” – Morocco World News

“Ivory Coast: A coach of travellers overturns at the entrance of Divo” – Agence Ivoirienne de Presse

Incidents such as these have a severe socio-economic impact due to the related costs and the impact on families of victims. With the development of road networks and an increase in motorists in Morocco, accidents and breakdowns have increased proportionately. This has resulted in a greater need for roadside assistance.

Assistance services often supplement insurance services – thereby enabling customers to interact with insurance companies in a convenient way. If a policyholder is involved in an accident, for example, they will often be able to call roadside assistance and benefit from emergency roadside services. Ideally, this coordinates with any follow-up services that clients may need to file a claim. It is also in the insurer's interest to provide assistance services to limit the damage that follows an accident and reduce the cost of reimbursement.

From their platform in Casablanca, Morocco, Saham Finance is taking this model one step further. With Saham Assistance, they are turning the claims channel around. From 2018, the claims team will move into roadside assistance as the first port of call.

Saham Assistance offers towing services, on-site repair, ambulance services, replacement vehicles, and even hotel accommodation if incidents occur abroad. Call centre advisers are available to customers in real time around the world, 24 hours a day, seven days a week. This service relies on a network of 600 centres in Morocco, and offers a global network of 240 correspondents and 400 000 service providers (doctors, nurses, paramedics, towing services, mechanics, and airline companies, among others).

Their mobile application, Saham Mobile, provides a platform from which clients can access the details of various insurance policies, with the benefit of personalised service. For example, clients can claim via the mobile application and follow the status of the claim's process step-by-step.

Saham Mobile also offers geolocation, which traces clients in the event of accidents or breakdowns. This enables Saham Assistance to immediately send emergency or repair services. Clients can track the position and progress of assistance services on the app, and locate the nearest authorised repair centres.

Saham Assistance is exporting this expertise to other countries in the region, including the Ivory Coast and Cameroon.

In partnership with Saham Finance, SEM and Santam will support the development of Saham Assistance by providing the appropriate technical expertise and resources.



This collaboration provides a strong example of how we are leveraging our partnership model to offer our clients unique and holistic financial services solutions that respond to the expectations of individuals, organisations and society. It further supports our vision to be a leading Pan-African financial services company – delivering financial solutions to regions and markets that are largely underpenetrated.

Factors that contribute to the resilience and prosperity of our individual clients (continued)

Access to financial solutions and advice through preferred distribution channels



We offer clients financial solutions through an omni-channel range of engagement opportunities that include personal and direct formats based on client preference. Sanlam’s current distribution channels are broadly classified into four categories.

Advisers
Direct

Independent brokers
Affinity groups, bancassurance and telecommunications partners

We follow a multichannel distribution approach to ensure that clients are reached and serviced through their preferred channel. The distribution model is continually adapted to changing client preferences to remain relevant. To meet this need, we are working towards an omni-channel distribution approach, with increased focus being placed on further developing Sanlam’s digital capability.

Omni-channel increases our resilience, and the resilience of our clients

The regulatory landscape has changed. For example, the RDR has prompted companies to reconsider their approach to distributing financial services products – every part of the value chain will need to meet client expectations.

Non-traditional players are increasingly competing in our space. In addition, disruptive technologies and the fintech movement use digital technology, social media and big data capabilities to develop offerings. Sanlam regards these developments as ultimately complementing the role of advice. This, together with the need to drive value for clients, necessitates an omni-channel approach.

Clients prescribe how they want to engage with organisations – in a way most convenient to them. They expect an organisation to offer a choice of products, services and engagement platforms. Our omni-channel approach will ensure that client preferences are aligned with an appropriate solution delivered through the preferred distribution channel.

Omni-channel provides clients with a consistent experience across channels and seamless access to financial products and services, wherever, whenever and however they want to transact. Transaction methods include face-to-face contact or contact via a branch, online, mobile, video or social media.



Digital capabilities are critical to transforming our business for client-centric growth while addressing and integrating regulatory requirements.

Key initiatives undertaken by Sanlam to extend its omni-channel approach include:

- **Client segmentation:** The retail client segmentation model was simplified.
- **Client profiles (personas):** “Personas” or imaginary characters were developed for each client segment to better understand their needs and behaviour.
- **Client journeys:** The beginning-to-end experiences of clients in receiving or using the product or service they need across the channels they use are mapped on a “client journey”. “Journey maps” measure the health of client experiences at various touchpoints and help us see those experiences from the client’s perspective.
- **Omni-board:** We formed an omni-board for Sanlam’s retail offering in South Africa, represented by all clusters playing a role in retail client expertise in South Africa – SPF, Sanlam Corporate (SEB),

Sanlam Investments’ retail business and short-term insurance (Santam and MiWay). The omni-board’s mandate is to have a more holistic approach to our engagement with clients at all touchpoints.

- **SPF Omni-project:** This project will design specific capabilities to help build better client relationships
- **Sanlam Design studio:** The new Sanlam Design studio is a further enabler as it focuses on the development of digital distribution channels and related product development as part of our omni-channel distribution approach.

Sanlam started a business intelligence renewal discovery project in August 2015. We started the project to shape our response to the business’ requirement for consolidated client data with improved business intelligence and analytics capabilities. To access a holistic, client-orientated view of data, a centralised access layer was created with the Group office as the custodian of the technology architecture.

Digital focus areas

Transform for growth

- Product innovation
- Client acquisition
- Client experience
- Granular pricing

Overcome regulatory challenges

- Agile response
- Aligned reporting bases
- Group-wide compliance

Optimise risk and capital management

- Balance sheet optimisation

Factors that contribute to the resilience and prosperity of our individual clients (continued)

With lower cost of storage, higher processing power and advances in shared computing, we can create significant value for the business units in shaping their offerings and improving pricing. In 2017 we established an analytics and discovery capability to deliver a selection of smaller, business-determined outputs up to the end of 2018. By focusing on analytics first, we are gradually building curated data in a way that is scalable and reduces impact and delivery risk.

Simultaneous to our analytical ability, creating an omni-channel capability is a key competitive priority. This includes applying new enabling technologies and investing in fintech. Omni-channel has also shifted our focus from transactional interaction to contextual engagement, with the intermediary remaining essential. We enable intermediaries with data and tools while sharing information and experiences between them, clients and Sanlam – all in full adherence to regulatory directives.

Other Sanlam digital capabilities in different stages of maturity include our robo-advice offering – a self-directed, simplified and automated unit trust investment platform – as well as full-service web presences, with online fact find and buying capability, for each of our 240 franchise businesses. Our virtual advice platform is an online service allowing clients to screen, select, book and pay an adviser for a needs-specific advice session – either face-to-face or via Skype, Google Hangouts or telephone. We have achieved a paperless application submission for 75% of Sanlam Life new business.

Enhancing access through growth in the distribution network

The Sanlam-authorized BlueStar businesses, located across South Africa and Namibia, aim to provide individual investors with professional financial advice and personalised solutions via a team of accredited, local financial planners. The businesses offer a wide range of personalised financial solutions, from financial planning and insurance, to investment advice and retirement planning.

The number of BlueStar businesses has grown significantly in recent years, with close to 57% of the middle and affluent tied advisers now part of a BlueStar business. Sanlam has 1 179 advisers at 242 BlueStar businesses. These businesses account for 69,3% of Sanlam Financial Advisers' (SFA) total production. As such, BlueStar businesses are the flagship distribution model within SFA and form a crucial component of Sanlam's client-facing strategy.

Financial resilience and prosperity through inclusive distribution

It is well-established that financial inclusion is linked to economic growth and poverty alleviation. While many developing countries have increased levels of financial inclusion, including many countries across Africa, significant scope still exists for further development. According to statistics from the World Bank Global Findex database, only 34% of sub-Saharan Africa's population have bank accounts and only 7,3% use an account to receive their salary. Low coverage extends to Malaysia: Vietnam and Cambodia report levels of financial inclusion of 21,1% and 3,3% respectively among those aged 25 and up.

Low income consumers in particular face a number of barriers that restrict their access to financial services. Barriers include poor physical access, onerous requirements for identification, unaffordable service fees, and a lack of products that meet their needs. Market research has suggested a number of avenues to improve this situation. These include:

- A better understanding of the needs of these consumers and creating products that suit these needs;
- Engaging with consumers in their communities rather than through the existing branch network;
- Working with trusted partners that already serve low income consumers;
- Providing incentives for participation in the mainstream financial system; and
- Crafting technology solutions that work for low income consumers.

In South Africa, Sanlam Sky services the entry-level and lower-growth market, providing financial solutions that are relevant to our value-conscious consumers through Sanlam Sky Agency Distribution, Sanlam Sky Broker Division, and Alternate Channels.

The primary products sold in Sanlam Sky are funeral plans, however, this distribution channel also focuses on developing products that meet the broader needs of the entry-level market. These include life savings and retirement products, among others. The ultimate aim of Sanlam Sky is to offer a wider range of simple financial solutions to the various market segments while delivering a consistent client experience.

During the year, Sanlam Sky strengthened its distribution channel with the launch of self-service terminals, through which clients can access various policy documents and tax certificates. These self-service terminals provide clients with an additional servicing channel that could potentially be deployed in areas where Sanlam does not have a strong footprint – thereby enabling clients to access financial services with greater convenience. The first self-service terminal was launched at Sanlam Sky's head office in Houghton, Johannesburg. An additional three terminals have since been deployed at various client care offices across Johannesburg, Pretoria and Durban, for piloting.

Sanlam also entered into a partnership with RCS to provide My Choice Personal Loans of up to R150 000. The offer meets the needs of cash-strapped clients who often end up sacrificing other products, like funeral cover, to free up some cash. The loan alleviates that burden while allowing them to keep their other policies active and ready to use when they need it most.

My Choice Personal Loans are offered to existing Sanlam Sky Solutions clients and walk-in clients at selected Sanlam client care offices.

SEM has also played a critical role in pioneering the individual tied adviser model in various emerging markets in Africa.

In Nigeria, in particular, SEM established a previously non-existent network of tied advisers to service individual clients. This network has since grown to over 2 000 tied advisers – providing clients access to services that were previously unavailable. In this way, SEM created opportunities for financial inclusion and improved financial resilience in previously under-served markets.

2017 highlights: Cluster contributions to access to financial solutions and advice through preferred distribution channels

Sanlam Personal Finance

Millennials are one of the largest generations in history, with an increasing number entering the job market every year. Together with rapid technological developments, millennials are poised to reshape the economy and will change the way that companies do business.

In a millennial's ideal world, information, advice and transaction options are available immediately and can be adapted to suit their needs on any scale, in any geography or for any period – while being meaningful and sustainable. When translated into insurance, this means providing a millennial client with a range of choices, quick-service options, and enough information packaged in a way that will educate, reward and entertain.

Factors that contribute to the resilience and prosperity of our individual clients (continued)

To reach the millennial market in a way that is attractive to them, SPF launched the Indie online platform.

The Indie online platforms aims to capture the millennial market with a product that demonstrates the benefits of insurance – despite not having dependants and without hefty financial commitments – all through a six-minute sign up process.

Incubated by Sanlam, Indie has access to the Group's extensive intellectual property and thought leadership. Coupled with modern technology and business design, this positions Indie well to combine the best of the old and new into a compelling business proposition.

This world-first offering gives clients access to risk products, and rewards clients with an invested cash bonus. Indie offers clients:

- Life and disability income protection products available through a short online process;
- Streamlined underwriting compared to the conventional processes;
- Bounty: money that is placed in an investment account, generating market-related growth; and
- CashDrops: giving clients the choice to unlock a portion of their Bounty every few years, with the full Bounty (including all growth) unlocked at age 70.

While designed specifically for millennials, Indie is suitable for clients across the market due to its platform-based model and strong partnership approach. Capabilities developed within Indie can therefore easily be applied to other areas of Sanlam.

Considering that a high percentage of South Africa's population is underinsured, innovative digital solutions such as Indie provide an ideal opportunity to contribute to financial resilience and prosperity by leveraging the rise of digital consumption across demographics.

SPF's Indie digital solution is one example of our digital offerings available to clients:

- Sanlam Online Solutions is our digital storefront, offering a comprehensive suite of financial products with full online fulfilment capability

→ SmartInvest is a “robo-advice” offering that provides clients with access to a self-directed, simplified and automated unit trust investment platform

→ GoCover is a leading-edge app and desktop-based, on-demand platform. It features instant accidental injury and death cover, for personal and business use

Sanlam Emerging Markets

SEM's partnership model has been a cornerstone of its success over the past decade. In addition to key partnerships with Saham Finances and Shriram Capital, the cluster is extending its presence across Africa, and into Malaysia and India, through organic and acquisitive growth opportunities.

In March 2017, SEM made its first direct acquisition of an asset management-only business – PineBridge Investments, in Kenya. Having first focused on life insurance, and then diversifying into general insurance, the acquisition of PineBridge Investments will enable SEM to expand its asset management business. This will enable Sanlam to build a leading position in institutional, affluent and retail investment management in the region. As a leading East African asset management company, PineBridge Investments has operations in Kenya and Uganda – offering good distribution capability and the competitive advantage of a strong local brand.

In addition to growing our own footprint, the acquisition enables us to bring new financial products and solutions to market that will benefit clients in other regions of the continent.



Read more about how SEM is developing financial solutions for organisational clients from page 73.

Sanlam Investments

During the year, Sanlam Investments acquired EasyEquities – an award-winning fintech business that offers clients low barriers when opening an investment account through its low-cost platform. Typically, investment solutions have high barriers to entry that include cost and product complexity.

Part of our vision is to provide financial education, financial freedom and access to financial markets to a wider range of clients. For both Sanlam Investments and EasyEquities, the primary focus is to service clients' needs and provide direct access to the market at an affordable cost and in a simple and transparent way. This creates financial resilience for clients by providing them with access to financial products and services that meet their needs and expectations through preferred distribution channels.

In 2012, Sanlam Investments acquired Satrix – a pioneer of index-tracking investment capabilities in South Africa. Satrix provides clients with a versatile toolset to access a broad range of local and global indices. Solutions are specifically tailored for client-specific mandates or retail funds.

During the year, Satrix lowered the annual management fees on its flagship Satrix 40 exchange traded fund (ETF). This enables more South Africans to access markets and is part of the business' commitment to improve access to financial solutions by lowering costs responsibly and sustainably. The current total expense ratio (TER) of 0,38% will be lowered to a capped TER of 0,1% by lowering the management fee of the ETF.

Satrix also listed a sixth ETF in South Africa during the year: the Satrix Quality South Africa ETF.

The Satrix Quality South Africa ETF tracks the Standard & Poor (S&P) Quality South Africa Index, which consists of high-quality stocks in the South African market. The score is based on a company's return on equity, accruals ratio and financial leverage ratio.

This offers clients greater choice and variety of financial solutions, enabling them to select a product option that is better aligned with their financial situation, investment objectives, and level of risk tolerance.

Suitable advice provided to clients for them to obtain the benefit of savings and risk management

Our intermediaries should be professional, well-informed and up to date regarding all legislative and regulatory compliance requirements. We should also ensure that advice takes into account clients' circumstances, is not exploitive, and does not take

advantage of low levels of financial literacy. This will ensure that our products and services meet clients' needs and expectations – thereby contributing to their resilience. It will also strengthen clients' trust in Sanlam and the broader financial services industry – creating more opportunities for them to benefit from wealth protection and creation, and financial security.

Training and development plays a pivotal role in ensuring that Sanlam's tied advisers and intermediaries are able to service their clients' needs effectively, within legislative requirements. We offer a range of training initiatives, such as sales, skills development, legal and technical training, management and leadership development, entrepreneurial and business management, technical products support and business processes training.

Sanlam's Financial Planning Academy

The Financial Planning Academy (the Academy) is a learning portal that enables intermediaries to access information, participate in training, write accreditations and sign off on policies. The Academy focuses mainly on developing financial planning skills, including management, systems, legal, technical and soft skills training. In addition, the Academy is accredited by the Insurance Sector Training Authority (INSETA) in South Africa for NQF levels 4 and 5 programmes in wealth management. During 2017, the Academy rolled out an improved newcomer course and launched an online library. The library serves as a knowledge portal for financial planning and includes links, articles and videos.

Suitable advice for clients in the entry-level market

To ensure suitable advice is provided to clients in the entry-level market, advisers are trained to conduct a financial needs analysis to assess prospective clients' needs. Given the limited financial needs and means of clients in the entry-level and lower-growth market, the focus is on offering standardised advice. Advisers are trained and updated on product and regulatory changes through a blended learning approach, which combines face-to-face training interventions, self-study and e-learning via a Moodle online solution.

Sanlam Sky launches South Africa's first WhatsApp drama series



Sanlam's groundbreaking drama series, *Uk'shona Kwelanga*, combined soap opera and social media in South Africa's first-ever WhatsApp drama series.

A collaboration between top scriptwriter and playwright, Bongi Ndaba, and a number of South Africa's best-known actors, the WhatsApp drama told the tale of a South African family struggling to deal with the emotional and financial ramifications of loss, while planning their father's funeral.

Although the story is familiar, the means of conducting the campaign were entirely new. Subscribers received a series of updates over seven days – the average time it takes to plan a funeral – creating an opportunity for them to experience the demands and expense of a funeral in real-time through texts, photos, voice notes and video.

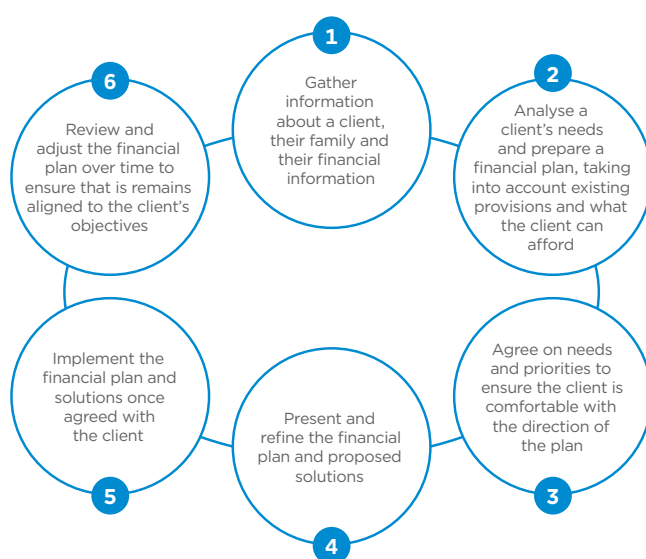
Despite the platform's technical limitations, Sanlam chose WhatsApp because it is South Africa's most used social messaging app. This created an opportunity for *Uk'shona Kwelanga* to resonate with a wider target market on a platform with which they are already familiar and engaged.

In addition to a strong product offering, *Uk'shona Kwelanga* demonstrated to consumers that Sanlam understands the realities of planning of funeral. *Uk'shona Kwelanga* was supported by a marketing campaign that included a promotional video, billboards and social media adverts.

2017 highlights: Cluster contributions to suitable advice provided to clients for them to obtain the benefit of savings and risk management

Sanlam Personal Finance

Sanlam Key Solutions was established to target the higher-entry-level and lower-middle-market segment in South Africa. Through Sanlam Key Solutions, clients have access to a network of advisers who assist them to understand their financial priorities. This is achieved by following a structured process, with appropriate pre-selected solutions, through which advisers provide clients with a financial plan suited to their personal needs and current situation. Ongoing reviews of this plan ensure that it remains suited to clients' individual needs as they change over time. Advisers:



This contributes to financial resilience and well-being at every life stage.

Key solutions

Sanlam Key Solutions accesses the higher-entry-level and lower-middle-market segment through collaboration between different Sanlam Financial Advisers (SFA) and Sanlam Sky Agency Distribution. Access is supported through a network of advisers and seven branches across South Africa – situated in Bellville (two), Boksburg, Durban, Bloemfontein, Port Elizabeth and Pretoria.

Financial literacy

In this way, we offer employers and employees a strong value proposition that includes financial education. As part of this, we promote financial literacy, which contributes to a less financially stressed and more productive workforce.

Technology

Mobile technology in the sales process speeds up business processes. Advisers are able to spend more time on the sales process and servicing clients, while the support office finalises the business processes. All advisers are equipped with a tablet to enable them to complete the entire business process. A mobile app helps them collect information and set up the sales process to do a single-need and broader-needs analysis for clients.

SPF recognises that technology is a key enabler of business success. The cluster is therefore focused on the digital enhancement of broader intermediary practices:

- BlueStar websites provide each of Sanlam's 240 franchise businesses with a full-service web presence, including online fact find and buying capability. Websites are further enabled with e-sign authorisation to more quickly obtain client information.
- The Glacier investment hub is an efficient and easy-to-use tool that helps intermediaries manage client information and portfolios, generate proposals and submit paperless applications.

Sanlam Emerging Markets

While there is no dedicated training programme for SEM's asset managers, training is *ad hoc* and on demand. In addition, the cluster hosts an annual conference during which separate training sessions are made available to the chief executive officers of SEM's life insurance, general insurance and asset management businesses. The objective of these training session is to workshop topical issues and share best practice, while upskilling and building alignment between SEM and our respective in-country partners.

Factors that contribute to the resilience and prosperity of our individual clients (continued)

Sanlam Investments

Sanlam Investments host an annual Institutional Insights conference where clients are invited to engage with international speakers from global funds. In 2016, the theme for the conference was about how international fund managers construct portfolios and leverage alternative asset classes. In 2017, the conference focused on the role of global funds in solving the challenge of longevity, with a particular focus on the design of post-retirement solutions. Through these conferences, clients receive advice and insight that enables them to reassess their investment portfolio for maximum value.

Santam

Santam Specialist offers agricultural insurance that provides clients with protection from risks to their crops and assets. This includes the catastrophic impact of rain, hail and drought on the sustainability of a client's business.

To ensure that our insurance solutions respond to the unique needs of agricultural clients, we employ agricultural meteorologists who seasonally forecast eminent weather to aid farmers. We also provide training and advice to farmers on how to manage pending weather. Emerging farmer training was expanded during the year to include basic financial literacy, marketing and business planning.

Santam further partnered with Grain SA to reach 3 000 farmers over the 2016/2017 production year. These farmers were trained on safe stockpile silage, which is often impacted by changing weather patterns such as drought.

Fair treatment

TCF, a guide introduced by the FSB, mandates a formal approach to treating customers fairly and improving customer confidence in the financial services industry. Most importantly, this fairness spans the entire life cycle of a product – from design through to advice and after-sales service.

The aim of TCF is to ensure that, ultimately, the financial needs of clients are met appropriately through a sustainable industry. If a financial services provider aims to achieve the set outcomes, the immediate

effects should be appropriate products and services, and enhanced transparency in the industry.

Six specific fairness outcomes were identified by the FSB:

- 1 Customers are confident that they are dealing with a Group where the fair treatment of customers is central to the firm's culture.
- 2 Products and services marketed and sold in the retail market are designed to meet the needs of the identified customer groups and are targeted accordingly.
- 3 Customers are given clear information and are kept appropriately informed before, during and after the time of contracting.
- 4 Where customers receive advice, the advice is suitable and takes account of their circumstances.
- 5 Customers are provided with products that perform as the Group has led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect.
- 6 Customers do not face unreasonable post-sale barriers to change a product, switch provider, submit a claim or make a complaint.

While TCF is now mandated by the FSB, we first initiated our Sanlam Customer Interest committee in 1998. This committee provides guidance to the Board on strategic issues relating to clients, and reviews and monitors all client-related decisions. The committee has since broadened its mandate in terms of TCF. While TCF is not a regulatory requirement in the emerging markets in which Sanlam operates, SEM adopts a similar philosophy to matters related to client interests. This is embodied in The Sanlam Way of doing business, which supports our client-centric approach and is one of the tight principles within which the clusters must operate.

Our TCF approach is supported by appropriate controls, governance structures, management information and self-assessments.



Read more about Sanlam's TCF governance structures and approach from page 16.

Future priorities for our individual clients

Sanlam Personal Finance (SPF)

SPF continues to pursue the following priorities for individual clients:

- Product leadership
- Channel development
- Customer experience
- Operational excellence
- Collaboration for growth

Sanlam Emerging Markets (SEM)

SEM is exploring a digital product that will enhance clients' access to innovative financial solutions, while enabling the cluster to achieve greater market penetration.

Sanlam Investments

To move away from a product-only approach, Sanlam Investments will continue its focus on solution-orientated engagements with clients.

Satrix, a division of Sanlam Investments, plans to strengthen its focus on client education to establish itself as the "go-to" brand for information related to investing (particularly index-tracking investments).



Read more about Satrix from page 47.

Santam

Santam is focused on leveraging the power of big data to deliver value to individual clients. This includes:

- Utilising the extensive penetration of mobile devices to bring financial solutions to clients
- Developing new types of insurance (for example, insurance in the "pay as you go" space)
- Enhancing the ease with which clients can access financial solutions

Factors that contribute to the resilience and prosperity of our employees

Performance highlights

Key performance indicator	Sanlam Personal Finance	Sanlam Investments ²	Santam	Sanlam Corporate ¹	Sanlam Group office ³
Number of employees: office staff	2017: 5 767 2016: 5 260	2017: 1 057 2016: 1 950	2017: 5 991 2016: 5 194	2017: 1 327	2017: 539 2016: 514
Number of advisers	2017: 5 337 2016: 5 173				
Percentage of black senior and middle management ¹	2017: 48% 2016: 43%	2017: 41% 2016: 37%	2017: 41% 2016: 39%	2017: 39%	2017: 48% 2016: 44%
Skills development spend	2017: R158 716 483 2016: R158 044 737	2017: R15 517 586 2016: R32 497 458	2017: R104 129 632 2016: R55 780 484	2017: R17 954 787	2017: R16 515 061 2016: R16 128 376
Number of male employees	2017: 4 014 2016: 3 996	2017: 371 2016: 703	2017: 2 463 2016: 2 178	2017: 385	2017: 259 2016: 245
Number of female employees	2017: 6 616 2016: 6 437	2017: 428 2016: 1 247	2017: 3 404 2016: 3 016	2017: 942	2017: 280 2016: 269
Percentage turnover in office staff	2017: 14,6% 2016: 14,9%	2017: 15,9% 2016: 11,6%	2017: 19,6% 2016: 20,8%	2017: 12,3%	2017: 10,7% 2016: 12,1%

¹ Sanlam Corporate established 2017 and includes Sanlam Employee Benefits (previously part of Sanlam Investments) and Sanlam Health (previously part of Sanlam Personal Finance).

² Sanlam Investments excludes Sanlam Employee Benefits from 2017. Includes UK.

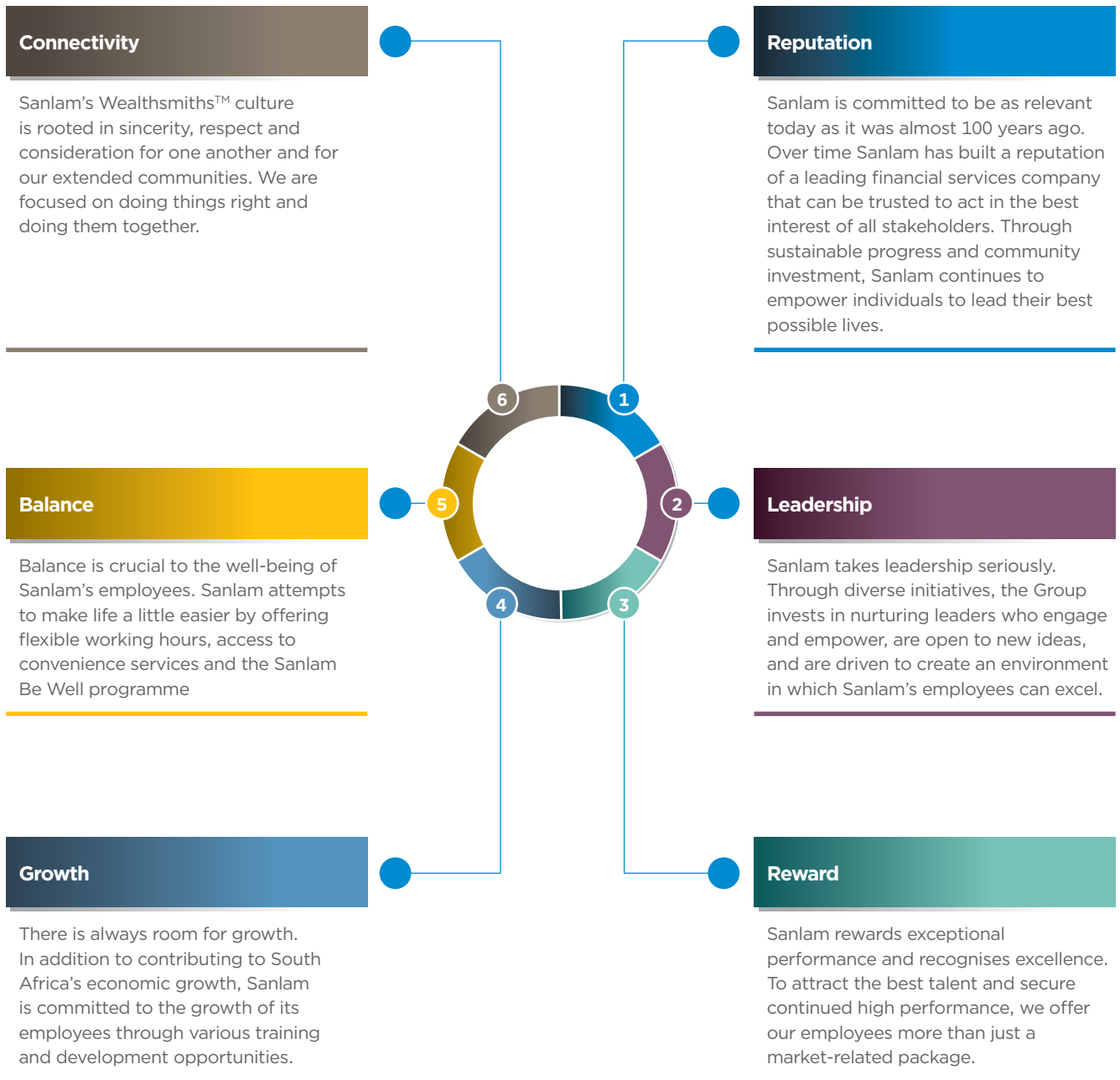
³ Sanlam Group Office includes Group Technology and Information.

⁴ Santam includes Namibia staff.



Sanlam once again achieved Top Employer status for 2018. Organisations that gain Top Employer certification are acknowledged to have demonstrated the highest standards of employee offerings in a forward-thinking human resources environment that leads the way in developing its people.

Our enhanced employee value proposition



Factors that contribute to the resilience and prosperity of our employees (continued)

Employee financial education that enables employees to experience the benefit of savings and risk management

The traditional view of wellness in relation to health has resulted in a lack of attention being paid to employee financial wellness, a critical area that significantly impacts the psychological well-being of employees, their families and the economic well-being of employers.

This is reflected in our 2017 Sanlam Benchmark Survey – our annual retirement funding study, which also delves into the financial wellness of South African employees in the workplace. This survey sampled 1 317 educated professionals, 60% of who earn more than R300 000 per annum. Results indicate that:

- Seven out of 10 middle class workers in South Africa experience some form of financial stress.
- One out of nine people are not coping with their financial stress.
- One out of three people copes with their debt by reducing expenditure.
- One out of five people has to borrow money from friends and family to make ends meet.
- Seven out of 10 people believe that they will have to reduce their standard of living when they retire.
- Three out of five people are not making provision for their medical aid premiums in retirement.

Workplace-based financial wellness programmes provide the opportunity for employers to address the drivers of their employees' financial stress at scale in an inclusive manner.

We employ 19 163 individuals and we are one of Africa's leading financial services groups. The nature of our business creates opportunities to increase the financial literacy of our employees, enabling them to experience the benefits of savings and risk management. Increasing the financial resilience of our employees reduces their financial stress and enhances their productivity, while equipping them with necessary knowledge and skills to provide professional services and solutions to clients.

Initiatives at Group level include:

- Frequent publication of newsletters, as well as frequent inclusion of educational materials in our internal magazine, Inside Sanlam, as well as in SPF's internal magazine, Sanlam Impact
- Our comprehensive Be Well programme, which offers employees a variety of wellness initiatives to help them lead balanced lives. Core to the wellness offering are personalised weekly articles and updates, a website, annual health screenings, as well as interventions aimed at addressing core health risks, including financial wellness
- Access to free, online credit reports, which provide employees with a snapshot of their credit accounts and repayment records, as well as insight into how well they are managing their finances
- An employee assistance programme (EAP), which is in place for all employees and their direct families, forms part of our comprehensive Be Well programme. This confidential and professional service is available 24/7 for information, advice, support and counselling on psychosocial, personal, financial and legal matters. Employees can speak to a qualified professional who provides guidance and support, including arranging face-to-face sessions if necessary
- Financial education seminars, which are offered by Sanlam Key Solutions. These seminars equip employees with the knowledge to make sound financial decisions
- Annual seminars hosted by the Sanlam Staff Umbrella Fund. These seminars ensure that employees are aware of the importance of saving to ensure sufficient provision for retirement. Employees are also educated about the importance of tailoring their death, disability and other risk benefits according to their individual and family needs. A total of 22 sessions were facilitated in 2017, with three of these broadcasted via satellite to 24 different venues around South Africa. A total of 2 584 employees attended these seminars. In addition, 2 075 members increased their contributions to the Sanlam Staff Umbrella Fund, resulting in a combined annual increase of R37,3 million in contributions

→ A collaboration with an external service provider that administers emolument attachment orders (garnishee orders) on behalf of Sanlam employees. This service ensures that only valid and accurate garnishee orders are deducted from an employee's salary. Through this service, we have reduced the number of garnishee orders from 441 in 2014 to 136 in 2017. This has resulted in a collective savings of R700 000 for Sanlam employees due to the stringent audit practices and effective administration processes being followed

2017 highlights: Cluster contribution to employee financial education that enables employees to experience the benefit of savings and risk management

In collaboration with the Sanlam Staff Umbrella Pension and Provident Fund, the various clusters conduct a series of induction presentations for new employees. These presentations highlight the importance of retirement provision, as well as how to make informed choices when selecting risk and retirement benefits. In 2017, we offered a series of talks on budgeting at a personal level, estate planning, risk and retirement options, and the costs associated with purchasing property. In 2018, further sessions will be held on the importance of wills, testaments and estate planning.

Sanlam Investments

As part of the on-boarding process, employees are trained on the importance of risk management and the benefits thereof. This prepares employees to perform better at work.

Sanlam Corporate

As part of the Sanlam Benchmark Survey, employees of Sanlam Employee Benefits (SEB) took part in a financial wellness survey to assess their level of knowledge and awareness of retirement planning and savings. Results were used to identify knowledge gaps and create awareness among employees about the importance of financial planning, retirement savings, and budgeting, among other aspects of financial wellness.

This is the first time that employees of SEB were surveyed as part of the research programme for the Sanlam Benchmark Survey – renowned for promoting

thought leadership within the financial services industry. In 2017, employee participation was seen as a unique opportunity to integrate this thought leadership back into the business in a way that will benefit our employees and enable them to build individual financial resilience. To improve levels of employee financial education, Sanlam Corporate will build on this approach in 2018.



Read more about the Sanlam Benchmark Survey in the Integrated Report on page 95.

Training and development that results in income and growth opportunities

Employee training and development contributes to resilience on multiple levels.

Nationally, strong and sustainable economic growth requires an efficient workforce capable of adapting to market demands and keeping up with the diffusion of technology and pace of innovation.

Employees therefore require a new and changing set of skills and competencies to remain productive and efficient. While this contributes significantly to the resilience of organisations, training and development further enhances the resilience of employees. Most importantly, employees benefit from an enhanced skills set, increased earnings potential, and greater job satisfaction.

The complex, global environment in which we operate requires a strategic approach and skilful response and management. It is critical that we attract, engage and motivate the best people to ensure optimal delivery of each strategic pillar.

We invest extensively in equipping our employees with the skills needed to grow the business. This is reflected in the growth pillar of Sanlam's EVP, which highlights our commitment to providing a stimulating work environment alongside development opportunities. Training and development are prioritised in our human resources department's (HR) revised strategy, forming a fundamental component of the core focus area, "talent for the future".

Factors that contribute to the resilience and prosperity of our employees (continued)

Cross-cluster processes are designed to drive internal career advancement between various occupations, and nurture high-potential talent for growth, career development and progression. In South Africa:

- Sanlam invested R312,8 million* (2016: R262,5 million) on training and development initiatives;
* This figure includes all associated management expenses.
- 84,9% (2016: 88,7%) of employees received training:
- Of these employees, 71,4% (2016: 68,4%) are black and 59,9% (2016: 59,3%) are female; and
- We achieved a FSC score of 16,63* out of a maximum of 23 (2016: 16,12) for skills development.
* FSC scores converted the 2016 score to the same codes as 2017 for comparative purposes

Sanlam's graduate and leadership programmes reinforce our commitment to talent management and skills development. These programmes also focus on accelerated development, which is aligned to Sanlam's transformation objectives.

During the year, a total of 109 middle to senior management employees were nominated to attend the Business Management and Senior Management Development Programmes, which are hosted in partnership with the University of Stellenbosch's Business School Executive Development (USB-ED). Of these employees, 45% were male, 55% were female, 66% were black and 34% were white.

Our Future Leaders Development, Graduate Leadership, CA (TOPP) and Actuarial Training Programmes, as well as the Investments Academy, place graduate professionals on an accelerated development pathway to increase the strength of our leadership bench. A total of 49 employees were placed on these programmes. Of these employees, 57% were male, 43% were female, 82% were black and 18% were white.

In partnership with the Gordon Institute of Business Science (GIBS), Sanlam also hosted an event for the alumni of our Executive Leadership Programme. Events such as these help to keep delegates connected, and exposes them to thought leadership, and key trends shaping the insurance industry.

As our business model relies on the availability of appropriately qualified employees in the Group, the wider industry and in partner businesses, we offer a number of various other skills development programmes to enhance our employees' expertise in their chosen fields.



For a complete list of training programmes undertaken by Sanlam Group HR, please visit the website.

2017 highlights: Cluster contributions to training and development that results in income and growth opportunities

Sanlam Personal Finance

SPF offers its employees a number of training and development programmes, with a specific focus on developing management.

The cluster's Line Manager Leadership Programme is a broad-based, holistic programme that equips current and future leadership with the necessary competence for improved and sustained performance delivery. In 2017, 184 employees attended this programme, with 64% of the delegates being female and 78% black.

SPF's Core Leadership Programme focuses on building managerial muscle and business acumen. The structure of the programme assists managers to better structure their thinking and learn new business disciplines.

Sanlam Emerging Markets

In partnership with USB-ED, SEM introduced a leadership programme for middle and senior managers within our partner companies (both subsidiary and associates). The aim of this programme was to develop managerial competency in our partner companies. This was achieved through a focus on management fundamentals to enable selected employees to lead themselves and their teams effectively and achieve the following outcomes:

- Alignment of individual and organisational values to implement ethical leadership in decision making;
- Comprehension of the impact of local conditions on strategic planning, blending functional strategy with business strategy; and
- Leading and motivating teams to deliver against and exceed expectations.

In 2017, 35 managers across 11 countries participated in and successfully completed the programme. The countries that were represented include Ghana, Nigeria, Uganda, Kenya, Tanzania, Malawi, Zambia, Zimbabwe, Botswana, Namibia and Mozambique.

In 2018, SEM will introduce an emerging leader's programme aimed at first line managers who operate at a junior management level. The aim of this programme is to build a talent pipeline for the future.

Sanlam Investments

Sanlam Investments offers employees various leadership development programmes at different management levels. The primary method of learning used in all training and development programmes is "action learning", which is similarly utilised in all Group HR training and development programmes. "Action learning" is done in teams, and employees are tasked with real-life business issues. They must then find and implement solutions that support the execution of our business strategy. The programmes contribute towards transformation and building the leadership pipeline of Sanlam Investments.

Leadership development at Sanlam Investments is bolstered through the business talent development programme, Leading Edge. This programme is specifically designed as an executive development programme, targeting young leaders who operate at senior management level and are envisaged to lead Sanlam Investments in the long term.

Employees at Sanlam Investments have access to Investments (Technical) Induction Workshops. These workshops are designed to enhance employees' understanding of investments, and the specific role of each business within Sanlam Investments. The programme is aimed at non-investment professionals, defined as employees who have not had exposure to the asset management industry, and who can benefit from a broader understanding of their work environment in order to better contextualise their own role within Sanlam Investments.

Sanlam Corporate

Sanlam Corporate's HR strategy supports the cluster's business strategy and is aligned with Group HR's strategy. Sanlam Corporate recognises that training and development is central to building employee expertise. Growth therefore forms a core pillar of the cluster's EVP.

The cluster provides employees with workplace training, as well as study assistance. Within Sanlam Corporate in 2017, a total of R7,5 million was spent on training interventions and study assistance. A total of 86 employees benefited from formal study opportunities at various tertiary institutions in South Africa, primarily related to finance and investments.

Sanlam Corporate also supports and participates in Group HR initiatives to develop a leadership pipeline in the business.

In addition to this, Sanlam Corporate established a programme called "Living the SEB leadership values and behaviours". This initiative supports employee engagement through the development of key leadership practices which includes greater care, collaboration and accountability.

To support sustainable transformation within the cluster, Sanlam Corporate identified various learnership programmes. The cluster received funding to enrol 20 learners in a wealth management programme, and will further participate in the Youth Employment Services (YES) initiative that was initiated at Group level.



Read more about Sanlam's involvement in the YES initiative from page 108.

Santam

Santam continued its focus on skills development and upskilling during the year, particularly in areas where scarce and critical skills are in high demand. The cluster further launched the Santam Skills Development Academy. This Academy seeks to provide a pipeline of potential employees with training and exposure to Santam's assessing, underwriting and relationship management areas.

The strengthening of leadership and management competency within the cluster remains a priority. The Santam Leadership Development programme is being refined in partnership with the UCT Graduate School of Business. Multiple BU-specific learning programmes took place in 2017, all ensuring that skills spend was predominantly targeted at high calibre black talent.

Factors that contribute to the resilience and prosperity of our employees (continued)

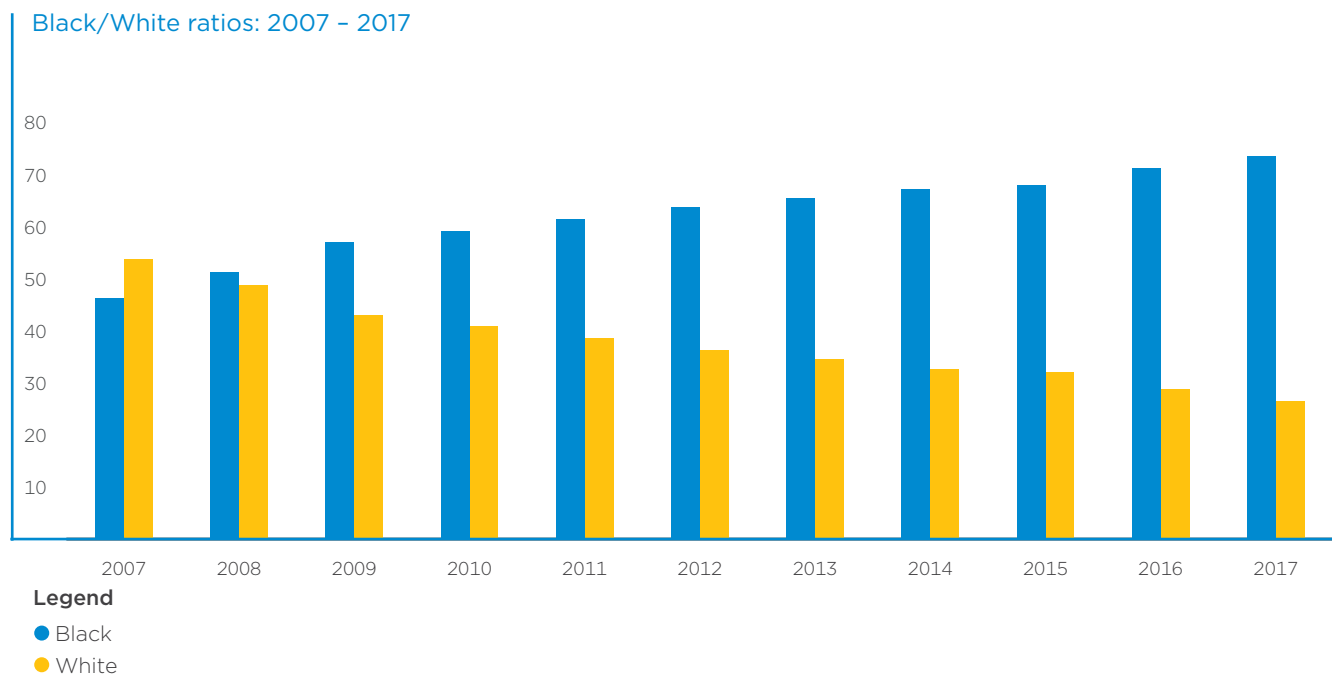


We define transformation broadly to include economic transformation to reduce wealth inequality, diversifying our employee profile to reflect the demographic profile of our client base and societies where we operate, transforming our distribution channels and operations in line with technological and regulatory developments, and most importantly, transforming everything we do in line with the changing needs and preferences of our clients

Transformation, diversity and inclusion

We are committed to transforming our South African businesses to meet the diverse needs of the country's population. This will enable us to remain relevant and ensure the long-term sustainability of our business.

One of our key strategic focus areas is therefore to create a workplace environment that is conducive to attracting, developing and retaining equitable, skilled and diverse talent. Over the last ten years, there has been a significant shift in the Group's complement which reflects the country's changing population.



In numerous studies, diversity – both inherent (i.e. race and gender) and acquired (i.e. experience and cultural background) – is associated with business success. As part of the transformation agenda, we have identified the need to increase the ratio of black and female representation at middle and senior management. To this end, the attraction and retention of these key demographic groups are important, and progress

against this is tracked and monitored at a group and cluster level on a quarterly basis.

Due to this focused approach, the percentage of black middle management increased to 46% from 42% in 2016. The percentage of black senior management increased to 34% from 33% in 2016.

At Sanlam, we see the value of diversity and inclusion, and are focused on transformation that moves beyond compliance.

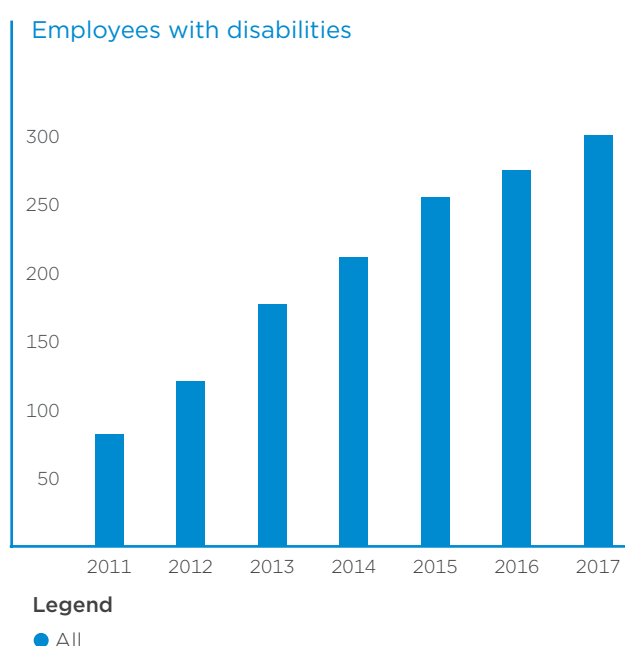
Gender diversity, in particular, is receiving an increased focus globally. In light of this, there is a specific focus on gender diversity at Group and cluster level. Sanlam, like our global counterparts, sees a marked drop off of women between middle and senior management levels. During 2017, focus groups were held with male and female employees to identify reasons and possible barriers for this drop-off. From these discussions we

further identified a number of actions required to accelerate gender diversity at Sanlam. These actions will proceed into 2018.

The following table reflects Sanlam's employee composition as at 30 December 2017 (permanent employees and fixed-term contractors in South Africa):

Occupational level	Male				Female				Foreign		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	2	0	0	5	0	0	1	1	0	0	9
Senior management	49	34	41	267	28	20	14	96	4	0	553
Middle management	228	257	162	729	210	242	133	710	22	4	2 697
Junior management	997	754	217	912	1 364	1 434	302	1 709	22	12	7 723
Semi-skilled workers	2 094	347	94	152	4 131	627	89	374	23	21	7 952
Unskilled workers	77	3	0	0	129	17	0	2	1	0	229
Total SA-based employees	3 447	1 395	514	2 065	5 862	2 340	539	2 892	72	37	19 163

Sanlam's approach to creating a diverse and inclusive environment includes the employment of people with disabilities. One of the mechanisms used to attract people with disabilities is the learnership programme offered at Group level. The learnership programme has proved to be successful and has increased the complement within this demographic group. We have further seen pleasing retention once a formal programme has been completed, as reflected:



Factors that contribute to the resilience and prosperity of our employees (continued)



In light of South Africa's legacy of discrimination, employment equity (EE) is an important driver of inclusive wealth distribution and improved financial resilience for wider society. This is a strategic focus in South Africa and the societies in which we operate – reflected in the transformation enabler of our strategy.

In South Africa, achieving our EE targets is a critical aspect of transformation. The following reflects our EE targets versus actuals for 2017.

	EE target December 2017	EE actual December 2017
Top management	40,0%	37,5%
Senior management	35,2%	36,5%
Middle management	42,2%	47,2%
Junior management	60,8%	64,4%
Semi-skilled workers	96,2%	97,4%
Unskilled workers	97,4%	100,0%
Total	71,6%	75,2%

* Excludes Santam and Sanlam Emerging Markets.

We achieved our EE targets due to each cluster implementing specific initiatives to meet the numerical goals at each occupational level. Some of these initiatives include:

→ Mentorship of black talent

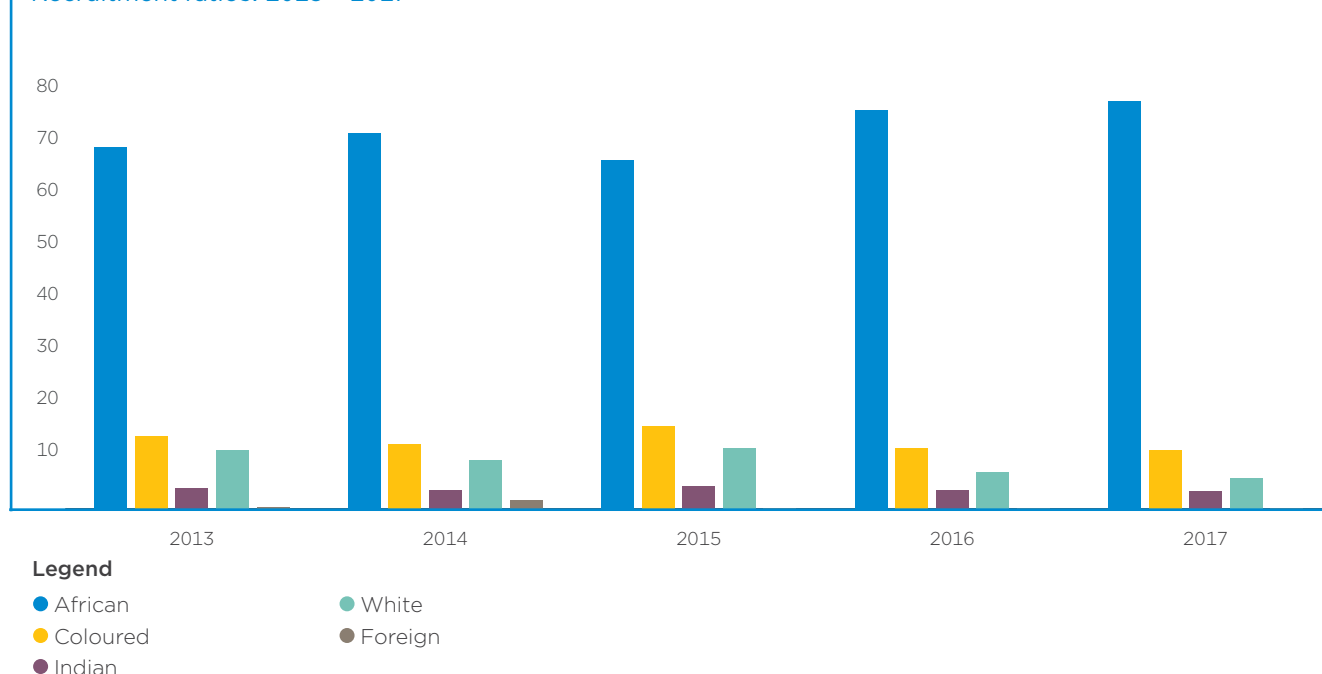
→ A focused and targeted approach that aligns recruitment with the national economically active population (EAP) statistics

→ Development programmes to ensure a pipeline of skilled talent with a specific focus on black employees



The recruitment figures on the following page reinforce our commitment to creating an equitable working environment. For example, our recruitment trends since 2015 have been closely aligned to Statistics South Africa's (Stats SA) profile of the country's economically active population (EAP): African (77,9%); Coloured (9,8%); Indian (2,8%); and White (9,5%).

Recruitment ratios: 2013 – 2017



The turnover amongst certain employee groups remains challenging. Sanlam's turnover is impacted by the relatively high turnover among sales employees. Targeted initiatives were implemented to reduce the high turnover amongst sales employees which included the restructure of a department, reviewing commissions structures amongst others. However, this is directly associated with the nature of the role. When compared to the industry trends, this is not a challenge only experienced by Sanlam.

Turnover	2013	2014	2015	2016	2017
Average number of employees	11 789	12 484	12 950	12 899	13 031
Office employee turnover (%)	10,9%	11,7%	12,4%	13,9%	14,1%
Adviser turnover (field) (%)	42,0%	41,4%	45,5%	46,8%	48,8%
Overall turnover (%)	23,8%	24,4%	26,6%	27,1%	27,8%* ^{LA}

^{LA} Limited assurance

* Basis of measurement: The number of terminations from 1 January 2017 to 31 December 2017 divided by the average headcount for that same period. The calculation is done for permanent employees (permanent as defined by the Department of Labour), both office staff and advisers, in the following divisions: SPF, SI, Corporate, Group office, Group Technology and Information.

Our EE plan reflects the consolidated, accelerated diversity and EE plans of each cluster, with a number of high-level objectives set across the three-year period. Interim progress against these core objectives is measured quarterly, with a detailed analysis done annually. This enables us to track demographics at management levels, as well as the unique challenges of each cluster, to drive targeted and relevant EE initiatives that support transformation and diversity.



Objectives to assist us in attracting and retaining black professionals have been set out in Sanlam's 2016 – 2018 EE plan, developed in 2015.

Factors that contribute to the resilience and prosperity of our employees (continued)

Objectives 2017	Performance against objectives
Each cluster to execute the strategic initiatives identified in their respective EE plans	In line with our objective, each business cluster implemented specific initiatives to meet our 2017 EE targets. We achieved an appointment ratio of 80:20, favouring the appointment of black employees (with a focus on African black). The clusters also introduced quarterly newsletters to increase awareness around the implementation of EE. There was an increased focus across the Group to employ people with disabilities, and a number of learnerships were introduced that specifically target black people with disabilities.
Identify and address key challenges around the retention of high-performing black employees	We initiated an individualised focus on development and career planning. Targeted on-boarding initiatives will ensure early identification of high-performing black employees, as well as increase their comfort within Sanlam. We will ensure flexible working practices within reason.
Targeted initiatives with a specific focus on increasing Sanlam's black female complement	Black females are the focus of various human capital initiatives that include targeted recruitment and headhunting, early assessment for promotions, and preferred placement in graduate and development programmes. Our branding initiatives are positively biased towards the use of black African women as brand ambassadors. This includes positioning and profiling individuals in publications, on our career sites, and at career fairs.
Implement development initiatives at the middle and senior management levels, with development and retention as the primary focus	To strengthen the senior talent pipeline within Sanlam, our long-running leadership programmes – in partnership with leading South African business schools – are geared towards black and female enrolment. More recent feeder programmes, such as the graduate and future leaders programme that were introduced in 2016, demonstrate over 80% black enrolment. Across the business, cluster-specific initiatives have also been implemented to meet this objective. The SPF Sapphire Programme focuses on the development of senior leaders who have been identified to take over roles from retiring employees. The SPF Mentorship Programme was primarily designed to fast track, motivate and retain black leadership talent. This programme is gaining traction and is being extended across clusters. Sanlam Investments recently launched its new Manager Programme, which is run in conjunction with USB-ED, designed to develop future leaders. SEM started a similar programme for managers from our partner companies in the Rest of Africa.



Read more about training and development initiatives across the clusters from page 55.

We identified the following EE objectives for 2018:

- Each cluster to execute the strategic initiatives identified in their respective EE plans
- Identify and address key challenges around the retention of high-performing black employees
- Review the current EE plan and prepare for the drafting of Sanlam's new EE plan

2017 highlights for Cluster contributions to EE

Sanlam Investments

As a cluster, Sanlam Investments has worked actively with matters related to diversity and inclusion. The cluster engaged a global leader to guide the management and employees of Sanlam Investments through global diversity and inclusion benchmarks. The cluster hosted various conversations to create awareness of the need for diversity and inclusion, embracing both gender equality and sexual orientation.

Sanlam Personal Finance

SPF implemented monitoring measures to ensure that the EE targets were met. These measures included the alignment of the performance bonuses of managers to the achievement of EE targets. This yielded excellent results, as the targets set at the different occupational levels were achieved.

On an on-going basis, initiatives to enable diversity-friendly and inclusive environments are implemented. However, the main focus is on managers and their ability to create a diversity-friendly environment. To enable the EE consultative forums to assist with the implementation of transformation initiatives, the members of the business unit forums attended a development programme.

Sanlam Corporate

As a newly formed cluster, Sanlam Corporate was focused on establishing its consultative structures. The Sanlam Corporate EE Consultative Forum was established, and members were upskilled to understand their roles and responsibilities, as well as the importance of diversity and inclusivity. Engagement sessions were held specifically around culture. The culture initiatives included transformation and employment equity.

Group Office

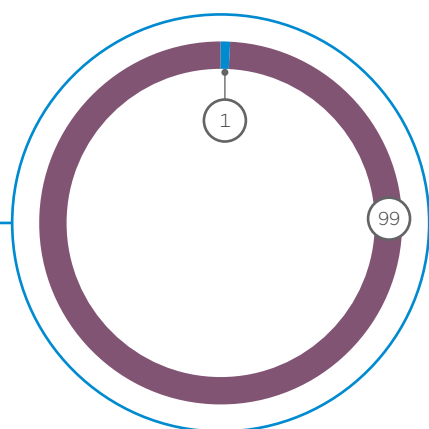
Group Office's main objective was to achieve its EE targets, and the EE Consultative Forum's quarterly newsletter successfully addressed key issues previously identified as potential barriers to achieving these targets. Due to the continued focus on transformation, the 2017 measures identified in the EE plan were also successfully implemented.

Santam

In 2017, Santam made strides in transforming its workforce profile and in its efforts to build an inclusive and diversity-appreciative culture. Notable achievements included delivering six workshops for line managers that dealt with the challenges of managing diverse teams and understanding personal bias. To support the cluster's focus on people with disabilities in the workplace, Santam delivered sensitisation training and employee awareness campaigns about disability. Gender diversity and the drive around equal opportunities was also achieved during the year. In August 2017, Santam hosted 16 countrywide workshops for women within the cluster focused on the challenges of being a working woman.

With a footprint across Africa, India, Malaysia and selected niche developed markets, Sanlam has transformed significantly since 2005. The extent to which we have diversified our client and business base is demonstrated below:

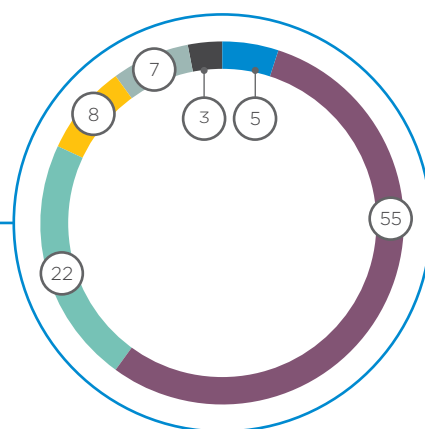
Net value of new business –
2003 (R232 million)



Legend

- Namibia
- South Africa

Net value of new business –
2016 (R1 605 million)



Legend

- Namibia
- Botswana
- South Africa: traditional
- South Africa: entry level
- Rest of Africa
- Other international

Factors that contribute to the resilience and prosperity of our employees (continued)



In our emerging market businesses, the focus is less on achieving EE targets and more on driving our vision of becoming a leading Pan-African financial services player. We are focused on increasing our percentage of foreign and Pan-African appointments to reflect the markets in which we operate.

The following table reflects the employee headcount per each of SEM's businesses at 31 December 2017:

	Life Admin	Life Sales	General insurance Admin	General insurance Sales	Asset	Group	RE	Office	Total
North and West Africa									
Nigeria	116	2 424	38	27					2 605
Saham	341	124	1 898	430	37	64	65	443	3 402
East Africa									
Kenya	66	649	51	20	36	44			866
Tanzania	63	174	49						286
Uganda	48	1 225	65	163					1 501
Rwanda	54	126	96	63					339
Burundi (SOCAR)	8	14	47						69
Southern Africa									
Zambia	97	541	77						715
Malawi	111	212	92						415
Zimbabwe	86	286	92	18			18		500
Mozambique	20	3							23
Namibia	213	625	133		7				978
Botswana	240	597	38		25	29			929
Southeast Asia									
Malaysia	329	2 119	420						2 868
SEM Group Office						92			92
Shriram									
STFC Office								4 625	
STFC Sales								18 483	
SCUF Office								5 807	
SCUF Sales								22 892	
SLIC	3 425	4 316							
SGI			1 151	9 304					70 003
Total	5 217	13 435	4 247	10 025	105	229	83	52 250	85 591

Fair remuneration

As part of our commitment to achieving equity and transformation in the workplace, we pursue fair and equitable remuneration. In all markets where we operate, our approach to fair remuneration is aligned with the internationally recognised principle of “equal pay for work of equal value”, as espoused in the South African Code of Good Practice on Equal Pay for Work of Equal Value.

In addition to empowering women, equal pay can significantly impact on achieving other development goals. This includes promoting inclusive societies, reducing poverty, and creating conditions for decent work and gender equality.

Internally, appropriate remuneration is inextricably linked to the development and retention of top-level talent and intellectual capital. To meet the strategic objectives of a high-performance organisation, Sanlam’s remuneration philosophy is positioned to reward exceptional performance and maintain that performance over time.

We are also conscious of the need to track pay differentials between the highest and lowest-paid Sanlam employee. We carefully track pay equity in all our clusters and anomalies are quickly highlighted and managed.



Read more about our approach to fair remuneration in our Remuneration Report online.



Across our business, all five clusters conduct benchmark surveys to ensure that their remuneration approach is competitive and that bonus and benefits packages are aligned to global benchmarks. Employees identified as key contributors, or with the potential to become a key contributor, are offered additional benefits.

Future priorities for our employees

To provide the next-generation employee experience, enhance our engagement with employees and implement standardised and leading HR practices across Sanlam, we will embark on the Company-wide implementation of SuccessFactors – a fully integrated talent suite – in 2018.

SuccessFactors is a cloud-based, human capital management (HCM) solution designed to attract top-quality talent, develop talent within the business, motivate our people, and retain top talent.

Factors that contribute to the resilience and prosperity of our employees (continued)

This solution will form part of our new myWorkSpace programme, which aims to simplify and standardise our employee engagement approach and deliver benefits to management and employees:

Management benefits

- Management of an end-to-end employee experience
- Talent mobility across the Group
- Simple, effective insight into how employees and teams are performing
- Better visibility of recruitment progress and a more efficient, automated and collaborative process for onboarding new employees
- Access to comprehensive, integrated, and searchable information

Employee benefits

- Improved digital experience – easy to use, personalised homepage with mobile and self-service functionality
- Enhanced Group EVP – employees can engage, connect and take charge of their own career, learning and development
- Transparency on goals, performance reviews, career development and succession
- Easy access to full blend of learning – aligned to role, also available on mobile platforms

In addition to Group HR, the clusters have identified the following priorities for employees in 2018:

Sanlam Personal Finance (SPF)

- Gear the business and employees to understand the impact of a digital future on roles and careers
- Assist employees and managers to adapt to a new set of strategic drivers that will shape performance contracts in 2018

Sanlam Investments

- Embed the diversity initiative into all levels of the cluster
- Consolidate the talent pipeline that was introduced in recent years through academy and graduate initiatives

Sanlam Corporate

- Consolidate the employee practices of the previously split Sanlam Healthcare and Sanlam Employee Benefits businesses into one set of employee practices
- Manage the transition and integration of employees from a culture and change perspective

Sanlam Emerging Markets (SEM)

- Assist employees in partner companies to adapt to culture integration initiatives
- Implement targeted leadership and technical training, supported by SEM Head Office
- Support employees through the introduction of increasingly formalised HR processes, such as performance management and career development

Santam

- Introduce a revised EVP in line with Santam's brand proposition
- Develop a senior leadership programme in conjunction with the University of Cape Town's Graduate School of Business





Our
contribution
to resilient
organisations



Our contribution to resilient organisations

To achieve our purpose to build a world of Wealthsmiths™, supporting people in living their best possible lives through financial resilience and prosperity at the individual, organisational and societal level, Sanlam identified a specific set of factors that build financial resilience and prosperity for organisational clients. This chapter further showcases various initiatives to support our relationships with material organisations.

Organisational clients are public and private institutional clients who consume Sanlam's corporate financial solutions for the benefit of their companies and their employees.



For organisational clients, Sanlam should provide:

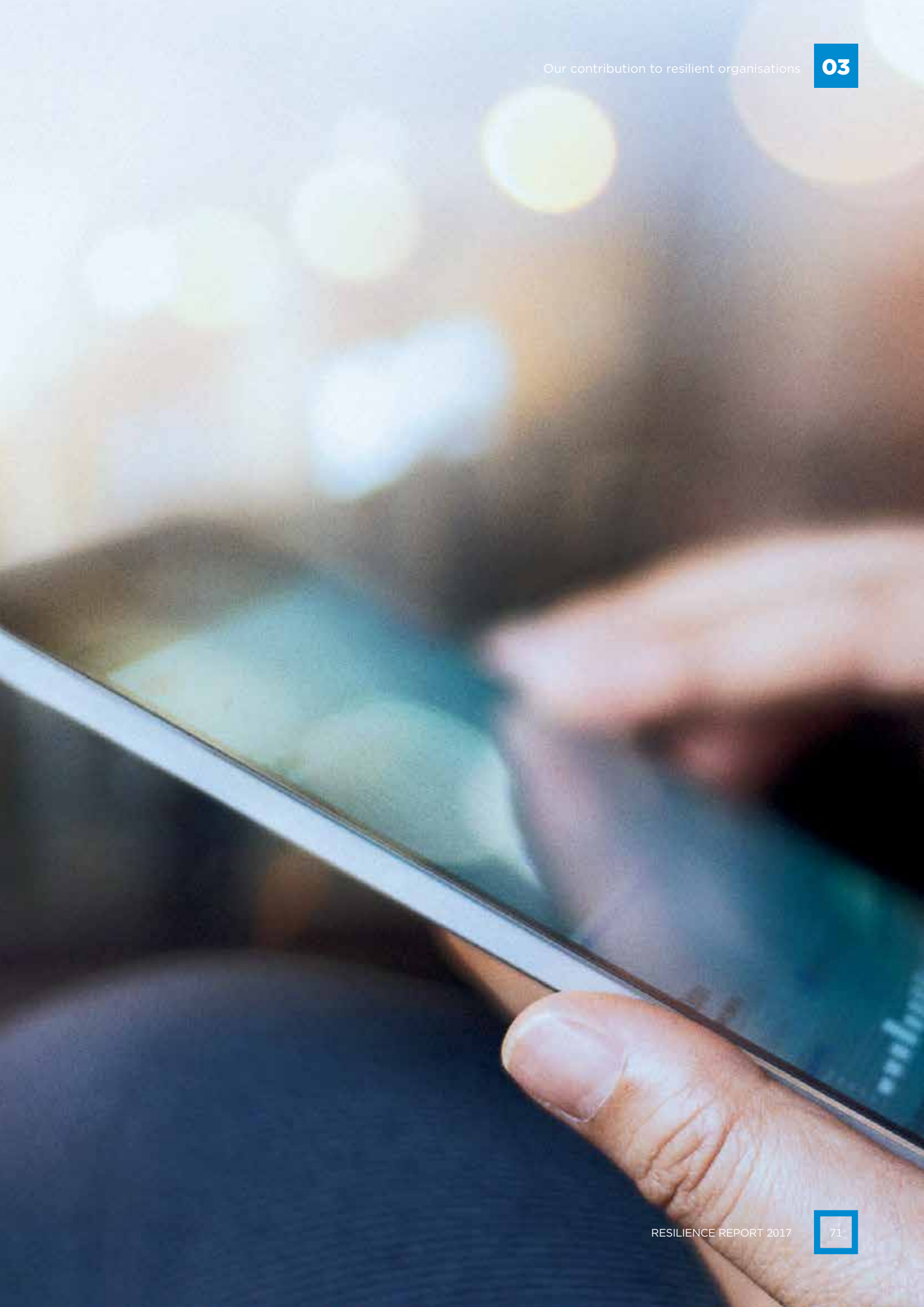
- Financial solutions that meet clients' needs and expectations;
- Access to financial solutions and advice through preferred distribution channels;
- Suitable advice provided to clients for them to obtain the benefit of savings and risk management; and
- Fair treatment.

Our material organisations include industry bodies, regulators and trade unions.



Resilience highlights for 2017 include:

- Sanlam Trustee Training
- Government/business/labour initiative and ASISA focus areas



Factors that contribute to the resilience and prosperity of our organisational clients

Many of our client-focused processes and practices are standardised across individual and organisational clients. This relates, in particular, to Sanlam's management of its client-focused financial resilience factors. Where our approach for individual and organisational clients is similar, we provide a short summary of key facts (as well as references to more information).

Financial solutions that meet clients' needs and expectations

Our business model depends on our ability to provide financial services solutions to clients across market segments and geographies. These solutions must fulfil clients' needs for wealth creation and protection and should be tailored to clients' specific needs and circumstances at a fair price.

To ensure the suitability or appropriateness of a product or service, Sanlam ensures:

- Intermediaries are suitably trained and informed on the risks and benefits of products and services;
- Products and services are marketed through clear and fair communication that is appropriate to the target group;
- Products and services are designed and developed for specific target markets, based on a clear understanding of the likely needs and financial capability of each client group; and
- Sanlam has adequate systems in place to deal with complaints in a timely and appropriate manner to remedy mis-selling.

Sanlam creates further value for clients through a client-centric culture and optimised processes and scale.



Read more about Sanlam's management approach from page 16.

We offer organisational clients the following products and services:

Life insurance



General insurance



Investment management



Credit and structuring



Administration, health and other



Contributing to the broader financial resilience and prosperity of organisations and individuals through corporate-focused products and solutions

Many employers recognise the benefits of investing in employee wellness. These benefits include, for example, improved employee engagement and a strengthened EVP to attract and retain the best talent, thereby building an organisation's brand and reputation.

The provision of retirement, insurance and health and financial wellness benefits to employees further builds their individual resilience. Most notably, it reduces employees' financial stress and uncertainty.

Through Sanlam Corporate, we target chosen corporate clients in South Africa and offer financial solutions underpinned by:

- Employee benefits (providing risk and investment solutions and administration services to institutions and retirement funds);
- Health solutions and products; and
- Institutional offerings.

2017 highlights: Cluster contributions to financial solutions that meet clients' needs and expectations

Sanlam portfolio managers were recognised as top performers in their fund categories at the 21st Raging Bull Awards. Sanlam Investment Management (SIM) Enhanced Yield Fund, the SIM Small Cap Fund, and the SIIP India Opportunities Fund received awards.

Partnering for resilience and prosperity in Sanlam Emerging Markets, including collaboration with Santam

In line with our vision to be a leading Pan-African diversified financial services player, SEM is pursuing new product lines that will enable us to offer a comprehensive package to corporates in the Rest of Africa, India and Malaysia. This includes health solutions and products, as well as the cross-selling of life and general insurance products as part of a comprehensive employee benefits offering.

This contributes to financial resilience and prosperity of employers and employees in emerging markets, as retail channels are often under-developed and insurance penetration is low.

To achieve this ambition, SEM is working with corporate brokers at regional and in-country levels to structure tailored insurance solutions that provide synergies and convenience for targeted multinational corporations.

As SEM previously focused mainly on retail product lines, it is important to align regional ambitions of in-country partners with SEM's longer-term strategy. SEM is focused on implementing a partnership model – collaborating with regional partners and leveraging strategic alliances to mutual benefit, as well as initiating in-country consolidation. The success of this model can be seen in SEM's partnership with Morocco-based Saham Finances, which expanded our footprint into 34 countries in Africa.

In addition to in-country partners, SEM joined forces with Santam to deliver a range of specialist insurance products to corporates in the Rest of Africa. This includes, for example, marine, aviation and transport insurance. The Santam Specialist business consists of underwriting managers and divisions, all of who are experts in their respective fields with a keen focus on entrepreneurial thinking. By staying abreast of current market conditions and trends, Santam will assist corporates in emerging markets to identify opportunities or threats to their business and, in turn, offer the best advice on how to mitigate potential risks.

For Santam, potential risk includes the rise of cyber-risk for corporates and multinationals. In 2017, the world experienced one of the most advanced and widespread ransomware attack in history. This attack affected Ukraine's central bank and infrastructure, global advertising group WPP, and Russian oil conglomerate Rosneft, among others. Santam is adding cyber insurance to its range of specialist insurance products.

Factors that contribute to the resilience and prosperity of our organisational clients (continued)

Sanlam Investments

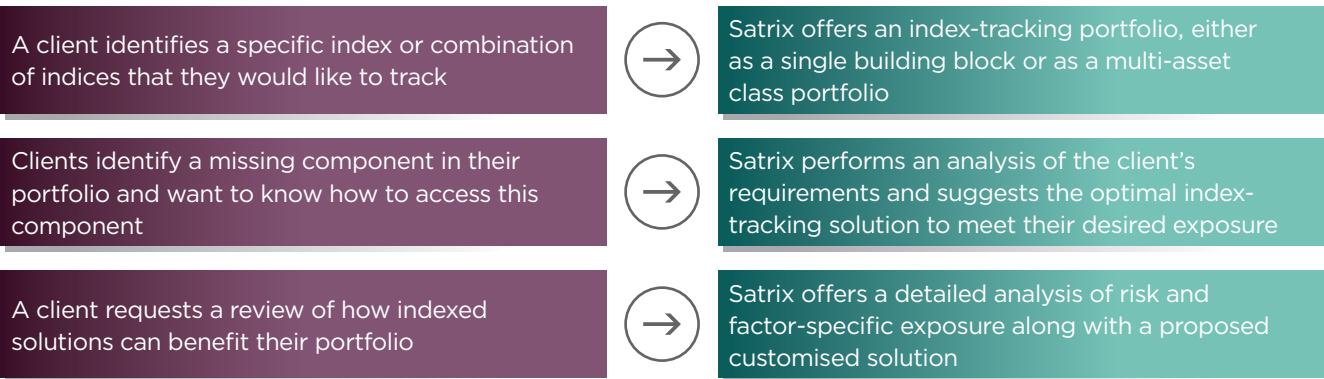
Prior to Sanlam Investments being awarded an investment mandate, clients receive advice from an appointed investment consultant. These consultants assist clients with setting their investment objectives and crafting an investment strategy likely to meet these objectives, as well as with selecting an appropriate asset manager.

Rather than advising clients, Sanlam Investments' role is therefore to provide clients with detailed information on the product option selected by their consultant. This includes information on the product's returns history, risk characteristics, investment philosophy and process. Our contribution to ensuring that financial solutions meets clients' needs and expectations is therefore

by ensuring that we deliver the returns promised by the product we provide. To achieve this, we have a robust investment platform available to our investment teams, from which investment ideas are generated and portfolio risks meticulously managed.

To strengthen our client value proposition, we established a Client Solutions and Research unit in 2016. This unit's role is to ensure that we position our product offering as a solution rather than a stand-alone product. This helps clients to better understand what value our products bring to their existing portfolios.

Satrix supports organisational clients and assists them to analyse their investment mandate to achieve desired outcomes, for example:



Access to financial solutions and advice through preferred distribution channels

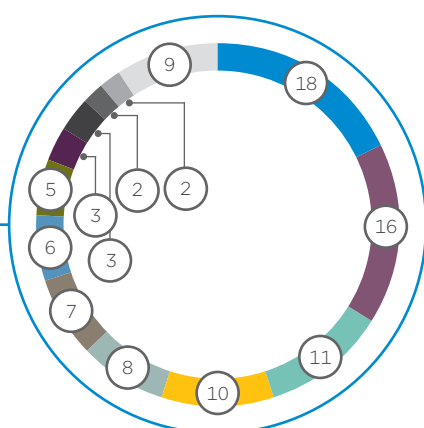
We offer clients financial solutions through an omni-channel range of engagement opportunities, including personal and direct formats based on client preference. Our current distribution channels are broadly classified into four categories:



Read more about our distribution channels and omni-channel approach from page 42.

Insurance penetration in most of Sanlam's key markets outside South Africa remain well below global standards, reflecting significant under-insurance:

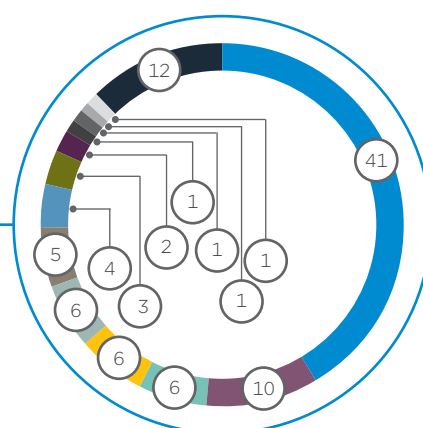
Geographical split of African life insurance premiums in 2015 (excluding South Africa)



Legend

● Morocco	● Nigeria	● Tunisia
● Egypt	● Zimbabwe	● Algeria
● Kenya	● Botswana	● Others
● Namibia	● Côte d'Ivoire	
● Mauritius	● Ghana	

Geographical split of African non-life insurance premiums in 2015 (including South Africa)



Legend

● South Africa	● Angola	● Tanzania
● Algeria	● Tunisia	● Mauritius
● Kenya	● Sudan	● Côte d'Ivoire
● Egypt	● Namibia	● Others
● Nigeria	● Ethiopia	

Source: Africa Insurance Barometer 2017, African Insurance Organisation

Factors that contribute to the resilience and prosperity of our organisational clients (continued)

South Africa is among the most advanced life insurance markets in the world and accounts for approximately 86% of Africa's total life premiums. In comparison, most other African life insurance markets are small by international standards. Apart from South Africa, only Morocco generated a life premium volume of more than US\$1 billion in 2015.

South Africa's non-life insurance premiums totalled US\$8,4 billion in 2015, accounting for 41% of total African non-life insurance premiums. Other major non-life insurance markets include Morocco, Egypt and Algeria in North Africa and Kenya, Nigeria and Angola in sub-Saharan Africa. Non-life insurance growth in the lower and middle income sub-Saharan countries is typically driven by commercial lines insurance (engineering, oil and gas, and mining).

Sanlam's expansion into developing markets in the Rest of Africa, India and Malaysia creates opportunities to capitalise on the growing demand for insurance products in commercial and personal lines. This includes meeting demand with a broader spectrum of insurance products – across personal lines and among corporates. To this end, we deliver technical and product expertise, while product distribution greatly benefits from on-the-ground expertise provided by in-country partners.

Suitable advice provided to clients for them to obtain the benefit of savings and risk management

Our intermediaries should be professional, well-informed and up to date regarding all legislative and regulatory compliance requirements. We should also ensure that advice takes into account clients' circumstances, is not exploitive, and does not take advantage of low levels of financial literacy. Training and development therefore play a pivotal role in ensuring that Sanlam's tied advisers and intermediaries are able to serve their clients' needs effectively, within the legislative requirements.



Read more about our Financial Planning Academy from page 47.

2017 highlights: Cluster contributions to suitable advice provided to clients for them to obtain the benefit of savings and risk management

Sanlam Employee Benefits and Santam were awarded top accolades at the 2017 Financial Intermediaries Association of Southern Africa (FIA) Awards, which celebrates the financial services brands that provide the best product, relationship and service to the country's financial advisers and insurance brokers.

Fair treatment

Our TCF approach is supported by appropriate controls, governance structures, management information and self-assessments.

Future priorities for our organisational clients

Sanlam Emerging Markets (SEM)

- Following the announcement of the acquisition of the remaining stake in Saham Finances, SEM will collaborate with Saham Finances to leverage its footprint for multinational offerings. This includes optimising reinsurance for organisational clients via a Pan-African structure and cooperating on third-party administrator and health insurance.

Sanlam Corporate

- Sanlam Corporate will focus on strengthening its relationship-based partnership approach to create a more unified experience for clients. This includes finding new and innovative ways of packaging appropriate solutions across clusters to ensure a seamless client experience. This will include exploring digital platforms.

Santam

- Collaboration between Santam, the Department of Cooperative Governance and Traditional Affairs and the Emthunzini Broad-based Black Economic Empowerment Community Trust resulted in an acceleration of the Programme for Risk and Resilience (P4RR), which will be extended from five to 53 local municipalities over the next five years. The focus of P4RR is to identify and reduce systemic risk at municipal level through on-the-ground initiatives to protect the lives of vulnerable communities and people living in disaster-prone, high-risk areas.



Our
contribution
to a resilient
society



Smooth commitment to transformation



Sanlam Employee Benefits, in partnership with 27four Investment Managers (27four), launched South Africa's first black-managed smooth bonus product. The Progressive Smooth Bonus Fund is managed by 27four.

This initiative is evidence of our commitment to empowerment as a business goal and national economic necessity for creating resilience and prosperity. It enables us to shape an inclusive future for the sector, in line with the principles outlined in the Financial Sector Charter.

The smoothed bonus fund, which is managed by black asset managers, was created for progressive clients that value the economic empowerment of black asset management firms and seek out smoothing in investment products. This product was developed in response to a lack of investment flows to black-managed portfolios and the complete absence of any black-managed smoothed bonus portfolios.

Black asset managers currently preside over less than 10% of private sector assets under management in South Africa. The fund therefore offers a suitable financial vehicle for investors to play a tangible role in contributing to the transformation of the financial services sector, and the South African economy as whole.

Our contribution to a resilient society

To achieve our purpose to build a world of Wealthsmiths™, Sanlam identified a specific set of factors that build financial resilience and prosperity for the societies we operate in.

Communities are the base from which demand for Sanlam's products and services is generated, and from which human resources are employed. It is therefore important that we contribute to healthy, growing and equitable communities.



For societies, Sanlam aims to provide:

- Entrepreneurship (enterprise and supplier development and social entrepreneurship);
- Consumer financial education;
- Socio-economic development (education at primary, secondary and tertiary level); and
- Environment-related risk management (how we manage the impact that climate change has on the business and how we ensure environmentally-responsible investment).

In addition, we:

- Engage (with development goals) and impact issues of poverty, unemployment and inequality; and
- Invest in support of economic growth and financial stability (funding provided to government and private enterprises, as well as liquidity provided to the banking system).

Factors that contribute to the resilience and prosperity of society

Performance highlights

→ **Sanlam's corporate social investment spend**

R93 million

(2016: R68 million)

→ **Sanlam's contribution to socio-economic development**

R91 million

(2016: R57 million)

→ **Transformational Infrastructure***

R49 million

(2016: R33 million)

* Transformational Infrastructure refers to targeted investments in affordable housing, agricultural developments etc., in South Africa.

Entrepreneurship (enterprise and supplier development and social entrepreneurship)

Small and medium enterprises (SMEs) play a major role in most economies, particularly in developing countries. In South Africa, for example, the government has prioritised entrepreneurship and the advancement of small, medium and micro-sized enterprises (SMMEs) as a catalyst to achieving economic growth and development.

We similarly recognise that transforming our supply chain will enable us to contribute toward a more equitable and sustainable society. As such, increasing the number of sustainable black-owned and black women-owned enterprises in South Africa remains a top priority.

Financial resilience and prosperity for individuals, organisations and society requires healthy, growing and equitable economies. Sanlam contributes to this by providing liquidity to the banking industry, by responsibly managing the retirement savings of millions of people and providing protection for their assets, investing in local businesses and communities through enterprise and supplier development, education programmes and by enhancing responsible consumer financial education.



Sanlam's approach to enterprise and supplier development (ESD) centres on nurturing the entrepreneurial talents of individuals, and unlocking opportunities in high growth potential businesses. Our focus is on the depth and not the breadth of our engagements with the businesses we support.

In addition, Sanlam's ESD strategy seeks to enhance efforts to create and maintain a network of competent suppliers to drive transformation within our supply chain.

Sanlam's ESD portfolio focuses on the following areas:

- Small businesses with turnover of around R5 million per annum that are supply chain ready and can be folded back into Sanlam's supply chain (particularly black women-owned businesses)

- Small business with turnovers of more than R5 million that are already in Sanlam's supply chain and can benefit from business development and/or investment support.

In South Africa, we continued efforts to align our ESD and preferential procurement efforts to meet the requirements of the FSC scorecard. In 2017, 29,1%* (2016: 31,41%) of our procurement spend went to SMMEs, and we achieved full points on the FSC scorecard for preferential procurement.

Rolled out in partnership with ASISA, Sanlam's ESD programme is our flagship development initiative. This programme demonstrates our commitment to uplifting South Africa through the promotion of sustainable development and job creation.

Sanlam's ESD programme was initiated in July 2013 to support the strategic growth and development of

SMEs linked to Sanlam's supply chain and distribution networks. The programme provides SMEs with best practice ESD support, and strategic business drivers were identified to ensure that the programme enhances efficiency and thereby the competitive advantage of SMEs. The following key objectives underpin the programme:

- Improving distribution and supply-chain management
- Growing suppliers and target markets
- Strengthening industry impact and transformation
- Sharing leading success stories
- Enabling optimal and cost-effective compliance.

The objectives of Sanlam's ESD Programme are supported by three distinct projects, which reported the following achievements in 2017:

* Stockbroker spend included in 2017.

Accelerator

Accelerator develops and helps transform our supply chain. The project provides selected, black-owned SMMEs within Sanlam's supply chain with support, acceleration, access to markets, mentorship and access to investment funding.

16

Enterprises

328

Jobs supported

14

Jobs created

25%

Average increase in revenue

1 536

Hours of support provided

Catalyst

Catalyst develops and helps transform our distribution channel. The project provides specialist business development support to 25 black-owned financial planning practices.

5

Jobs created

120

Hours of business development support

14%

Average increase in revenue

32

Jobs supported

BlueStar

BlueStar focuses on our distribution capability by providing specialist practice management training to 80 black financial planners. The project empowers financial planners with practical management skills and knowledge, enabling them to own and run a financial planning business with BlueStar accreditation.

80

Advisers and associate advisers

512

Hours of business development support

43

Created businesses

Factors that contribute to the resilience and prosperity of society (continued)

 Our ESD Programme contributed R10 million and R40 million towards the ASISA ESD fund in 2015 and 2016, respectively. The focus in 2017 was to extract value from these funds by ensuring that suppliers in the value chain are empowered.

Since its inception, the Sanlam ESD Programme has been able to support 1 399 businesses, create new jobs at an average cost of R76 000 per job and grow revenue at an average of 21%. The programme has also seen R22,5 million investment in businesses, as well as R28 million in procurement spend.

2017 highlights: Cluster contributions to entrepreneurship

Sanlam Emerging Markets

During the year, SEM collaborated with the Sanlam Foundation to conduct surveys in multiple territories across the Rest of Africa, in particular Sanlam-branded entities. The purpose of these surveys was to gain an understanding of different communities' needs in emerging markets – focusing on consumer financial education, poverty alleviation and SED. Using the results of these surveys, SEM will work closely with in-country partners to develop and roll out high-impact social initiatives where needed.

SEM's strategic alliances with its distribution partners make up one of the building blocks of its strategy. This extends to SEM's contribution to ESD, which is supported through its partnerships with Shriram Capital and Letshego Holdings, for example.

Shriram Transport Finance Company (STFC) operates in India and is part of Shriram Capital. STFC is India's largest asset financing company, with the vision of **servicing the underserved, creating value at the bottom of the pyramid**. To this end, STFC supports entrepreneurship by providing small scale truck owners capital to purchase pre-owned trucks. In addition, they offer entrepreneurs working capital and value-added support services that include financing for tyres, engine replacement, and accident repairs.

To stimulate trade in this sector, STFC has established 70 Automalls across India. The Shriram Automalls are a first-of-its kind initiative for the trading of pre-owned commercial vehicles, infrastructure and agricultural equipment in a transparent manner. Apart from vehicle transactions, the Automall helps customers

seek financing and insurance advice, and provides refurbishment solutions for vehicles.

Shriram City Union Finance (SCUF) is a deposit accepting non-banking finance company that engages in retail finance in India. The business contributes toward financial inclusion by servicing the under-banked section of India's population. Over half of SCUF's book comprises loans to small enterprises.

Letshego Holdings is headquartered in Gaborone, Botswana, with an 11 country presence across Southern, East and West Africa. Its subsidiaries provide simple, appropriate and accessible consumer, microfinance and savings solutions to those who are financially underserved by conventional banks and financial institutions. This includes small, medium and micro-sized enterprises. Letshego believes that the expansion of financial inclusion across the continent will significantly contribute to sustained social-economic development in Africa. Approximately 13% of its loan book comprises micro-sized and small enterprises and informal lending.

Sanlam Investments

Sanlam Investments participates in various ESD initiatives. Highlights for 2017 include:

- R3 million interest-free loan provided to a fund manager to ensure that it has adequate working capital for the first 12 months, while establishing its business
- Grant funding of R2,5 million provided to the Sanlam ESD Programme
- Grant funding of R1 million provided to the Sanlam Stockbroking Programme. This programme is specifically designed to develop black stockbrokers

Sanlam Investments supports qualifying enterprise development initiatives through its script lending business.

Sanlam's BBBEE contribution



Transformation is viewed as an ongoing priority and is an overall enabler of our business strategy. The key elements of transformation are measured against the targets set for BBBEE, as determined by the FSC in South Africa. Our performance against the relevant elements of the scorecard is outlined below:

Sanlam's verified FSC scorecard

	Maximum weighting	2016*	2017
Ownership	23 + 5	25,20	23,73
Management control	20	5,56	5,67
Employment equity	20	5,84	6,26
Skills development	20 + 3	16,12	16,63
Preferential procurement	15 + 4	13,61	17,36
Enterprise development	3 + 1	3,29	2,60
Supplier development	7 + 3	4,87	4,10
Socio-economic development	3 + 2	3,00	3,00
Empowerment financing	15	15,00	15,00
Access to financial services⁽¹⁾	12	11,00	11,50
Consumer education	2 + 1	1,55	1,59
Total	120 + 19	105,03	107,44
Contributor level		2	2

* 2016 FSC scores have been converted to the same FSC codes as 2017, for comparative purposes.

Factors that contribute to the resilience and prosperity of society (continued)

Consumer financial education

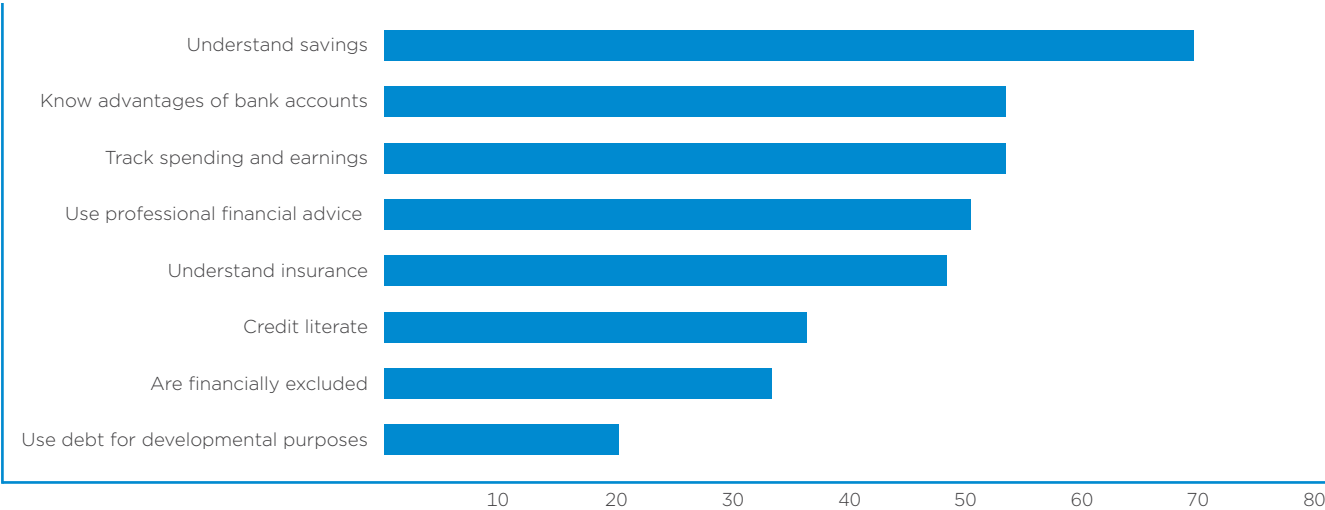
Consumer financial education (CFE) is a priority in many countries, including countries in Africa, India and Malaysia.

Financial literacy is key to improving individual financial behaviour, preventing over-indebtedness, protecting clients, contributing to market development and ensuring financial resilience and prosperity. It supports responsible financial inclusion and drives broader economic and social development goals.

In the markets in which we operate, the need for financial literacy cannot be over-emphasised.

According to a global survey by Standard & Poor’s Financial Services LLC, less than 25% of adults are financially literate in South Asian countries. India is home to 17,5% of the world’s population, however, nearly 76% of its adult population do not understand basic financial concepts.

In the Southern African Development Community (SADC), the proportion of adults who:

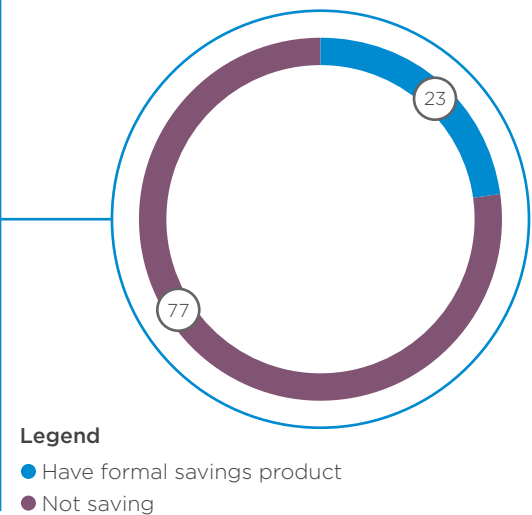


Source: The FinScope Survey – a cornerstone project of FinMark Trust, whose primary goal is to promote financial inclusion. Information presented at the SADC Financial Inclusion Indaba, July 2017.

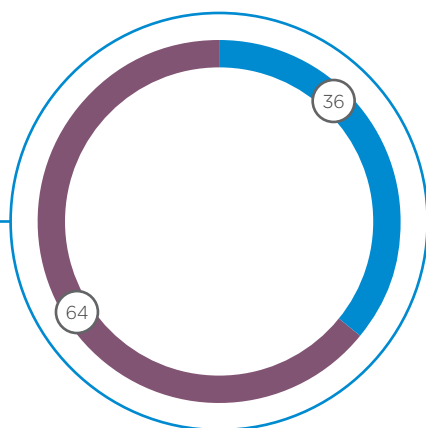
 The SADC region includes some of Africa’s more developed markets, such as South Africa, Namibia and Botswana. In many other countries across the continent, the indicators of financial literacy are generally far lower.

In South Africa, the use of credit has grown. Savings are low but have remained stable year-on-year.

Saving (%)

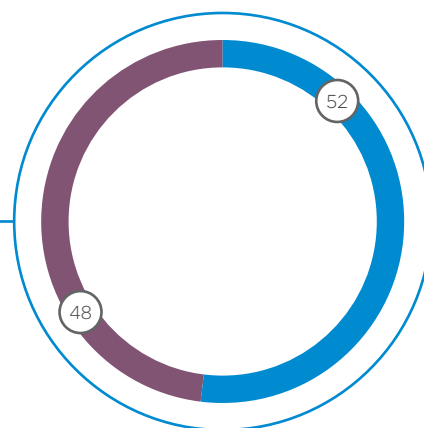


Informal savings and risk (%)

**Legend**

- Have informal product
- Don't save

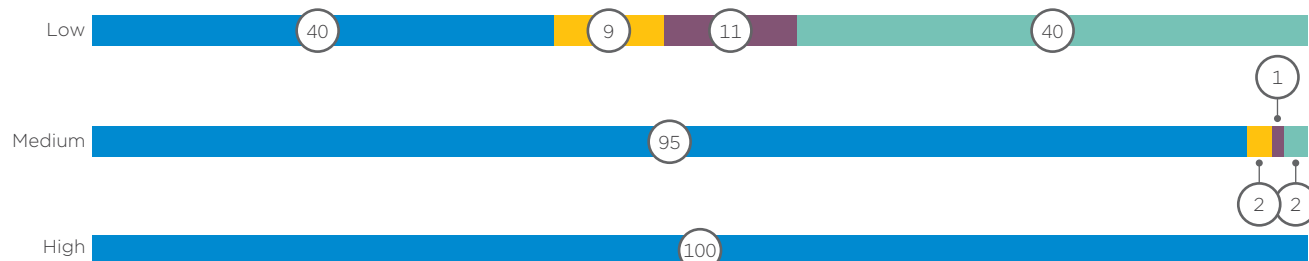
Credit

**Legend**

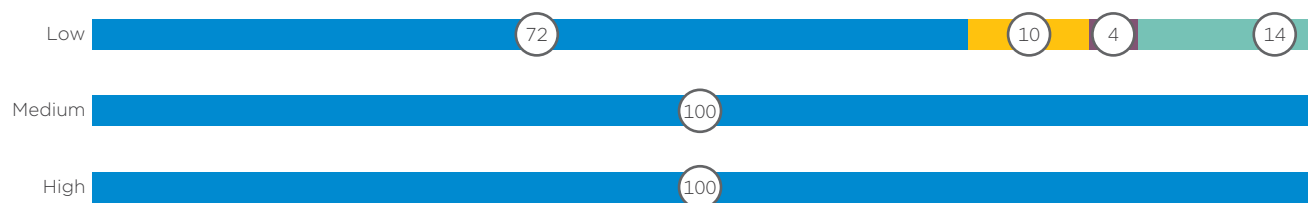
- Have taken formal credit
- Not borrowing

Since 2006, financial inclusion for lower income consumers rose from 60% to 86% while financial exclusion dropped from 40% to 14%.

2006



2016

**Legend**

- Banked
- Formal other
- Informal only
- Not served

Factors that contribute to the resilience and prosperity of society (continued)

While financial inclusion has increased, South African consumers are still struggling with high levels of debt. In addition to limited knowledge of resource mechanisms to help them structure debt better, consumers are susceptible to the economic pressures of rising living costs. This contributes to low savings rates, and is aggravated by associated factors such as predatory lending.

In South Africa, the Sanlam Foundation's chosen CFE programmes respond to these needs. Programmes are conducted nationwide, in rural and urban areas, with special attention paid to poorer citizens.

The growing complexity of this environment in South Africa, as well as in the markets where we operate, demonstrates an urgent need for enhanced CFE that promotes understanding and awareness.

Our flagship financial literacy projects in South Africa include:

Sanlam Ayoba Financial Programme

Sanlam partnered with Ayoba Training in 2016. Ayoba Training is non-profit organisation that promotes basic knowledge and information on financial matters through facilitated training that focuses on money management, savings, debt and credit, and insurance. Sanlam contracted Ayoba Training to conduct financial training that focuses on LSM¹ 1 – 5, targeting community and worksite beneficiaries, and schools.

37 696

Beneficiaries reached

9

Provinces reached

3 601

Worksite members reached

34 095

Community members reached

Project Qaphela and Wage Wise in Association with ASISA

This financial literacy programme targets workers – in particular, members of the National Union of Mineworkers (NUM), who work in mining, energy and construction.

5 364

Beneficiaries reached

3

Provinces reached

135

Number of sessions

Sanlam for Professionals and Graduate Programme

Research conducted by Sanlam among final year students indicated that financial literacy training was lacking and they were ill-prepared to cope with financial responsibilities, particularly as they prepare to enter employment. This is a need that we are well-equipped to meet.

988

Beneficiaries reached

5

Provinces reached

20

Number of sessions

Sanlam Trustee Training

This programme started in 2013 and aims to equip trustees with the skills and understanding to carry out their duties effectively. This is particularly important in the protection and growth of the assets that secure the financial futures of so many workers.

29

Beneficiaries reached

7

Provinces reached

29

Number of sessions

¹ LSM is the Living Standards Measure used in Southern Africa. It divides the population into 10 LSM groups, 10 (highest) to 1 (lowest), and categorises people according to their living standards using criteria such as degree of urbanisation and ownership of cars and major appliances.

In 2017, Sanlam spent R24 million (2016: R23 million) on CFE initiatives, and influenced the attitudes and financial futures of more than 44 077 South Africans across the country. Through our CFE approach, more than 50 000 South Africans have received financial literacy training since 2014.

2017 highlights: Cluster contributions to consumer financial education

Sanlam Investments

Pension funds are responsible for safeguarding and growing the investments and savings of members. It is therefore crucial that these funds are managed and administered responsibly, and that trustees who are appointed to oversee pension and retirement funds can make decisions in the best interests of members. This requires trustees to have a strong understanding of financial matters and the legislation governing their work. However, this can be problematic given the differences in the background, experience and knowledge of trustees.

In 2013, Sanlam Investments launched the Trustee Education and Training initiative, with the intent of contributing to the development of trustees. The programme seeks to ensure that trustees are adequately equipped and empowered with the knowledge and analytical ability to make sound investment decisions, and to carry out their duties with care and diligence.

For a training programme to be effective, it must build skills and knowledge among participants that can be applied in any workplace or practical situation.

To determine the effectiveness of this initiative, DNA Economics, a specialist economics and development consulting firm, evaluated Sanlam Investments' Trustee Training (SITT) Level II programme in 2017. SITT Level II was developed in 2016 as an advanced trustee training programme following the success of SITT Level I, which was highly rated by participants.

The evaluation proved that:

- The SITT programme is targeted at the correct trustees;
- The objectives of the training were clear, and content was relevant to trustees;
- Participants felt that the SITT Level II training positively enhanced their knowledge and understanding of investment policy. The results of a knowledge test verified this perception, with 88% of participants passing the assessment; and
- Participants believed that the training had a positive influence on their confidence, participation in meetings, and decision-making skills.

Santam

In collaboration with a variety of Agri development partners, like Grain SA, Santam drives CFE training programmes that target emerging farmers from villages and rural towns across South Africa.

In 2017, Santam's key collaboration has been with Grain SA in supporting around 3 000 farmers. The five-year programme involves a host of collaborators of which an insurance partner was a critical component. Santam joined the programme in the third year of operation.

The aim of the programme is to advance farmers from subsistence to commercial farming by strengthening their ability to improve the yield of maize crops. Challenges and risks like changing weather patterns, drought, labour costs and unrest, and crop disease impact emerging farmers in particular as they often lack the necessary financial and business skills to remain resilient.

Santam's role is to provide consumer financial education and guidelines on how to run effective commercial farms from an insurable risk perspective. The programme includes face-to-face financial skills training, information on risk management, and ongoing mentorship and support. The programme is run by Santam Agriculture. With over 80 years' of experience in the agricultural insurance industry, Santam Agriculture understands the complexity of the agricultural industry, as well as how to mitigate the risks facing farmers.

Fashion with a difference: **tackling South Africa's low savings rates**



Sanlam launched the Mna Nam campaign in support of National Savings Month – South Africa's annual national savings awareness campaign held in July.

National Savings Months aims to create awareness among South Africans of the benefits of short, medium and long-term financial planning, as well as get them into the habit of saving. Considering South Africa's low savings culture, this is a powerful opportunity to reach consumers and contribute to their financial resilience through savings initiatives on a national level.

The Mna Nam meets this objective. It is a limited edition bracelet with an embedded QR code that links to a savings wallet on the wearer's mobile phone. Designed in collaboration with one of South Africa's top local fashion designers, Laduma Ngxokolo, this wearable technology, or "functional fashion", enables users to scan and save instantly.

The Mna Nam campaign is the first of its kind globally and aims to create a compelling and fashionable solution that contributes towards improving South Africa's poor savings culture. Fashion, in particular, is seen as an aspirational and high-interest area. The Mna Nam campaign profiled influential and well-known South African personalities talking about the need to save. The campaign therefore aimed to subvert the fashion space from one of excess to one of frugality.

The use of wearable technology further supports a shift in consumer behaviour – the easier the solution, the more likely that consumers will use it. In this way, the Mna Nam was an action-driven, forward-thinking campaign that equipped people with the tools to save for a better tomorrow.

In addition to the Mna Nam campaign, Sanlam has had widespread success with its previous National Savings Month social experiments. This includes the One Rand Man, One Rand Family and Conspicuous Savers.

Socio-economic development (education at primary, secondary and tertiary level; learnerships; among others)

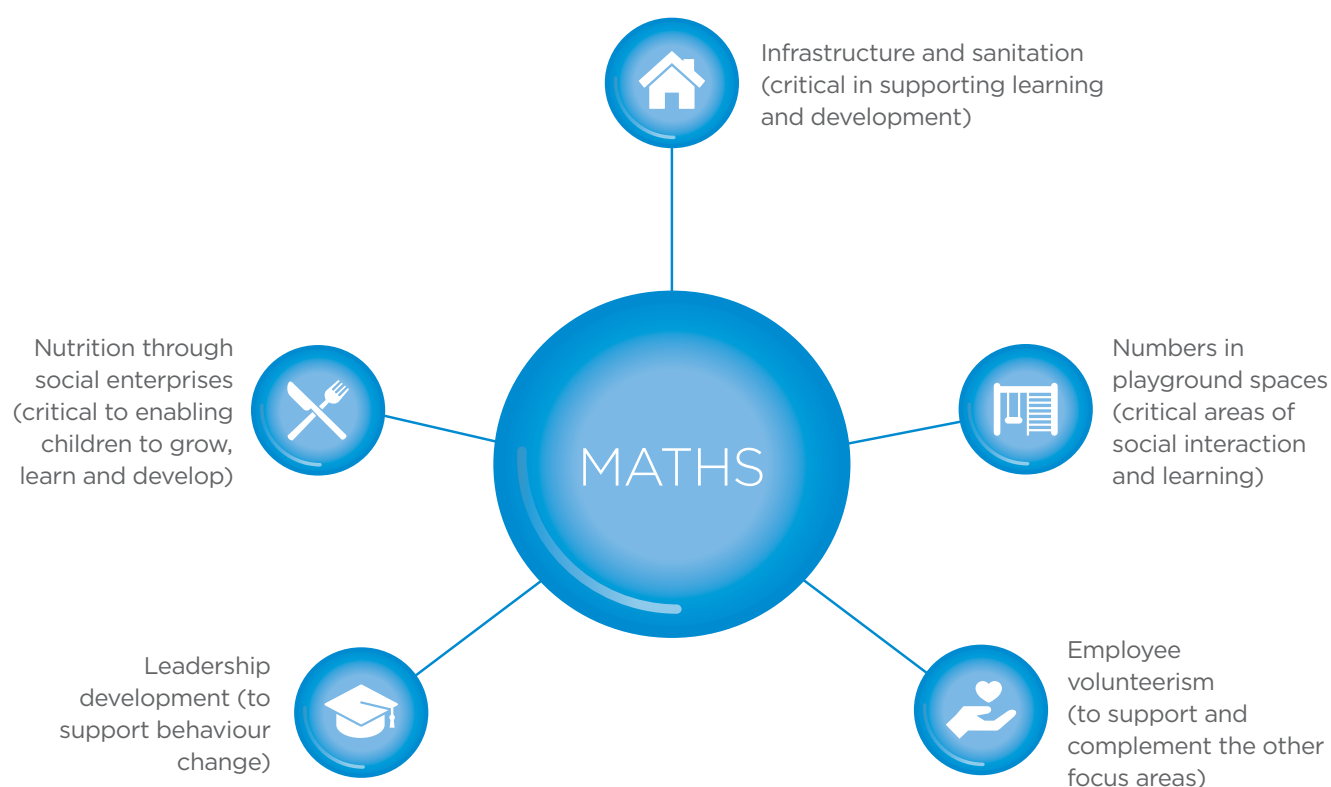
Human development is a prerequisite to economic transformation and inclusive growth. Investment in the basic health, education and social protection of individuals empowers them to move out of poverty, thereby improving their resilience and promoting social and political stability.

At Sanlam, we believe that corporates and government play a key role in addressing educational challenges by implementing a fit-for-the-future, skill-learning approach.

Considering the critical role that skills development and education play in human development, the Sanlam Foundation identified the Sanlam Blue Ladder Schools Programme as our flagship socio-economic development initiative.

This project has already improved the lives of learners, parents and their immediate communities at schools across South Africa. Aligned with South Africa's National Development Plan, the Sanlam Blue Ladder Schools Programme was conceptualised as a holistic initiative to address the challenge of poor maths results. The rationale behind identifying maths was the link back to scarce skills in our industry, the link between numeracy and savings rates and the bigger correlation between numeracy levels and poverty, unemployment and inequality. Part of the holistic approach was to help address some of the barriers to effective teaching and learning.

This includes a focus on:



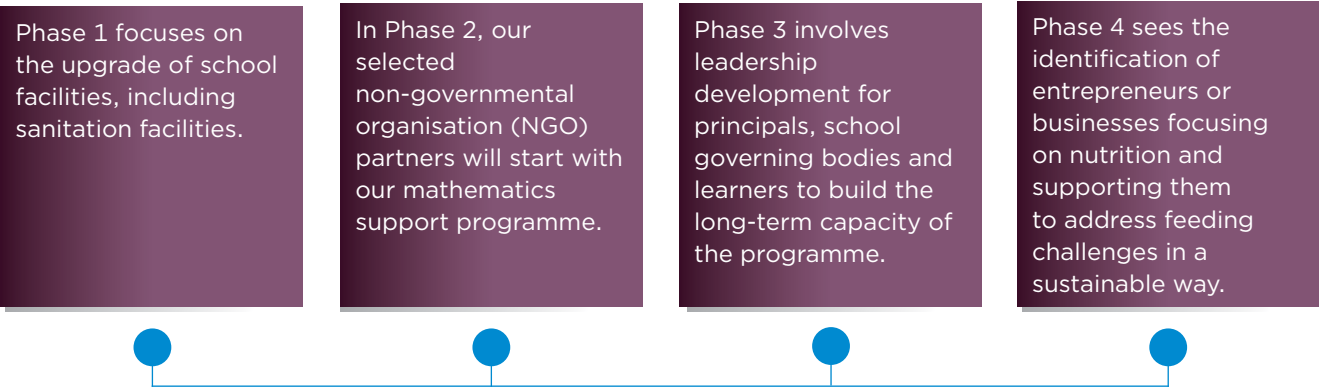
Factors that contribute to the resilience and prosperity of society (continued)

The programme will leverage partnerships with various organisations to achieve these outcomes. MCIS and MIET, for example, develop and run customised maths support programmes to help close historically cumulated knowledge gaps in poor schools.

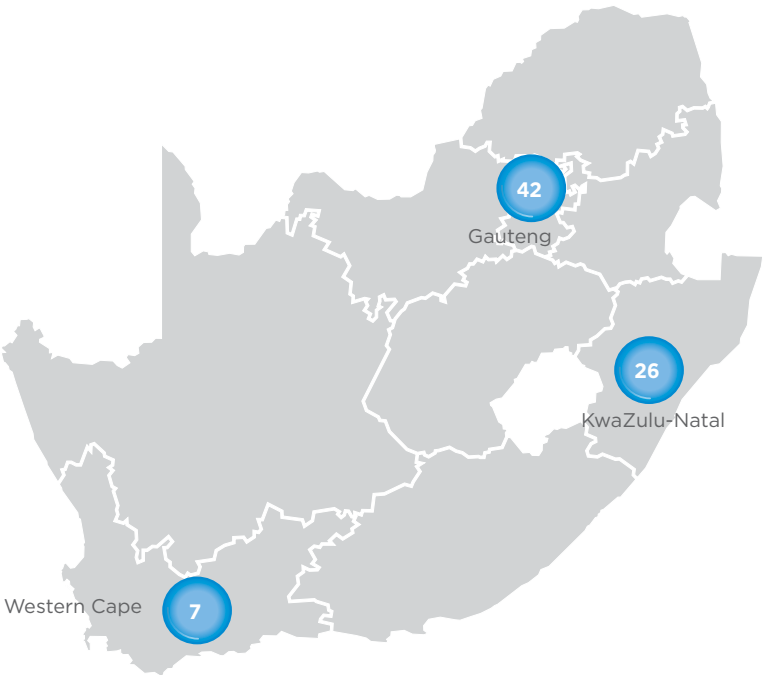
We are already seeing significant knowledge gain from educators (30% gain in five areas of knowledge gaps) in primary schools. The learners at these same schools showed a 15% improvement in their overall scores.



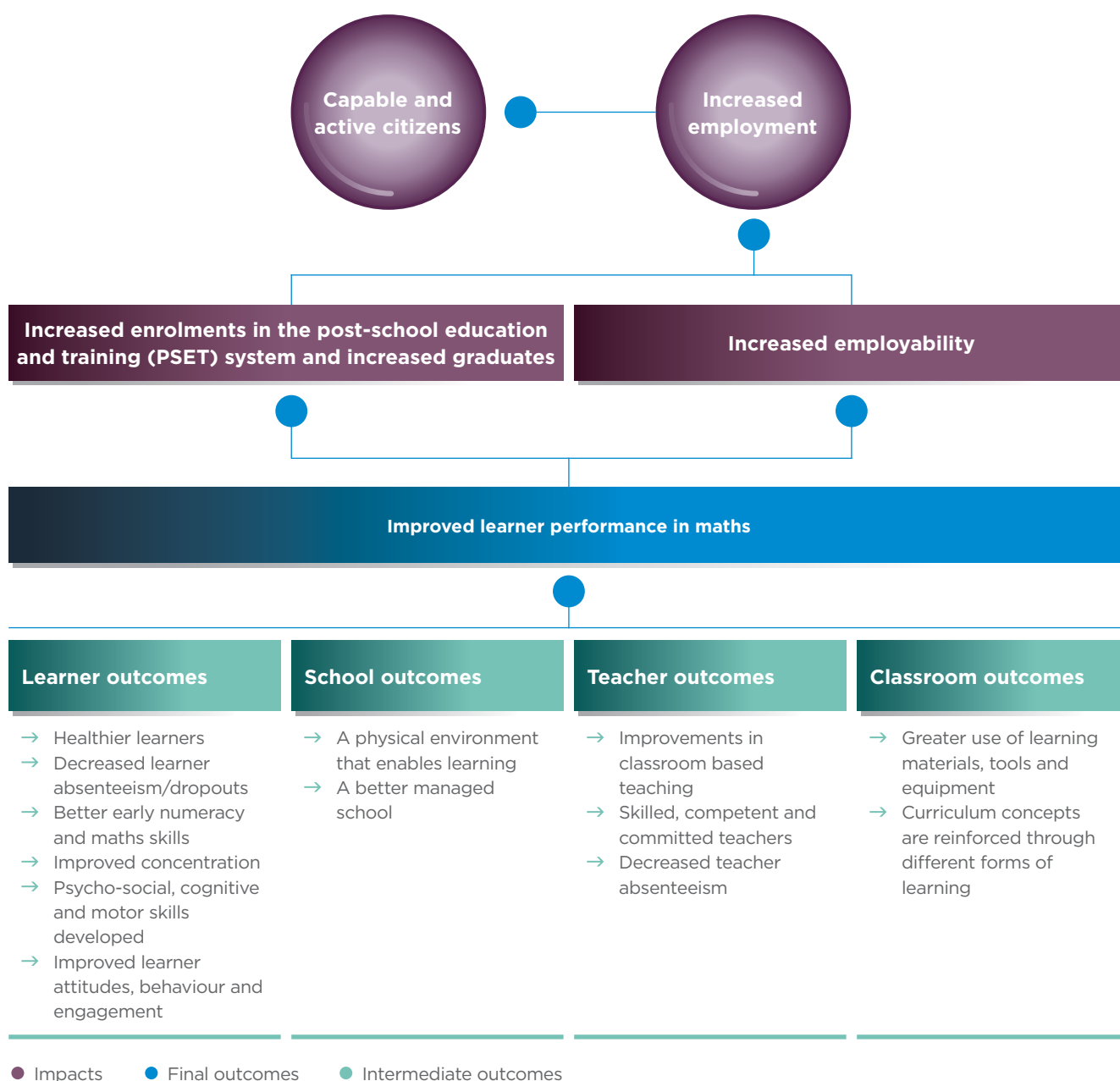
The Sanlam Blue Ladder Schools Programme is rolled out in each school as a five-year partnership, with strong elements of empowerment and accountability built into the programme design to ensure long-term sustainability. Most importantly, once our Blue Ladder Schools Programme is well established, we plan to roll it out as a blueprint that can be shared with organisations and industries countrywide in contribution towards national growth and human development.



The programme started with 25 schools in 2016. During 2017, we onboarded a further 50 schools.



The intended outcomes and impacts of this programme are illustrated below:



Sanlam's Employee Value Proposition prioritises internal and external employee interaction and collaboration. Externally, employee volunteerism and community involvement form an essential component of Sanlam's corporate culture. We will leverage this strength as part of our Blue Ladder Schools Programme by creating employee brand ambassadors for the programme. We have also launched an employee hub. This hub

will serve as an online, one-stop-shop for employees who want to learn about the programme, as well as the needs of different participating schools, to identify opportunities to get involved in this pioneering initiative. A further initiative will focus its attention on the current payroll to give the programme the opportunity to grow its contribution to supporting these Blue Ladder schools.

Factors that contribute to the resilience and prosperity of society (continued)

2017 highlights: Cluster contributions to skills development

Sanlam was named as a runner-up in the insurance category at the South African Graduate Employers Association (SAGEA) Employer Awards 2017, which celebrate the achievements of South Africa's leading graduate employers.

The SAGEA Candidate Insights Survey is conducted annually to help SAGEA members evaluate their graduate campaigns and plan future recruitment programmes. This is the first time Sanlam has been acknowledged in this survey. Sanlam offers a number of structured graduate programmes, including the Graduate Leadership Programme, Chartered Accountant Training Programme, Actuarial Training Programme and the Investments Academy, designed to develop young graduates' professional, technical, inter-personal and leadership competencies.

As part of our commitment to help address the funding challenges in tertiary education, we have committed resources to the Ikusasa Student Financial Aid Programme (ISFAP) which was established in 2016. This public-private partnership indicates the positive work which can be done when government and the private sector align to address issues of national importance. On the back of contributions from corporate South Africa, 678 bursaries have been allocated across seven institutions covering 11 different degrees. The model is a sustainable one, which does not only allocate funds to students, but also supplies ongoing "wrap-around" non-financial support to help set students up for success. In 2017, Sanlam contributed R3 million to ISFAP.

Sanlam Corporate

In 2011, Sanlam Employee Benefits partnered with the JB Marks Education Trust Fund (the Trust). The Trust was established by the National Union of Mineworkers (NUM) in 1997 to educate and empower National Union of Mineworkers (NUM) members and their children or dependants, particularly those graduates entering the mining, energy and construction sector. With the support of Sanlam, 20 students have obtained qualifications in accounting, marketing, communication, business management and psychology since the inception of the Trust in 1997. Following an initial investment of R5 million, SEB confirmed its support of the Trust for a further four years. From 2018, SEB will sponsor an additional R5 million at R1,25 million per year. The period of four years relates to the time it takes to complete a four-year degree.

Environment-related risk management (how Sanlam manages the impact that climate change has on the business and how Sanlam is ensuring environmental stewardship)

Sanlam recognises the increasing impact of climate change and its potential impact on future earnings growth. We continuously investigate how best to bring environmental factors into our investment decisions, while increasing our share of investments in environmentally responsible markets where feasible. Sanlam continuously works to minimise our environmental footprint to prepare for and support a low-carbon economy.

Growth in sustainable, responsible and impact investing (SRI), by region: 2014 to 2016

Region	2014 US\$ billion	2016 US\$ billion	Growth over period	Compound annual growth rate
Europe	10 775	12 040	11,7%	5,7%
United States	6 572	8 723	32,7%	15,2%
Canada	729	1 086	49,0%	22,0%
Australia/New Zealand	148	516	247,5%	86,4%
Asia excluding Japan	45	52	15,7%	7,6%
Japan	7	474	6 689,6%	724,0%
Total	18 276	22 890	25,2%	11,9%

Source: Global Sustainable Investment Review, Global Sustainable Investment Alliance, 2016

Responsible investment

The manner in which institutional investors approach environmental, social and governance (ESG) issues is gaining increased attention around the world. Globally, it is estimated that there are US\$22,89 trillion of assets being professionally managed under responsible investment strategies, an increase of 25% since 2014.

Pension funds, insurers and asset managers should be equipped to understand and respond to potential risks and opportunities arising from ESG-related factors in order to safeguard the assets that they invest on behalf of their clients. Understanding ESG issues and the potential impact of ESG factors on both their investment strategy and the broader operating environment is therefore an integral part of good governance for institutional investors.

Sanlam Investments provides retail and institutional clients in South Africa, the United Kingdom and elsewhere in Europe access to a comprehensive range of specialised investment management and risk management expertise.

As value investors, Sanlam Investments' investment philosophy is to make use of opportunities created when prices differ from their fair value. Generally, Sanlam invests in assets that are trading below its fair value estimate and disinvests from assets that are trading above its fair value estimate. Sanlam's team of analysts therefore conduct in-depth research to gain insights into what an asset is truly worth, instead of what investors are willing to pay.

We are confident that by applying this approach over the long-term and riding out volatile and uncertain periods, Sanlam will be able to deliver consistent, long-term investment performance for clients. By taking the long-term view, we also recognise that non-financial issues may play a greater role in our valuations. These issues are typically related to the quality of companies' relationships with their broader stakeholders and their

responsible stewardship of natural resources, as well as their own governance approach. Accordingly, we embed sustainability into our core investment process to better understand the potential for companies to deliver their cash flows into the future. This entails broadening and extending our investment horizons. This is guided by our responsible investment policy.

Sanlam's responsible investment policy

Sanlam Investments subscribed to the Code for Responsible Investing in South Africa (CRISA) in 2011, and is committed to integrating the following five principles into its investment approach:

- An institutional investor should incorporate sustainability considerations, including environmental and social sustainability and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.
- An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.
- Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA as well as other codes and standards applicable to institutional investors.
- An institutional investor should recognise the circumstances and relationships that have the potential to produce conflicts of interest and should proactively manage these when they occur.
- Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

In addition, Sanlam Investments subscribes to the United Nations Principles for Responsible Investments (UNPRI), upon which CRISA is based. Sanlam Investments annually assesses its policy framework and implementation against the CRISA principles to compare its progress with that of its international peers. This enables us to continuously refine and improve our approach to responsible investment.

Factors that contribute to the resilience and prosperity of society (continued)



In 2006, we formed a committee to drive the implementation of our governance responsibilities on behalf of clients.

One of the first tasks of the committees' Corporate Governance Unit (CGU) was to establish a framework for voting proxies (as envisaged in principle 1). This includes taking into account and incorporating ESG principles and data into our non-equity investment processes:

To promote environmental sustainability, we aim to:

- Encourage companies to report on their material environmental issues;
- Monitor how companies manage their environmental challenges over the life cycle of their products and services. We will encourage them to strive for continual improvements;
- Require that companies adhere to laws, guidelines and codes of good practice applicable to them in the countries in which they operate;
- Encourage Sanlam to follow the requirements and standards that we require of other companies, and employ sufficient resources to meet the environmental challenge, including outsourcing if required;
- Research investment-related environmental risks and opportunities;
- Integrate sustainability considerations into our investment process;
- Vote all proxies where clients have investments;
- In terms of our escalation policy, we may engage with companies on their material environmental issues and collaborate with other investors in engaging companies or lobbying regulators;
- Disclose our environmental sustainability efforts to clients; and
- Promote industry best practice, including management of conflicts of interests, should they occur.

To promote social sustainability, we aim to:

- Encourage companies to report on their material social issues;
- Monitor how companies manage their social challenges. We will encourage them to strive for continual improvement;
- Require that companies adhere to laws, guidelines and codes of good practice applicable to them in the countries in which they operate. In particular, we will not condone employment of child labour;
- Encourage Sanlam itself to follow the requirements and standards that we require of other companies, and employ sufficient resources to meet the social challenge, including outsourcing if required;
- Research investment-related social risks and opportunities;
- Integrate sustainability considerations into our investment process;
- Vote all proxies where clients have investments;
- In terms of our escalation policy, we may engage companies on their material social issues and collaborate with other investors in engaging companies or lobbying regulators;
- Disclose our social sustainability efforts to clients; and
- Promote industry best practice, including management of conflicts of interests.

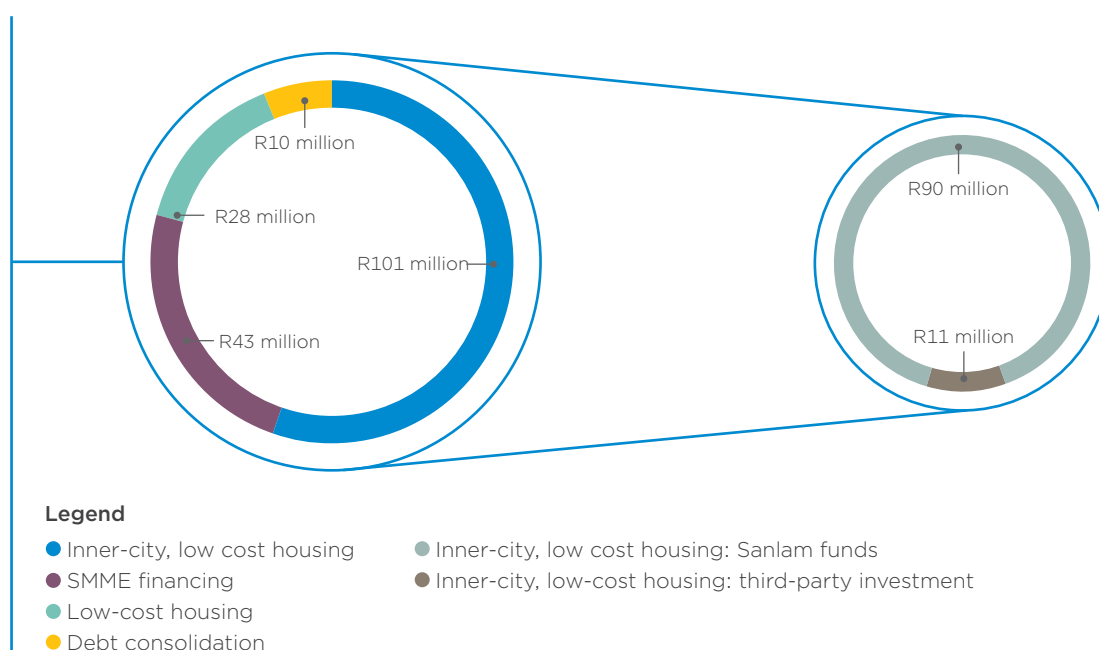
We also engage company boards on governance and performance issues on behalf of clients. Where mandated, we vote all proxies of companies in which our clients are materially invested, without abstaining (as addressed in principle 2).



Ultimately, Sanlam Investments' intention is to play a strategic part in securing a sustainable future for South Africa and all those who live in it.

Key activities related to responsible investment in 2017

During the year, Sanlam Investments made the following SRI investments in South Africa:

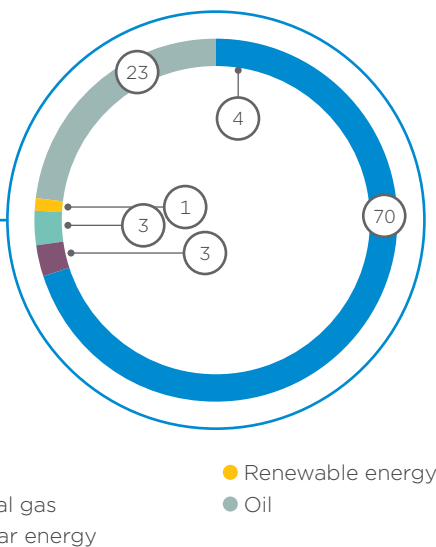


In addition to these SRI investments, we invested R125 million in local information and communication technology, and R583 million in renewable energy during the year.

Factors that contribute to the resilience and prosperity of society (continued)

In South Africa a focus on renewable energy is particularly important as the country's economy is largely dependent on coal.

Primary energy consumption in South Africa



Amid reduced global coal consumption and demand for coal exports, it is therefore critical that South Africa implement a well-managed transition away from its dependency on coal. Renewable energy offers a viable alternative as renewable energy systems are flexible – both in terms of technology, as well as potential modes of delivery. Renewable energy also poses none of the harmful environmental impacts associated with fossil-fuel generated electricity.

As a leading investment company in South Africa, Sanlam Investments recognises the role that we can play in supporting South Africa's transition to more sustainable energy sources.

Sanlam Capital Markets (SCM) is a division of Sanlam Investments. SCM is a niche capital markets operation, concentrating on providing debt and equity financial engineering solutions to clients. SCM currently provides debt and equity funding to nine different projects under the South African government's Renewable Energy Independent Power Producer programme. This programme was launched to encourage private investors to contribute to the development of South Africa's renewable energy sector. Since 2013, SCM has committed in excess of R2,5 billion to the programme. 2017 renewable energy investments by SCM include the Soul City Sishen and ACWA Bokpoort projects for R83 million and R500 million respectively. SCM also invested R125 million in the information communication technology project Dark Fibre Africa.

Another investment milestone in 2017 is Sanlam Investment's involvement in the launch of a global climate fund, Climate Investor One (CIO).

CIO is a R5,3 billion financing facility that will support renewable energy projects in developing and emerging markets by providing them with expertise, technology and financing. Financing will include private sector funding, as well as public sector donor funding. This innovative global climate fund is supported by broad public and private sector commitment to innovative climate change solutions. This includes FMO, the Dutch development bank, and Phoenix InfraWorks, South African infrastructure development and fund management specialists, in partnership with Sanlam Investments.

CIO will simplify capital deployment and reduce complexity by enabling a single financing source for each of the respective development, construction and operational phases of a project's life cycle. To this end, CIO will provide early-stage project development services and financing, equity financing through construction, and long-term debt once the project is operational. This approach will enable CIO to implement projects more quickly and deliver positive environmental and social impacts sooner.

Targeting Africa, Asia and Latin America, CIO will focus on renewable energy projects – in particular, solar, wind and run-of-river hydro projects.



Partnering for risk and resilience at Santam



Given the significant infrastructure investment needed across emerging economies, public infrastructure projects play a vital role in enhancing resilience, particularly among vulnerable communities. This is particularly important in light of the increasing intensity and frequency of extreme weather events, which place strain on public resources and increase the burden on insurers.

However, investors and insurers are often only included in the development of public infrastructure once most of the major decisions have already been made, limiting their potential contribution. The result is often unsustainable, unfinanceable and uninsurable public infrastructure projects that inevitably impact on service delivery for local communities.

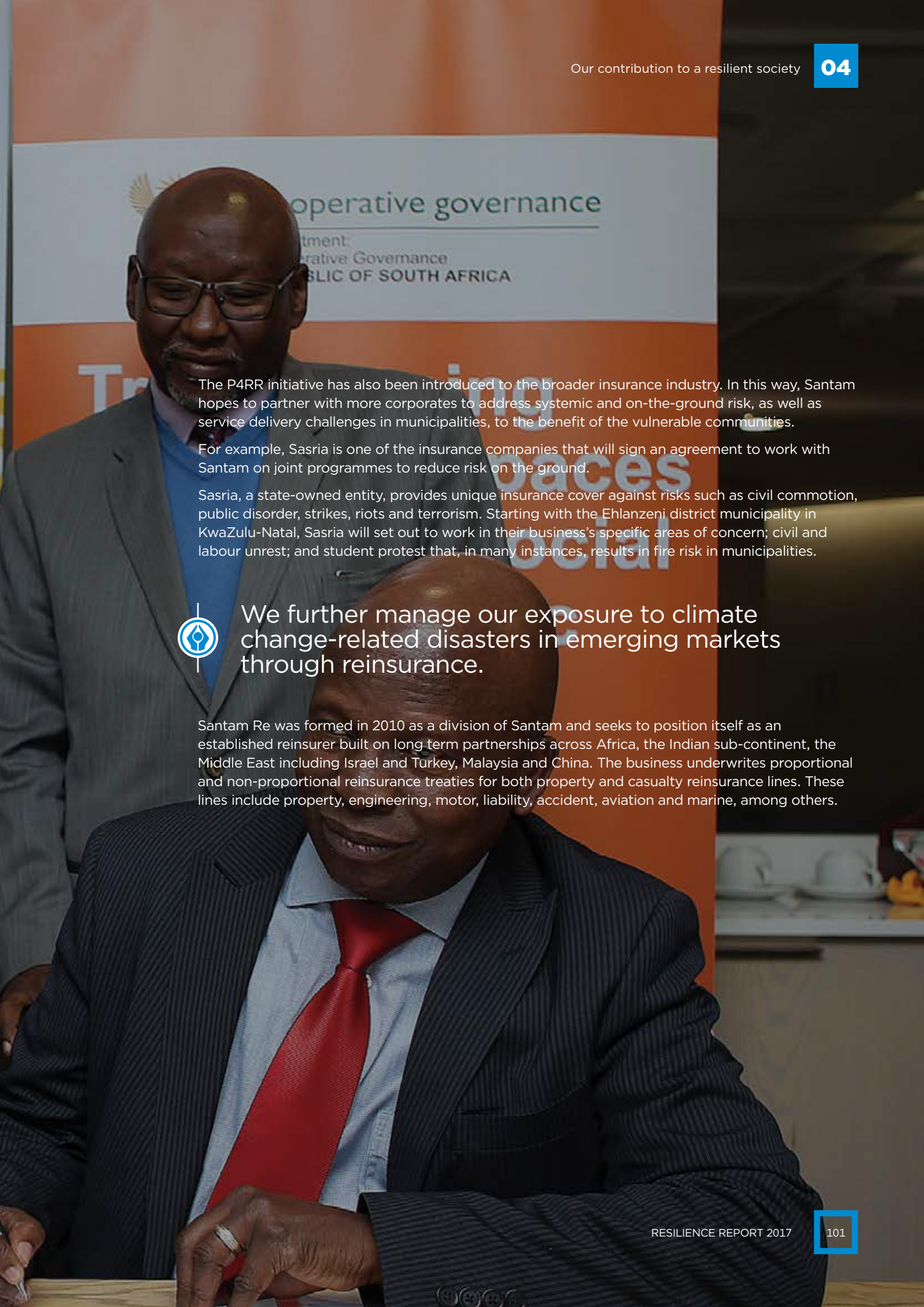
Harnessing the existing expertise of the insurance industry could help to promote improved delivery and support of public infrastructure projects. For insurers, more stable local communities would translate into a potential growth in demand for insurance and other risk management products.

Santam has heeded this approach. Over the last few years, Santam has expanded its disaster risk management to embrace a more proactive, shared-risk management method, which takes into account the potential impact of climate change and weather-related catastrophes on individuals, organisations and society.

This approach is encapsulated in its Partnerships for Risk and Resilience Programme (P4RR), through which Santam aims to:

- Drive community risk awareness through partnerships to address the drivers of risk and inculcate appropriate risk response behaviour;
- Partner with appropriate entities to increase capacity for disaster response and disaster relief in vulnerable communities;
- Assist with the improvement of technology to enable communities to use early warning systems to drive proactive risk management behaviour; and
- Address the causes of fire risks in communities by providing safer alternatives, and where appropriate, assist with the necessary equipment to improve their awareness services in communities. This includes, for example, a neighbourhood watch.

In 2016, Santam installed smoke alarms in vulnerable communities in the Sedibeng, Sarah Baartman and Ehlanzeni Districts in South Africa. The installation of these smoke alarms has since resulted in a significant reduction in loss of life due to fires among vulnerable communities, especially in informal settlements. The programme has been expanded to assist a total of 53 local municipalities over the next five years. This will positively impact the lives of five million people between now and 2020.

The background image shows two men in professional attire. One man, wearing glasses and a grey suit, stands behind a presentation board. The other man, in a dark pinstripe suit and red tie, is seated at a table in the foreground. The presentation board has text including 'operative governance', 'ment: rative Governance', 'BLIC OF SOUTH AFRICA', and 'Social'.

The P4RR initiative has also been introduced to the broader insurance industry. In this way, Santam hopes to partner with more corporates to address systemic and on-the-ground risk, as well as service delivery challenges in municipalities, to the benefit of the vulnerable communities.

For example, Sasria is one of the insurance companies that will sign an agreement to work with Santam on joint programmes to reduce risk on the ground.

Sasria, a state-owned entity, provides unique insurance cover against risks such as civil commotion, public disorder, strikes, riots and terrorism. Starting with the Ehlanzeni district municipality in KwaZulu-Natal, Sasria will set out to work in their business's specific areas of concern; civil and labour unrest; and student protest that, in many instances, results in fire risk in municipalities.



We further manage our exposure to climate change-related disasters in emerging markets through reinsurance.

Santam Re was formed in 2010 as a division of Santam and seeks to position itself as an established reinsurer built on long-term partnerships across Africa, the Indian sub-continent, the Middle East including Israel and Turkey, Malaysia and China. The business underwrites proportional and non-proportional reinsurance treaties for both property and casualty reinsurance lines. These lines include property, engineering, motor, liability, accident, aviation and marine, among others.

Factors that contribute to the resilience and prosperity of society (continued)

Managing Sanlam's environmental impacts



Sanlam recognises that climate change presents an important business and global risk that could impact the stability and quality of human society, thereby eroding the financial resilience and prosperity of individuals, organisations and society. As a leading financial services group, we also understand that a sustainable business requires a sustainable environment. We therefore acknowledge our responsibility to ensure that Sanlam, its solutions, support structures and business practices incorporate responsible environmental principles.

The Group's Energy Management Forum plays an important role in improving the Group's environmental performance by setting specific targets.

The aspects with the most material impact on Sanlam's environmental resource conservation are water and paper usage, and the responsible management of our waste stream.

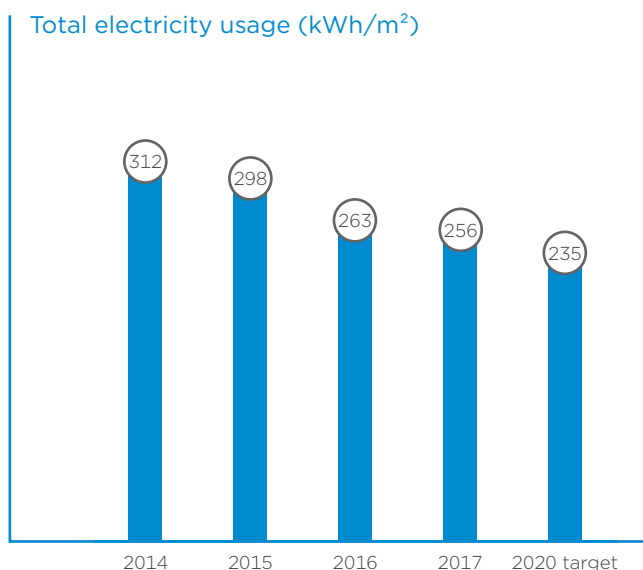
How we reduce the environmental impact of our business operations

Sanlam's environmental management performance 2017

Electricity target – ↓ 10% kWh/m² by 2020

Current status: in progress

Total electricity usage (kWh/m²)



* From 2016 Sanlam included Santam in its electricity target for buildings.

Ongoing initiatives

- Replacement of lights with LED lights
- Replaced several water pumps with energy efficient pumps
- Santam replaced all its lighting at Head Office and replaced major components of the air conditioning units
- Santam kitchen changed from electricity to gas

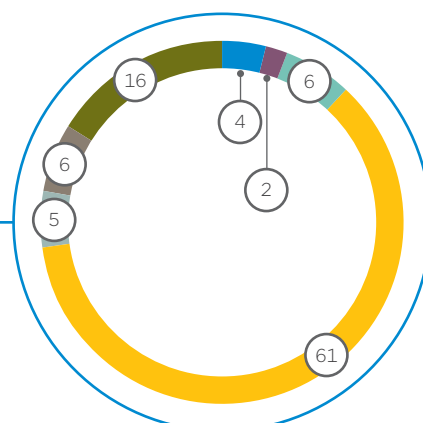
Sanlam has been a signatory of the CDP since 2007. This year, we achieved a score of B. This indicates that Sanlam implements a range of actions to manage climate change in its own operations and beyond.

Our carbon report shows the scope of data we monitor. We report on Greenhouse gases on a carbon dioxide-equivalent basis, as required under the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard.



Sanlam's full carbon footprint disclosure is available online.

Electricity consumption per building 2017
(total electricity consumption: 42 972 MWh)



Legend

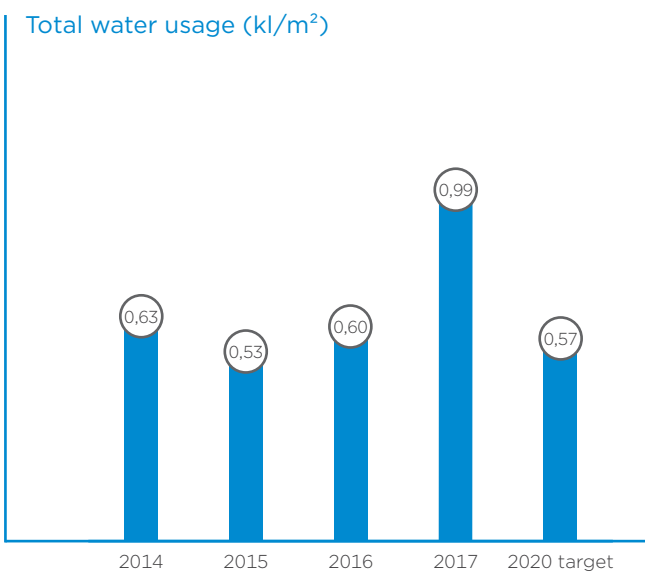
- Sky Houghton
- Glacier Tygervalley
- Sanlyn Pretoria
- Head Office
- Sanlam Investments Tygervalley
- Alice Lane
- Santam

Factors that contribute to the resilience and prosperity of society (continued)

Water target – water balance through the World Wildlife Fund for nature (WWF) Water Balance Programme

Water Balance Programme

Current status: in progress



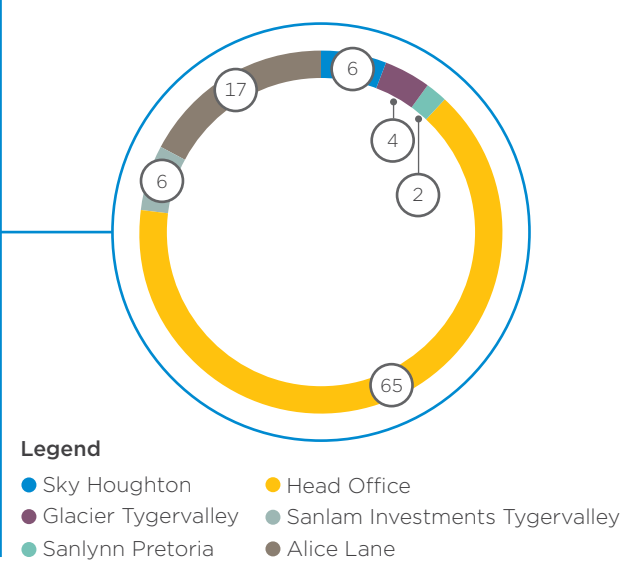
Sanlam is committed to ensuring that water consumption is properly managed and tracked accurately against saving water targets. In 2017 water consumption was tracked with precision to ensure better management.

Sanlam has also committed to a water balance programme through its partnership with WWF-SA. The Water Balance Project aims to rehabilitate critical water catchment areas in South Africa to improve the healthy functional rivers and ecosystems.

Ongoing initiatives

- Replace internal plants with water wise plants
- Installed meters for high usage areas
- Management of water leaks
- Collection of left over drinking water from training centres for internal plants
- Water saving taps at head office and Houghton
- Currently investigating methods to improve the efficiency of the water consumption from the cooling towers
- In light of the serious drought in the Western Cape, South Africa, Sanlam initiated a borehole water project at affected offices with a yield of 20 000 litres of fresh water per hour
- A filtration and reverse osmosis plant is being installed
- Use of treated effluent

Water consumption per building 2017 (total consumption: 125 360 kl^{LA}*)



^{LA} Limited assurance
 * Basis of measurement: Water usage in kilolitres for six buildings: Sanlam Head Office (fresh water only), Houghton, Sanlam Investment Management, Sanlam Alice Lane, Sanlam Glacier and Sanlynn for the period 1 January 2017 to 31 December 2017.

Key milestones achieved through the Water Balance Programme:

Since 2014,

**700 HECTARES OF LAND
HAVE BEEN CLEARED
OF ALIEN PLANTS,**

with 880 hectares
under management.

**THIS HAS CREATED 20 000
DAYS OF EMPLOYMENT,**

and released an estimated
1 billion litres of water back
into the rivers and aquifers
of affected areas.



This four year programme was implemented by WWF-SA and supported by Sanlam, South African Breweries Limited and the Department of Environmental Affairs – demonstrating the power of collaboration to unlock shared value.

Outside of the Water Balance Programme, Sanlam has an ongoing partnership with WWF-SA. This innovative partnership was launched in 2007 with a vision of catalysing concerted action from all sectors around the responsible management of marine and freshwater resources. Since 2012, the partnership has included a focus on influencing awareness of water-related issues in our business practices to further strengthen and contribute toward water security in South Africa.

Water scarcity is one of the greatest risks to the global economy. This is particularly relevant in South Africa, which is facing an ongoing drought situation, compounded by a rainfall climate of great variability.

In particular, the Western Cape is experiencing the worst drought recorded in history. Dam levels are currently at their lowest.

Without drastic measures to further drive down consumption, Cape Town is set to experience critical water shortages and the possibility of taps being

turned off – a scenario known as Day Zero. In partnership with WWF-SA, we are communicating with our employees on what they can do to prepare for Day Zero.

In addition, we are actively saving water in our own operations and buildings by tapping into ground water supply, and through rain water harvesting and reuse.

As a financial services player, our partnership with WWF-SA helps to generate an understanding of water-related risks to support better and more sustainable insurance and investment practices to the benefit of individuals, organisations and society.

WWF's Journey of Water Campaign forms part of our partnership with WWF-SA. This three-day walk connects urban water users to their water sources, which are often remote. In this way, the campaign helps to raise awareness around responsible and sustainable water stewardship.



**Together investing in the
future of South Africa's
freshwater ecosystems**

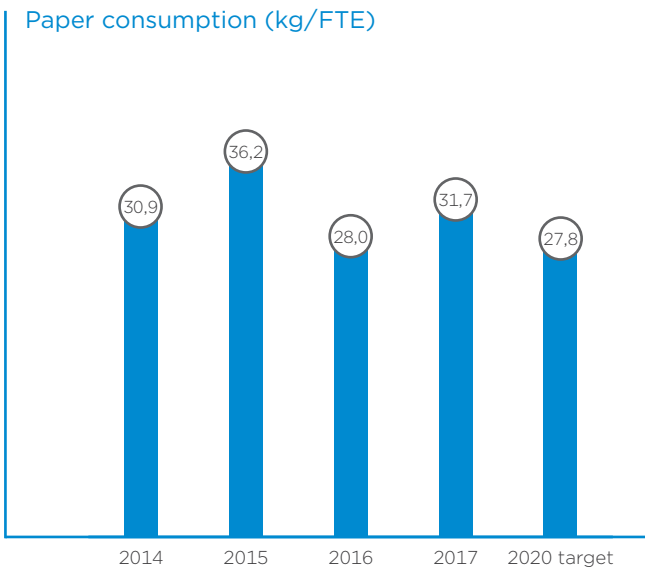


Factors that contribute to the resilience and prosperity of society (continued)

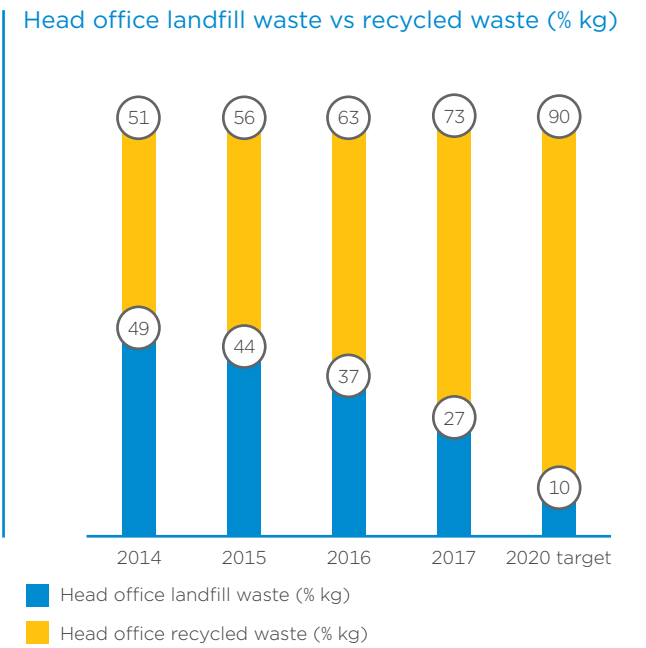
Waste target (head office) –  recycle 90% of total waste by 2020

Current status: in progress

Ongoing initiatives



- Training and awareness activities among employees – particularly to create an understanding of the recycling economy and its financial and social benefits
- Sourcing environmentally friendly paper – paper procured by Sanlam is Forest Stewardship Council (FSC) certified



WE ARE ON TARGET TO ACHIEVE ZERO-WASTE-TO-LANDFILL

Our goal to achieve zero-waste-to-landfill was initially set in 2014, and related only to Head Office as this was where the majority of our employees were situated. As we are on track to achieve our 2020 target, we will stretch our new waste target to include other significant buildings.



The Sanlam Cape Town Marathon – a unique and truly African marathon



The Sanlam Cape Town Marathon (SCTM) was awarded Gold Label Status in 2017, making it Africa's first and only International Association of Athletics Federation (IAAF) Gold Label Road Race. With fewer than 35 IAAF Gold Label status marathons internationally, this places the South African event on the global stage alongside cities such as Boston, New York and London. It further creates an opportunity for African athletes to compete in a Gold Label event on their own continent.

The IAAF Gold Label status was achieved in just three years. Additional highlights for 2017:

- Total entries have grown from 12 300 in year one to more than 23 000 in year four
- Charities supported have grown from 15 to over 60, with money raised increasing from R350 000 to more than R1,5 million
- International participation increased from 4% to 8,5%
- Top runners from 75 countries took part – eight more than last year
- Outside the Western Cape, participation increased from 35% in 2016 to 51% in 2017.

In 2017, the SCTM also hosted the Association of International Marathons and Distance Races (AIMS) Africa Conference under the theme of "Building world-class marathons and distance events in Africa". Attendees were able to engage with organisations from around the world, as race organisers shared their latest insights.

The SCTM is also the only IAAF climate-neutral marathon in Africa. This is achieved through the use of carbon credits, which are purchased and traded on the JSE. This approach creates an opportunity for Sanlam to raise awareness among participants and delegates of the impact of carbon emissions – contributing to environmental resilience.

The SCTM won the 2017 Association of International Marathons and Distance Races Green Award for excellence in environmental practice. This was mainly due to the SCTM #RunGreen campaign, which involved ongoing communication about initiatives such as 'chuck zones' along the route where runners could dispose of litter, as well as a zero-waste-to-landfill policy aimed at recycling all waste.

Factors that contribute to the resilience and prosperity of society (continued)

Engagement

Regulation is a key consideration in our ability to create value as it shapes the environment within which we operate and compete. We therefore support regulatory initiatives that benefit our clients and strengthen our ability to create value for stakeholders, as this strengthens resilience and ensures the long-term sustainability of our business. We also recognise that certain regulatory initiatives can create a range of risks, stakeholder concerns and management costs, in addition to enforcing and increasing barriers to entry. Our approach is therefore to proactively work with regulators to implement appropriate regulations.



Read more about our engagement with regulators in our Integrated Report from page 40.

Invest in support of economic growth and financial stability (funding provided to government and private enterprises, as well as liquidity provided to the banking system)

Sanlam's investment management activities have a material impact on growing wealth for all segments of society by:

- Providing financial capital (through investment in equities and corporate debt instruments) to other entities, thereby supporting economic and employment growth in the countries where we operate. Economic and employment growth is in turn a key driver of sustainable growth in demand for the products and services provided by Sanlam. Total funds invested by Sanlam increased by 28% in 2017 to R20 billion.
- Providing liquidity to the banking sector as one of the largest institutional funders of banks. A properly functioning banking sector is core to the stability of a country's financial system, which in turn is reliant on the liquidity provided by institutional investors such as Sanlam, in particular during periods of liquidity constraint as experienced during the 2008 financial markets crises.
- Taxes paid by Sanlam provide income to the governments of the countries where it operates, further enabling implementation of social agendas. Total tax paid decreased by 14% to R42 billion in 2017.
- We dedicated R40 million to the newly established South African SME fund as a contribution towards job creation in the country. The Fund is now operational, with plans in place to spur economic growth and employment in South Africa.
- Through our involvement with various government and business initiatives, Sanlam is in a position to share insights and further broaden its contribution to economic growth and financial stability. For example, Sanlam is actively engaged with the Chief Executive Officer (CEO) Initiative managed by the National Business Initiative (NBI), of which Sanlam is also a founding member.
- We have also pledged our support to the YES initiative – a youth employment programme that aims to place one million youth in paid internships over a three-year period. YES is a collaboration between government, labour and the private sector – different industries will absorb interns at different rates, and the cost of the R16,5 billion programme will be split between business and government. South Africa is currently facing a 14-year high of 27,7% unemployment, with 58% of the population below 35 years of age unemployed. The YES initiative is therefore critical in combating rising national unemployment by contributing to positive social change that will support the resilience of individuals and society, as well as organisations.

Future priorities for society

- Following the announcement of the acquisition of the remaining stake in Saham Finances, SEM will be collaborating with Saham Finances to leverage its footprint for multinational offerings. This includes optimising reinsurance for organisational clients via a Pan-African structure and cooperating on third-party administrator and health insurance.
- Collaboration between Santam, the Department of Cooperative Governance and Traditional Affairs and the Emthunzini Broad-based Black Economic Empowerment Community Trust resulted in an acceleration of the Programme for Risk and

Resilience (P4RR), which will be extended from five to 53 local municipalities over the next five years. The focus of P4RR is to identify and reduce systemic risk at municipal level through on-the-ground initiatives to protect the lives of vulnerable communities and people living in disaster-prone, high-risk areas.



About this report

The 2017 Sanlam Resilience Report (the report) is aimed at a wide range of stakeholders who influence our business.

This report forms part of our Annual Reporting Suite – a combination of targeted elements made available to our stakeholders to enable them to make informed assessments about our performance and prospects.

As we take a systemic reporting approach: we take a wide range of external factors, risks and opportunities, as well as stakeholder interests, into account when compiling our internal response and strategy – all of which are contained in the Annual Reporting Suite.

This forms part of our commitment to transparent and relevant stakeholder reporting, and is enhanced through personal interaction and feedback.

Building on last year's efforts to integrate our financial and non-financial reporting, we reviewed our material sustainability matters and restructured our Annual Reporting Suite. Broadly, this process entailed the following phases:

- Exploring and benchmarking**
1 We reviewed our current reporting practices and better practice examples from our peers, with the emphasis on how local and international financial services companies report on material matters and the six capitals. This included conversations about the status of emerging markets' savings culture and the growing appreciation of limited financial and non-financial resources. Phase one was further informed by the Group's enterprise risk management and Own Risk and Solvency Assessment (ORSA) reporting processes.
- Reviewing our reporting options**
2 This phase included a review of the reporting frameworks, guidance documents and requirements that should be considered when defining our material matters. It included the new requirements of King IV™ and Sanlam's responsibility as a signatory to the UNGC.
- Conducting materiality working sessions**
3 Internal working sessions were hosted, followed by discussions with the Group Chief Executive and executive team. Through these discussions, we refined our strategic and reporting approach based on the "resilience" theme. This theme encapsulates our previous material sustainability matters, while making allowances for repositioning based on the material matters identified in the first two phases.
- Adapting our strategy**
4 As a result of the working sessions and conversations, the executive team adapted the strategic pillars slightly. The new strategic framework was tested at the August Board strategy sessions, and was refined and formally approved by the Board in September 2017.
- Implementing the new reporting structure**
5 The structure of each report was defined and the different elements of Sanlam's Annual Reporting Suite were mapped to ensure integration. A key change from 2016 is the replacement of the Sustainability chapters with a Resilience Report.
- Developing focus areas for 2018**
6 The new reporting approach will form the basis of our dashboards and agendas for 2018. These reporting structures will entail the integration of our resilience approach with the loose-tight principles, and a review of the Group Business Philosophy. For the Resilience Report, 2017 constitutes the foundation from which our non-financial reporting will mature in coming years. This will be supported by the further integration of our resilience outcomes and reporting focus areas into cluster strategies.

Our materiality definitions:

For financial information, materiality is based on whether the item is of such significance that it could affect financial decisions made by shareholders of the Group (current and potential). The amount and nature of an item is considered. In general, materiality for financial information is equal to that of the shareholders' information and Annual Financial Statements.

For all other information, materiality is based on whether an item, resource or stakeholder is of such significance that it can limit or significantly enhance the Group's contribution to resilient individuals, institutions and society, including its ability to achieve its Return on Group Equity Value (RoGEV) target over the short, medium and long term.

Scope and boundary of our reporting

Sanlam Limited is the holding company of the Sanlam group of companies which operates through a number of subsidiaries, associated companies and joint ventures. Sanlam Life Insurance Limited (Sanlam Life) is the largest operating subsidiary and the holding company of most of Sanlam's operations in emerging markets. Sanlam Limited and all of its subsidiaries, associated companies and joint ventures are referred to as Sanlam or the Group. Sanlam's operating structure entails five clusters that are managed on a federal basis.

Sanlam Limited is listed on the Johannesburg Stock Exchange (JSE), with a secondary listing on the Namibian Stock Exchange (NSX).

This report relates to the financial year from 1 January 2017 to 31 December 2017. This report covers the non-financial activities of Sanlam in South Africa, its emerging market territories and selected developed markets.



Read more about the Group's various clusters throughout this report and in Sanlam's Annual Reporting Suite, available online.



Refer to page 205 of Sanlam's Integrated Report for a glossary of terms and definitions, and the major businesses referenced in the Annual Reporting Suite.

Following the review of Sanlam's material sustainability matters and restructuring of its Annual Reporting Suite, the Group's previous five supplementary sustainability chapters have been encapsulated into the Resilience Report and refined under the "resilience" theme. The scope of this Resilience Report has further been extended to include more non-financial information from Sanlam Emerging Markets.

The content of this report is comparable to the 2016 report in terms of the time frames used for financial and non-financial data. In identifying and reporting non-financial data, the Group takes guidance from the Global Reporting Initiative's Sustainability Reporting Standards (GRI Standards). This approach is expanded to include matters that are unique and pertinent to Sanlam and the markets where the Group operates at present.

Events during the year should be kept in mind when comparing information, where relevant.



These events are highlighted in the calendar of events on the IBC of the Integrated Report.

Reporting elements and guiding frameworks

Element and focus	Target audience	Guiding frameworks, legislation and standards	Distribution/availability
The Integrated Report provides a review of the Group and its financial, social and governance performance (including Shareholders' information)	All stakeholders, with emphasis on shareholders	→ The International Integrated Reporting Council (IIRC)'s Integrated Reporting <IR> Framework (<IR> Framework) → King IV™ → JSE Listings Requirements (JSE LR) → The Companies Act, 71 of 2008, as amended (the Companies Act) → IFRS → Department of Trade and Industry (dti)'s broad-based black economic empowerment (BBBEE) Regulations	Incorporated as a separate report in the Sanlam Annual Reporting Suite available online at www.sanlam.com. 

Scope and boundary of our reporting (continued)

Element and focus	Target audience	Guiding frameworks, legislation and standards	Distribution/availability
Governance Report	All stakeholders, with emphasis on shareholders	→ King IV™ → JSE LR → The Companies Act → Board notice 158 of 2014 issued by the Financial Services Board (FSB)	
Remuneration Report	All stakeholders, with emphasis on shareholders	→ King IV™ → JSE LR → The Companies Act	
Full audited Annual Financial Statements for Sanlam Limited and the Group and Sanlam Limited Notice of annual general meeting	Shareholders	→ IFRS → JSE LR → The Companies Act	
Resilience Report for individuals, organisations and society	All stakeholders	→ Global Reporting Initiative (GRI) Standards → <IR> Framework → Financial Sector Code (FSC) → FTSE/JSE Responsible Investment Index → Global Goals for Sustainable Development → National Development Plan 2030 → Dow Jones Sustainability Index	www.sanlam.com 
Sanlam results presentations	Shareholders	→ IFRS → JSE LR	www.sanlam.com 
SENS announcements	Shareholders	→ JSE LR	www.sanlam.com 
Sanlam websites containing general and stakeholder-specific information with contact details	All stakeholders	N/A	www.sanlam.com/investorrelations (links to Group company websites) 

Independent limited assurance report for selected key performance indicator information reported in the 2017 Sanlam Group Limited Resilience Report and Carbon Footprint Report

To the directors of Sanlam Limited Group

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected key performance indicators (selected KPIs) and related disclosures as presented in Sanlam Limited Group's Resilience Report (Resilience Report) and Carbon Footprint Report (Carbon Report) for the year ended on 31 December 2017, are not prepared and presented, in all material respects, in accordance with management's internally defined measurement and reporting criteria for reporting the selected KPIs and related disclosures.

Ernst & Young Inc. (EY) has undertaken a limited assurance engagement for the selected KPIs described below presented in the Sanlam Limited Group (Sanlam) Resilience Report and Carbon Report for the year ended 31 December 2017. This engagement was conducted by a multidisciplinary team including environmental, social and governance (ESG) reporting and assurance specialists with extensive experience in sustainability reporting and assurance.

Subject matter

Our limited assurance engagement was performed for the selected KPIs listed below and related performance disclosures as presented in the Report.

Selected KPIs	Management's measurement and reporting criteria
Scope 1 carbon emissions	The Greenhouse Gas (GHG) Protocol for Carbon Footprints for the following buildings: → Sanlam: Head office, Houghton, Sanlam Investment Management, Alice Lane, Glacier, Sanlynn → Santam: Head office, Auckland Park, Garsfontein, Alice Lane, Glacier For the period 1 January 2017 to 31 December 2017.
Scope 2 carbon emissions	
Water	Water usage in kilolitres for six buildings: Sanlam Head Office (fresh water), Houghton, Sanlam Investment Management, Sanlam Alice Lane, Sanlam Glacier and Sanlynn for the period 1 January 2017 to 31 December 2017.
Staff turnover – combined	The number of terminations from 1 January 2017 to 31 December 2017 divided by the average headcount for that same period. The calculation is done for permanent employees (permanent as defined by the Department of Labour), both office staff and advisers, in the following divisions: SPF, SI, Corporate, Group office, Group Technology and Information.

These selected KPIs, prepared and presented in accordance with management's internally defined measurement and reporting criteria (management's measurement and reporting criteria), are marked with an 'LA' on the relevant pages of the Resilience Report and the Carbon Report where they appear.

Management's internally developed measurement and reporting criteria for these selected KPIs are provided within the relevant footnote information contained in the Resilience Report and the Carbon Report where the KPIs are reported.

The scope of our work was limited to the selected KPIs presented in the Resilience Report and Carbon Report, and did not include coverage of data sets or information relating to areas other than the selected KPIs, information reported outside of these Reports, comparisons against historical data, or management's forward-looking statements.

Directors' responsibilities

You are responsible for selection, preparation and presentation of the selected KPIs and related disclosures in accordance with management's internally developed measurement and reporting criteria, as presented in the Resilience Report and the Carbon Report. You are also responsible for determining the appropriateness of those measurement and reporting criteria in view of the intended users of the selected KPIs disclosed in the Resilience Report and the Carbon Report (i.e. Sanlam's stakeholders) and for disclosing those criteria for the intended users (i.e. disclosed in footnote information contained in the Resilience Report and the Carbon Report). Furthermore, you are responsible for the identification of stakeholders, stakeholder requirements, material issues, for commitments with respect to sustainability performance and for the design, implementation and maintenance of internal control relevant to preparation and presentation of the selected KPIs in the Resilience Report and the Carbon Report free from material misstatement, whether due to fraud or error.

Inherent limitations

Inherent limitations of assurance engagements include use of selective testing of the information being examined, which means that it is possible that fraud, error or non-compliance may occur and not be detected in the course of performing the engagement.

Carbon emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

There are additional inherent risks associated with assurance engagements performed for non-financial information given the characteristics of the subject matter and associated with the compilation of source data using definitions and methods for determining, calculating, and estimating such information that are developed internally by management. The absence of a significant body of established practice on which to draw, allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. In particular, where the information relies on factors derived by independent third parties, our assurance work has not included examination of the derivation of those factors and other third party information.

Our independence and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants as well as the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with the International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements*, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to perform our limited assurance engagement to express our conclusion on whether anything has come to our attention that causes us to believe that the selected KPIs and related disclosures

as presented in the Resilience Report and the Carbon Report are not prepared, in all material respects, in accordance with management's internally developed measurement and reporting criteria for those KPIs. We have performed our limited assurance engagement in accordance with the terms of reference for this engagement agreed with Sanlam, including performing the engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board. Those Standards require that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs as presented in the Resilience Report and the Carbon Report and related disclosures, are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) and ISAE 3410 involves assessing the suitability in the circumstances of managements' internally developed measurement and reporting criteria as the basis of preparation for reporting the selected KPIs, assessing the risks of material misstatement of those selected KPIs, whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures above we:

- Reviewed Sanlam's activities, processes and documents at group-level that support the assertions and claims made in the Resilience Report and the Carbon Report, including in respect of the selected KPIs and related disclosures;
- Interviewed management and senior executives to obtain an understanding of the following matters as relevant to the sustainability reporting process:
 - Basis of preparation used for the selected KPIs (including the reporting criteria and reporting definitions applied);
 - Governance and accountability arrangements in respect of Sanlam's sustainability issues, including governance oversight of management's process to identify Sanlam's material issues, in particular, as relevant to the selected KPIs and related disclosures;
 - Objectives and priorities for embedding and managing Sanlam's sustainability expectations and performance targets, and monitoring the progress against these;
 - The processes for reporting progress and providing internal assurance to the board and to management on Sanlam's sustainability issues, including in respect of the selected KPIs and related disclosures; and
 - The control environment and information systems relevant for preparing information used to report the selected KPIs, including presentation of the information in the Resilience Report and the Carbon Report (but not for the purpose of evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness);
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Inspected supporting documentation on a sample basis;
- Performed analytical procedures to evaluate the relevant data generation and reporting processes against management's measurement and reporting criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the directors in the preparation of the selected KPIs subject to assurance;
- Evaluated whether the selected KPIs subject to assurance and related disclosures as presented in the Resilience Report and the Carbon Report are consistent with our overall knowledge and

experience of sustainability and carbon footprint management and performance at Sanlam.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result the level of assurance obtained in our limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the selected KPIs presented in the Resilience Report and the Carbon Report have been prepared, in all material respects, in accordance with management's internally developed measurement and reporting criteria for those KPIs.

Other matters

Information relating to prior reporting periods has not been subject to assurance procedures. Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the Resilience Report and the Carbon Report.

The maintenance and integrity of Sanlam's website is the responsibility of Sanlam's management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the selected KPIs in the Resilience Report and the Carbon Report or our independent assurance report that may have occurred since the initial date of presentation on the Sanlam website.

Restriction of use and liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the matters stated above in our report provided to the directors of Sanlam in accordance with the terms of our engagement, and for no other purpose. Our report is intended solely for the directors of Sanlam and should not be used by any other parties.

To the fullest extent permitted by the law, we do not accept or assume liability to any party other than the directors of Sanlam, for our work, for this report, or for the conclusion we have reached. We agree to the publication of this assurance report in Sanlam's Resilience Report for the year ended on 31 December 2017, provided it is clearly understood by recipients of the Resilience Report and the Carbon Report that they enjoy such receipt for information only and that we accept no duty of care to them whatsoever in respect of this report.

Ernst & Young Inc.

Ernst & Young Inc.

Director: Johanna Cornelia de Villiers

Registered Auditor

Chartered Accountant (SA)

3rd Floor, Waterway House

3 Dock Road

V&A Waterfront

Cape Town

7 March 2018

Combined assurance

To ensure that the Group's key financial and non-financial risks are properly identified, managed and monitored, Sanlam adopts a combined assurance approach. This approach requires three lines of defence, namely management-based, internal and independent assurance.

We obtained independent limited assurance on certain elements of the performance information in this Resilience Report, and the online Carbon Footprint Report. These have been marked with an ^{LA}. EY's assurance report can be found on page 113 of this Resilience Report. Information relating to the FSC scorecard was subject to independent assurance by AQRate.



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