

Sanlam sustainability report 2010



Sanlam

Thinking ahead

Contents

Message from the Chairman of the Board Sustainability committee	1
Message from our Group Chief Executive	3
Board Sustainability committee members	5
About this Sustainability Report	7
How we manage sustainability at Sanlam	9
Our material issues and highlights	13
Sustainability governance and leadership	17
Engaging our stakeholders	24
Sustainable business	29
Motivated employees	43
Dependable products and services	61
Responsible investment	75
Responsible procurement	80
Prosperous society and community	84
Healthy bio-physical environment	92
Assurance statement	102
Alignment with the Global Reporting Initiative (GRI)	106
Glossary	117

Message from the chairman of our board sustainability committee



Valli Moosa
Chairman

I am pleased to present our Sustainability Report for 2010 which details our attempts to enhance our capacity to endure. You will find our *Sustainability Review* in our main report, the first Integrated Report of Sanlam. This report captures some of our sustainable development highlights for the period ending December 2010 and sets the tone for our integrated reporting on our journey towards becoming fully sustainable.

Our achievement during 2010 was aimed at ensuring that we have good governance and solid leadership structures to lay the foundation for embedding sustainability in our organisation. Our performance as an organisation this past year clearly demonstrates our endurance and resilience which is underpinned by our strong commitment to contribute to building a thriving South African economy and a prosperous society.

Message from the chairman of our board sustainability committee continued

At Sanlam, sustainable business and corporate responsibility are key parts of the company's philosophy which is founded on an inherent belief that we are because we serve. In this context everything we do is centred on our duty to be successful in economic, social and ecological terms.

The Sanlam Board Sustainability committee embraces its role to guide the company on its journey towards an ever-improving integrated approach to business. We view our role not just as an imperative delegated by the Sanlam Board, but as an opportunity to play a key part in Sanlam's contribution to the business of creating a better world.

We hope you enjoy reading our Sustainability Report.

Valli Moosa

Chairman

Message from our group chief executive



Johan van Zyl
Group Chief Executive

Since our establishment in 1918, Sanlam has been a consistent part of the South African business landscape. We have always taken a long-term view of how business adapts to the demands of its operating environment. Today, we see in a dynamic world an evolving set of social, economic, political and environmental imperatives that require our skillful response. For us at Sanlam, moving towards sustainability means recognising both our broader responsibilities as an organisation in society, and the new opportunities that arise with this thinking. This report outlines Sanlam's progress in dealing with the complex set of issues and opportunities that comprise sustainable business.

As our understanding of business sustainability has evolved, so too has the diversity of voluntary codes and standards. We have committed our support to a careful selection of leading international and local initiatives. These include our continued acceptance onto the JSE Socially Responsible Investment Index, our attendance to the recommendations of the King III Code of Corporate Governance, our

Message from our group chief executive continued

participation in the Carbon Disclosure Project and becoming a signatory to both the United Nations Global Compact and the United Nations Principles of Responsible Investment. Embodied within these voluntary initiatives is an assortment of good practice that has been generated by leading practitioners in their fields of expertise. We recognise the challenges of participating in and conforming to multiple voluntary standards, but we are certain that the benefits of participating are substantial and the returns on our efforts well justified.

The governance and management structures we have formed provide us with a solid platform for our sustainability programmes. Our Sustainability Board committee reflects the strategic importance we place on this function, overseeing our achievements on environmental, social and transformational issues. Line management responsibility falls within a dedicated Sustainability Management unit, reporting to Corporate Affairs in Group Services, with ultimate responsibility for implementation devolving to the leadership of each business unit. We have invested in setting up a Sustainability Management Framework which will serve as a knowledge hub to track our activities and progress. Additionally, sustainability is supported by related structures such as the Group Policy Unit, the Group Ethics committee and the Group Compliance Office, among others.

In striving to do business in a responsible manner, we have, over the years, addressed many of the issues that now fall within the broad definition of sustainability. At Sanlam, many of these already have mature and established

processes in place. In other instances, we have incorporated further sustainability issues more recently into our strategy, and these still require some attention before they are addressed to our satisfaction. In this report we have introduced a water theme in recognition of the vital role that this resource plays in the healthy development of our nation.

Sustainability management presupposes a financially successful business. Complementing the material in this current Sustainability Report, our 2010 Integrated Annual Report comprehensively details our sound financial performance reflected in a compound average growth rate of 17,6% per annum in the Sanlam Group's relative share price performance over the past five years. It is my firm belief that sustainability and financial performance are interdependent. With this in mind, I am personally committed to integrating stakeholder and business interests in securing Sanlam's long-term growth.

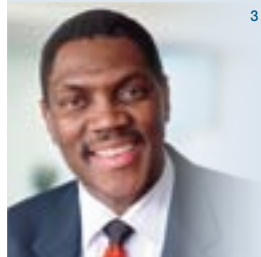
If you are reading this report, you are probably one of our stakeholders. As you learn more about our progress in becoming a more sustainable and responsible business, I would welcome your views on where we are succeeding and especially, your suggestions on how we can perform better.

Johan van Zyl
Group Chief Executive

Board sustainability committee members



- 1 Rejoice Simelane
- 2 Bernard Swanepoel
- 3 Lazarus Zim



Rejoice Simelane (58)

Director since 2004

Qualifications: BA (Econ and Accounting); (UBLS), LLB (Unisa), PhD (Econ; Connecticut, USA)

Sanlam and Sanlam Life committee membership: Sustainability, Non-executive Directors, Retail cluster.

Major external positions, directorships or associations: African Rainbow Minerals, Ubuntu-Botho Investments, Mamelodi Sundowns Football Club, Council for Medical Schemes.

Bernard Swanepoel (49)

Director since 2004

Qualifications: BCom (Hons), BSc Mining Engineering

Sanlam and Sanlam Life committee membership: Non-executive Directors, Retail cluster, Sustainability.

Major external positions, directorships or associations: African Rainbow Minerals, Wits Business School Advisory Board, Pretoria University Mining Engineering Advisory Board, Village Main Reef Gold Mining Co. (1934), To-the-Point Growth Specialists, Savannah Gold.

Lazarus Zim (50)

Director since 2006

Qualifications: BCom (Hons), MCom, DCom (HC)

Sanlam and Sanlam Life committee membership: Non-executive Directors, Sustainability.

Major external positions, directorships or associations: Kumba Iron Ore, Afripalm Resources, Northam Platinum, Mvelaphanda Resources, Sahara Computers.

Board sustainability committee members continued



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- 4 Johan van Zyl
- 5 Temba Mvusi
- 6 Yvonne Muthien
- 7 Valli Moosa

Johan van Zyl (54)

Director since 2001

Group Chief Executive since 2003

Qualifications: PhD, DSc (Agric)

Sanlam and Sanlam Life committee membership: Short-term Insurance cluster (Chairman), Retail cluster (Chairman), Institutional cluster (Chairman).

Sanlam Group directorships: Sanlam Investment Management (Chairman), Sanlam Netherlands Holding BV, Sanlam UK, Santam, Sanlam Developing Markets (Chairman), MiWay Group Holdings.

Major external positions, directorships or associations: University of Pretoria, Hans Merensky Foundation, ASISA (Association of Savings and Investment South Africa).

Temba Mvusi (55)

Chief Executive: Group Market Development

Executive Director since December 2009

Qualifications: BA, ELP (Warton School of Business), MAP (Wits), PDP (UCT)

Sanlam and Sanlam Life committee membership: Retail cluster, Institutional cluster.

Sanlam Group directorships: Sanlam Developing Markets, Sanlam Investment Management, Sanlam Private Investments, Channel Life.

Major external positions, directorships or associations: National Business Initiative, Walter Sisulu University, Bishops Cape Town.

Yvonne Muthien (54)

Chief Executive: Group Services

Executive Director since December 2009

Qualifications: BA (Hons) (UWC), MA (Northwestern), DPhil (Oxford)

Sanlam and Sanlam Life committee membership: Short-term Insurance cluster, Retail cluster, Institutional cluster.

Sanlam Group directorships: Santam.

Major external positions, directorships or associations: Trustee and Director of Sasol Inzalo Foundation, Chairperson of the President's Advisory Council on National Orders.

Valli Moosa (54)

Director since 2004

Qualifications: BSc Mathematics and Physics

Sanlam and Sanlam Life committee membership: Sustainability (Chairman), Non-executive Directors, Institutional cluster.

Major external positions, directorships or associations: Lereko Investments, Imperial, Sun International, Real Africa Holdings, Anglo Platinum, Sappi Ltd.

About this sustainability report



➔ Background and scope

This Sustainability Report details Sanlam's activities relating to sustainable development (environmental, social and governance), for the period 1 January to 31 December 2010. This report is not a stand-alone document or independent of other Sanlam Group reporting, and therefore should be viewed in conjunction with the supporting information contained in both the 2010 Integrated Annual Report and the relevant sections on the Group website.

While the scope of this report is focussed on the operations of Sanlam's South African businesses (hereafter referred to as 'Sanlam RSA'), some areas of the report relate to the entire Group (local and international) and in these cases it is clearly identified as 'Sanlam', 'the Group' or the 'Sanlam Group'. Where data relates only to the international businesses, the term 'Sanlam International' is used. This report does not include the specific sustainability activities of our international businesses. Where data and statistics are presented, we have indicated whether these relate to Sanlam RSA, the Group, or to specific businesses only. Where the word 'Group' is used as part of a title, such as 'Group Compliance Unit, the operational area of the body is described in context. There is also a glossary at the end of the report containing a definition of each body's operational area.

Since 2009, there have been no significant changes which would affect or alter our reporting.

The 2010 Sustainability Report, as well as the 2010 Integrated Annual Report, reflect early efforts towards the adoption of integrated reporting, as recommended by the King III Report on Governance and the Institute of Directors' recent Position Paper on Integrated Reporting. However, in an organisation of such size and complexity, there are considerable challenges associated with such integrated reporting. Our 2010 reporting is therefore just part of a larger journey towards an integrated reporting framework created to underpin our long-term viability

Some 84% of South Africa's freshwater systems are threatened and more than 40% are in a critical condition.

insofar as financial, economic, environmental and social impacts are concerned. Striving for continuous improvement, our reporting processes will be further adapted and refined in the next reporting cycle and work is underway to develop a Sustainability Management Framework, designed to streamline data collection across Sanlam RSA for future report compilation and assurance.

Please note that our major subsidiary Santam (57%-owned by the Sanlam Group) publishes a separate sustainability report, publicly available on the Santam website (www.santam.co.za), and is therefore not included in the scope of this report.

➔ About our integrated reporting theme

The chosen theme – water – is in recognition of the fact that one of the biggest challenges faced by modern civilisation is the adequate supply of fresh water. Clean drinking water is a basic human right; however, it is one that is not accessible to millions of people worldwide. In South Africa, the per capita water availability ratio is one of the lowest in the world and a large portion of the country's water resources is already over-allocated, with the water infrastructure and entire supply chain under considerable and worsening strain.

The very survival of the societies and markets that the Group serves depends on continued access to clean water, and their living standards and general prosperity can be directly linked to potable water supplies. In the commercial context, the scarcity of high quality fresh and marine water as a commodity is threatening food security, job creation, industrial development and economic growth, posing a risk to our business too.

About this sustainability report continued

Against this backdrop, we are committed to ensuring that water scarcity, declining water quality and looming constraints do not impede sustainable businesses nor become their death knell. To this end, we have partnered with and are a key sponsor of the World Wide Fund for Nature (WWF) Living Waters programme which addresses specific water management and conservation issues and also allows us to connect our environmental and socio-economic commitments. (WWF is one of the largest environmental conservation organisations in the world, dealing with a range of environmental issues ranging from the prevention of the loss of species, the protection of ecoregions, to the management of marine resources and the promotion of sustainability practices within businesses.)

Reporting in accordance with the Global Reporting Initiative's (GRI) G3 Guidelines

Our sustainability-related reporting for the 2010 financial year is in accordance with the GRI G3 reporting guidelines as recommended by King III.

The Global Reporting Initiative is a network-based organisation that pioneered the world's most widely used sustainability reporting framework. GRI's core goals include the mainstreaming of disclosure on environmental, social and governance performance. GRI's Reporting Framework is developed through a consensus-seeking, multi-stakeholder process, and participants are drawn from global business, civil society, labour, academic and professional institutions.

The G3 Guidelines are the cornerstone of the GRI Sustainability Reporting Framework. GRI recommends that every organisation uses the Guidelines as the basis for their sustainability report. These principles define the report's content, quality and boundary, and references standard disclosure elements required in a sustainability report.

We have made reference to the GRI's G3 indicators and are self-declared level-B+ compliant, based on the information in this report, together with information in the relevant sections of our 2010 Integrated Annual Report and on parts of our website. Please refer to our [GRI G3 Content Index](#) on pages 107 to 116.

Report assurance

As part of our journey towards integrated sustainability reporting, Sanlam undertook in the previous report to address the issue of independent third-party assurance over material sustainability issues.

We have commenced this process by engaging Ernst & Young to provide limited assurance over:

- > Elements of the following five key performance indicators (shaded in grey in the relevant sections) – scope 2 carbon emissions, SPF and SDM adviser profile, complaints from the Ombudsman for Long Term Insurance, SPF persistency rate and the number of entry level market policies sold.
- > Whether the report has been prepared in accordance with the GRI G3 principles and to a B+ application level.

Please refer to Ernst & Young's [assurance statement](#) on pages 102 to 105 for further details.

Further information

For additional sustainability-related information for the period under review, please refer to the relevant pages of our 2010 Integrated Annual Report and our website – www.sanlam.co.za.

For any queries relating to Sanlam's sustainability management, please contact:

Sustainability Management
+27 (0)21 947 2893
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How we manage sustainability at Sanlam

Sustainability management structures, strategy and approach

The Sanlam Group places considerable importance on sustainability, demonstrated by a number of clear leadership, governance, management and co-ordination structures. At Sanlam, sustainability has become part of our business philosophy and it is fully embedded in all elements of our business.

The Board of Directors has overall responsibility for sustainability management and governance within the Group. This responsibility is delegated to the Board Sustainability committee, the Audit, Finance and Actuarial committee, the Risk and Compliance committee, Human Resources committee and the Policyholders' Interest committee that deal with matters relating to the sustainability of our business.

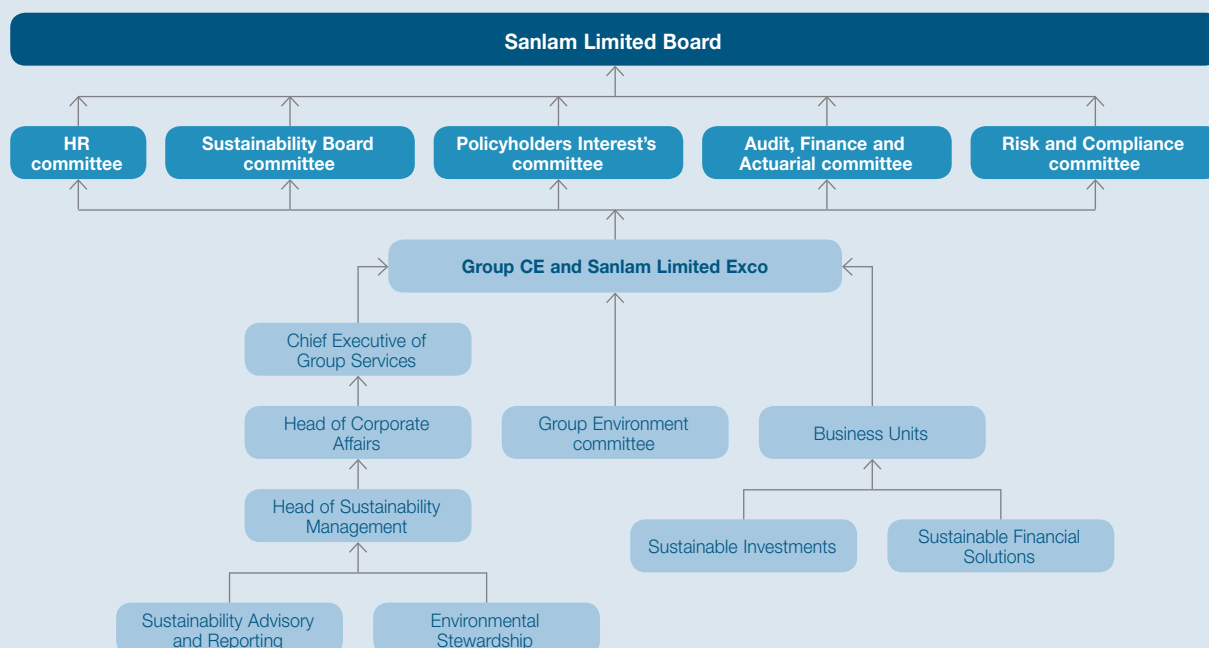
The Sustainability Management unit reports to the Head of Corporate Affairs who reports directly to the Chief Executive of Group Services, who is a Sanlam Board member. Both the Head of Corporate Affairs and the Chief Executive of Group Services attend Sustainability

At Sanlam, sustainability has become part of our business philosophy and it is fully embedded in all elements of our business.

Board committee meetings, which play an important strategic, policy, advisory, co-ordination, oversight and reporting role for environmental, social, governance (ESG), Broad-based Black Economic Empowerment (BBBEE) and transformation issues across the Group. The Group Environment committee (incorporated within the Group Sustainability Forum and operating within Sanlam RSA only), established by the Executive committee (Exco), is chaired by the Head of Corporate Affairs and is also accountable to the Sustainability committee of the Board.

The Sustainability Management unit provides strategic direction, co-ordination and monitoring of environmental, social and governance matters within the Group, while business units are responsible for ensuring sustainable investments and financial solutions.

Schematic representation of Sustainability Management at Sanlam



How we manage sustainability at Sanlam continued

Sustainability management framework

To streamline our ability to manage and report on non-financial performance in a coherent and co-ordinated manner, we are developing a comprehensive process to establish a Sustainability Management Framework for Sanlam RSA. This framework will enhance our ability to monitor and effectively evaluate all sustainability progress on an ongoing basis. It will also provide the insight needed to respond proactively to issues as they arise throughout the year. Due to be completed in 2011, this process will result in a robust set of key performance indicators (KPIs) as well as a Sustainability Dashboard (a tool to manage sustainability KPIs) and Risk Log (a tool for identifying, analysing and managing sustainability risks).

Sustainability work during the year

In 2010, specific actions of the Sustainability Management unit included:

- > **The Sustainability Management business plan:** We delivered on all key areas stated in the business plan, which largely related to compliance and voluntary reporting.
- > **Global Compact:** Our first Communication on Progress (COP) report was submitted to the United Nations Global Compact (UNGC). This included the Group CE's statement of commitment to the UNGC principles, as well as highlights of progress made against the principles. All signatories to the UNGC are required to report on key elements of their sustainability reporting framework from the third year of membership.
- > **Sustainability Forum:** Exco led a process of reconstituting the Group Sustainability Forum to incorporate a Group Environment committee with representation from all business units within Sanlam RSA.
- > **Group Environment committee:** The committee is currently establishing new resource consumption

targets for Sanlam RSA. Focal points for 2011 include the implementation of new environmental targets, the environmental policy and the sustainability framework to the Group and issues of climate change.

- > **Environmental dashboard:** While this tool for managing environmental KPIs was piloted during 2010, further resources will be allocated to its implementation in the coming year.
- > **BBBEE dashboard:** This tracking system for broad-based black economic empowerment (BBBEE) indicators continues to provide Sanlam RSA with useful data on BBBEE performance. From an information design perspective, we made improvements to the dashboard, allowing the application to more effectively capture the layers of businesses reporting into the scorecard and their underlying reporting areas.
- > **BBBEE workshops:** During 2010, we engaged with BBBEE representatives within Sanlam RSA on a one-on-one basis where required. Such engagement proved highly effective and has boosted our understanding of the reporting requirements of the Department of Trade and Industry Codes of Good Practice (the dti Codes), resulting in a more streamlined reporting process and improved scores.
- > **Retirement reform:** During 2010, the Policy unit published a compendium on retirement reform advice for South Africa. We continue to engage with the South African government regarding the proposed National Social Security System, participating in discussions and evaluating current proposals.
- > **Sustainability reporting:** Sanlam RSA is developing a Sustainability Management Framework including a robust set of key performance indicators that will streamline the reporting process in 2011.

Our commitment to codes and standards

On an ongoing basis, our Sustainability Management unit subscribes to numerous international and locally

How we manage sustainability at Sanlam continued



recognised standards and criteria to underpin our governance, management and reporting on sustainability. These standards include:

- > **King III:** The South African-based businesses have been engaged and their King III alignment considered, resulting in a clear understanding of requirements, imperatives and their implications. We are working to apply all the material recommendations of King III to our businesses.
- > **JSE SRI Index:** On an annual basis, we are assessed by the SRI Index review process, based on public reporting of our environmental, social and governance (ESG) issues. We actively participate in this review process by responding to the JSE's requests for information. We present more detail on our 2010 submission in the following section.
- > **FS Charter and the dti Codes:** Although gazetted under s9(5) of the BBBEE Act, the Financial Sector Charter (FSC) is yet to be finalised and gazetted as a Sector Code under s9(1) of the BBBEE Act, but is expected in early 2011. Therefore, for the purposes of the 2010 Integrated Annual Report and the 2010 Sustainability Report, Sanlam RSA will be reporting against the dti Codes. Once the FS Charter has been gazetted, we will be verified and will report accordingly against the provisions of the FS Charter Scorecard.
- > **United Nations Global Compact:** As a signatory to the United Nations Global Compact (UNGC), Sanlam has committed to align its operations and strategies with 10 globally accepted principles in the fields of human rights, labour, the environment and anti-corruption. We are required to submit a periodic 'Communication on Progress' (COP) in this regard, the first of which we submitted during 2010. We are also actively involved with the UNGC as part of its working group on combating corruption. As part of this team, we helped develop a set of corruption reporting guidelines, published in June 2010.

In terms of the supply of water we will need to embrace the fundamental concept that water does not come from a tap, nor even a dam. Water is provided to us by healthy and functioning ecosystems.

- > **Carbon Disclosure Project:** On an annual basis, we contribute to the Carbon Disclosure Project by publicly reporting on our direct and indirect contributions to greenhouse gas emissions, measured through our carbon footprint assessment.
- > **UN PRI:** As a signatory to the United Nations Principles for Responsible Investment, Sanlam Investment Management is committed to careful consideration of social and environmental criteria in our investment analyses and decision-making processes.
- > **Energy Efficiency Accord:** Honouring our commitment to the South African Energy Efficiency Accord, Sanlam RSA's facilities team has researched the business case for energy efficiency and has engaged with the Santam team on policy development.
- > **GRI G3 Reporting:** Our sustainability actions and reporting are in accordance with the Global Reporting Initiative's G3 reporting guidelines. We are self-declared level-B+ compliant, based on the information in this report, together with information in the relevant sections of our Integrated Annual Report 2010, and on parts of the Sanlam website.

JSE Socially Responsible Investment (SRI) Index

Annually, the JSE applies a comprehensive set of criteria to produce its annual SRI Index, which tracks the sustainability performance of listed companies on the JSE All Share Index. This year, the analysis combined public information and our response to their corporate profile questionnaire. We perceive the SRI Index to be an important tool for the advancement of the sustainability and corporate responsibility agenda in South Africa.

How we manage sustainability at Sanlam continued

In 2010, Sanlam qualified for inclusion on the JSE SRI Index for the seventh consecutive year and was listed as one of the best SRI Index performers for the year. The following table presents more detail on our compliance level with SRI Index sustainability criteria for 2010 and compared to 2009, 2008 and 2007. In summary, Sanlam:

- > met 100% of the 'core' governance criteria, and 88% of the 'desirable' criteria;
- > met 100% of the 'core' social criteria and 90% of the 'desirable' criteria;
- > met the criteria relating to our environmental policies, systems and reporting;
- > was best performer in terms of the climate change indicators introduced this year.

JSE SRI Index assessment criteria

The Company analysis for the JSE SRI Index is based on assessment of a number of criteria in the following categories:




- > Environmental issues: policy, management and reporting.
- > Employee issues: training, employee relations, equal opportunities, health and safety, HIV/Aids.
- > Other social issues: black economic empowerment, community involvement, stakeholder engagement, stakeholder reporting.
- > Governance issues: Board practice, codes of ethics, indirect impacts, business value and risk management, broader economic issues, governance reporting.

Over the past four years, the trend in Sanlam's performance against the SRI has evidently been upward.



Criteria met by Sanlam for the 2010, 2009, 2008 and 2007 JSE SRI Index

	Core indicators met				Desirable indicators met			
	2010	2009	2008	2007	2010	2009	2008	2007
Governance	32 out of 32 (100%)	42 out of 43 (98%)	42 out of 42 (100%)	37 out of 40 (93%)	29 out of 33 (88%)	35 out of 37 (95%)	33 out of 36 (92%)	39 out of 44 (89%)
Social	39 out of 39 (100%)	40 out of 41 (98%)	39 out of 41 (95%)	32 out of 41 (78%)	44 out of 49 (90%)	48 out of 58 (83%)	42 out of 60 (70%)	37 out of 65 (57%)
Environmental	Met the policy, systems and reporting criteria							
Climate change	Achieved Best Performer level in 2010 (a new category in 2010)							

Our material issues and highlights

Material issues	2010 performance	Plans and targets
 Sustainability governance and leadership		
<ul style="list-style-type: none"> > <i>Our sustainability governance structures</i> > <i>Links to corporate governance and strategy</i> > <i>Corporate code of Ethical Conduct</i> > <i>Corporate compliance</i> > <i>Commitment to King III</i> > <i>Unlawful conduct, corruption and money laundering</i> > <i>Anti-corruption</i> > <i>Policy analysis and engagement with government</i> 	<ul style="list-style-type: none"> > Sanlam helped develop a set of corruption reporting guidelines, published in June 2010, as part of the UNGC working group on combating corruption. > To better apply King III recommendations, some realignments and material changes were made at the Sanlam Ltd level. > Two anti-corruption workshops were held with Sanlam RSA employees, in partnership with Business Unity South Africa (BUSA). > The Group Ethics committee reviewed the Code of Ethical Conduct to ensure relevance to the structure of the Group and the regulatory landscape in the jurisdictions in which Sanlam operates. > The Group Policy unit published a compendium of work entitled 'Five Years of Objective Retirement Advice for South Africa 2005 – 2010', written for the benefit of South Africa's government, labour unions, NGOs, universities, corporates and the public. 	<ul style="list-style-type: none"> > Sanlam plans to increase its forensic capacity, in support of a robust anti-corruption programme for the Group in 2011. > Sanlam RSA will perform an ethical risk assessment in 2011.
 How we manage sustainability		
<ul style="list-style-type: none"> > <i>Sustainability management structures, strategy and approach</i> > <i>Sustainability work during the year</i> > <i>Our commitment to codes and standards</i> > <i>JSE SRI Index</i> 	<ul style="list-style-type: none"> > Sanlam RSA initiated a process of developing a Sustainability Management Framework including a robust set of key performance indicators. > Our first Communication on Progress (COP) report was submitted to the UNGC. > Sanlam achieved Best Performer level for climate change on the JSE SRI Index for 2010. > Sanlam met 100% requirement for core governance and social indicators for the JSE SRI Index. 	<ul style="list-style-type: none"> > Sanlam RSA plans to finalise and implement its Sustainability Management Framework in 2011. > Further resources will be allocated to the implementation of the Sanlam RSA Environmental dashboard in 2011.
 Engaging our stakeholders		
<ul style="list-style-type: none"> > <i>Our key stakeholder groups</i> > <i>How we interact with our stakeholders</i> 	<ul style="list-style-type: none"> > Sanlam Group undertook strategic engagement with a range of stakeholders at different levels within the organisation, e.g. from Board and policy level to business-unit level, on an <i>ad hoc</i> basis. 	<ul style="list-style-type: none"> > In 2011, we intend to develop a formal stakeholder engagement strategy and framework.



Our material issues and highlights continued

Material issues	2010 performance	Plans and targets
 Sustainable business		
<ul style="list-style-type: none"> > <i>A diverse, sustainable business</i> > <i>Sustainable financial and operational capacity</i> > <i>Broad-based economic contribution</i> > <i>A transforming organisation</i> > <i>Diversifying ownership, management and control</i> 	<ul style="list-style-type: none"> > For the period December 2005 to December 2010, the Sanlam Group outperformed all other relevant indices (Life, ALSI, Fini, Banks) by a compound average growth rate of 17,6% per annum over the five-year period. > Sanlam Personal Finance (SPF) reduced its policy lapses, surrenders and paid-ups from 7,2% in December 2009 to 5,9% for the same period in 2010. > Sanlam generated R4,3 billion for shareholders and retained R2,1 billion for future growth. > dti Scorecard <ul style="list-style-type: none"> > Equity ownership score is 18,20 (2009: 18,20). > Management control score is 8,16 (2009: 7,54). 	<ul style="list-style-type: none"> > Sanlam RSA is gearing resources to adapt to changes that the Statement of Intent (SOI), the anticipated Treating Customers Fairly legislation and the new National Health Insurance system will bring. > Sanlam will be examining overlaps and synergies between businesses to ensure efficiencies are maximised. > Focus will be directed to the formalisation of record-keeping systems to improve BBBEE information consolidation. > BBBEE plans: <ul style="list-style-type: none"> > We aim to maintain our newly achieved level 3 status by improving our systems and targets.
 Motivated employees		
<ul style="list-style-type: none"> > <i>Employee performance</i> > <i>Workplace transformation and diversity</i> > <i>Skills development and career progression</i> > <i>Conducive working environment</i> > <i>Employee health and safety</i> 	<ul style="list-style-type: none"> > Sanlam RSA's black employee complement has now reached 60% of total staff in line with our targets, and 86% of the new appointments made during 2010 were black. > Sanlam RSA invested R58 476 431 in employee training and skills development (1,77% of the leviable amount, down from 1,9% in 2009). > Sanlam RSA invested R1 271 834 in formal coaching initiatives (94 employees), and R4 970 241 in management development initiatives (913 employees). > SPF initiated a disability learnership with 18 participants. > The number of new recruits with a degree or three-year diploma has increased by over 84% since 2009. > Senior managers and staff members identified as "future leaders" completed a survey on the business culture to identify well-performing areas and areas needing attention. > dti Scorecard <ul style="list-style-type: none"> > Employment equity score is 6,74 (2009: 4,04). > Skills development score is 9,55 (2009: 9,46). 	<ul style="list-style-type: none"> > Sanlam RSA plans to obtain accreditation as 'Investors in People' for the Investment cluster. > The new Employment Equity targets for 2012 will be finalised in the first quarter of 2011. > Development is underway for a Graduate Leadership Programme (GLP) for 2011. > There will be a Group-wide focus on further entrenching the business culture to align this to Sanlam's business strategy.

Our material issues and highlights continued

Material issues	2010 performance	Plans and targets
 Dependable products and services		
<ul style="list-style-type: none"> > A diverse, sustainable product portfolio > Broadening access to financial services > The strength of our sales advisers > Client education and literacy > Client service levels > Dealing with client complaints 	<ul style="list-style-type: none"> > Sanlam Developing Markets (SDM) sold just over 760 000 individual life policies in South Africa and internationally. > SDM activated 104 new retail stores in partnership with the JD Group. > SPF increased the total complement of advisers by 12%. > SPF runs an Internal Training Academy that cost R29,2 million in 2010, as well as providing free broker training and examinations, which cost R352 000. > Sanlam won a number of client service awards from Business Processing Enabling South Africa (BPESA). > SPF's Client Relations unit was commended by the Ombudsman for Long-term Insurance for being the organisation that best supported the Ombudsman over the last 10 years. 	<ul style="list-style-type: none"> > Sanlam aims to grow the Sanlam Cobalt Financial Literacy Campaign by 30% during 2011.
 Responsible investment		
<ul style="list-style-type: none"> > ESG-based investment decision-making and progress against the UN-PRI > Socially Responsible Investment funds > Financing empowerment and investing in infrastructure > Responsible property management 	<ul style="list-style-type: none"> > Sanlam voluntarily completed the United Nations Principles for Responsible Investment (UN-PRI) survey in May 2010. > Sanlam Investment Management (SIM) was rated fourth out of the nine measured equity funds and second out of the five measured bond funds according to an Alexander Forbes investment performance survey for the year ending December 2010. > SIM was proud to host the Information Management Network's (IMN) Inaugural African Cup of Investment Management conference. > Sanlam Personal Finance launched the Empowerment Fund. > Sanlam Private Investments launched the Shariah fund. 	<ul style="list-style-type: none"> > Sanlam Multi Managers will be launching a new SRI product in 2011.
 Responsible procurement		
<ul style="list-style-type: none"> > Our procurement policy > BBBEE procurement > Enterprise development 	<ul style="list-style-type: none"> > Strategic sourcing has brought about considerable efficiencies in terms of cost, bringing over R180 million in benefits to the Group during 2010. > Total unweighted procurement spend for 2010 was R9,3 billion. > 80,46% of Sanlam RSA's procurement on a weighted basis came from BBBEE-certified suppliers. > Our supplier selection process now includes a screening tool, currently being aligned with policy requirements. > dti Scorecard <ul style="list-style-type: none"> > Preferential procurement score is 17,29 (2009: 15,46). > Enterprise development score is 15,00 (2009: 15,00). 	<ul style="list-style-type: none"> > Sanlam RSA plans to implement a web-based system that allows suppliers to upload their own BBBEE certificates. > Sanlam RSA is entrenching environmental selection processes. > Further research will be done into maximising web-based solutions that will lessen the need for business travel. > There will be a particular focus on supporting the growth and upliftment of black entrepreneurs through our procurement practices, focusing on black female-owned businesses.

Our material issues and highlights continued

Material issues	2010 performance	Plans and targets
 Prosperous society and community		
<ul style="list-style-type: none"> > <i>CSI and SED</i> > <i>Sponsorships that focus on society and communities</i> 	<ul style="list-style-type: none"> > CSI spend was R19,3 million, which represented 0,52% of Group net profit after tax. This excludes Santam's CSI spend. > The CSI unit reviewed and adjusted the CSI strategy, narrowing investments from 23 projects in 2010 to 13 projects going forward. The 2011 – 2015 CSI strategy was finalised. > Takalani Sesame reached 25 million children, and Sanlam spent over R9,5 million on this initiative in 2010. > dti Scorecard <ul style="list-style-type: none"> > Socio-economic development score is 2.81 (2009: 2.84). 	<ul style="list-style-type: none"> > We aim to establish the Sanlam Foundation in 2011.
 Healthy bio-physical environment		
<ul style="list-style-type: none"> > <i>Report of the Group Environment committee</i> > <i>Our carbon footprint</i> > <i>Resource consumption and efficiency</i> > <i>Environmental targets</i> 	<ul style="list-style-type: none"> > The Group Environmental Policy was refined through a consultative process. > Sanlam RSA used an independent consultancy to measure the 2010 carbon footprint of its six largest buildings, covering 68% of total Sanlam RSA full-time equivalent employees. > Sanlam RSA's CO₂ emission for 2010 calculates to 11,77 metric tonnes per full-time equivalent employee. > For the third consecutive year, we declared our carbon footprint publicly by submitting our 2009 data to the CDP. > Sanlam head office recycled about 61% of all waste. > Sanlam invested R3,1 million in the World Wide Fund for Nature (WWF) partnership. > Sanlam spent over R3,2 million on various resource efficiency initiatives at the head office. 	<ul style="list-style-type: none"> > The Group Environmental Policy will be signed off early in 2011. > New resource reduction targets will be set for Sanlam RSA. > A core focus will be the positioning of Sanlam RSA as a corporate leader in, and champion of, environmental sustainability.

Note

The material issues were identified through an internal engagement process with management. As no stakeholder engagement specific to broader aspects of Sanlam's sustainability has yet been undertaken, these material issues have not been directly informed by stakeholder concerns. However, the various business units engage frequently with their stakeholders (as described in *Engaging our stakeholders* on pages 24 to 28) and these engagements inform many of the decisions made and actions taken within the business. Examples of these appear throughout the report.

Sustainability governance and leadership



➔ Introduction

Is the Sanlam business sustainable? If yes, is it contributing in a meaningful way to the sustainability of those who support it and keep it relevant?

The word sustainability is derived from the Latin *sustinere*, which means to hold up. In the English language there are several definitions for sustainability.

In the words of our Chief Executive in the Integrated Annual Report, one struck a chord: “Sustainability is the Capacity to Endure.”

Is Sanlam capable of enduring? Is Sanlam assisting its clients, distribution channels, employees, investors, stakeholders and the country to endure?

Our results certainly show that we have endured, not only in 2010, but also in 2008 and 2009. The Sanlam Group has displayed consistent resilience, powered by a robust strategy, especially in the three most trying years. In 2008 the world's financial systems came severely unglued. Our final results for 2010 confirm that Sanlam is a sustainable business that has achieved growth even under the most challenging conditions. Our strategy, which has proved resilient and sustainable, was fundamental in helping us to once again deliver a solid set of results.

Sustainability is a key pillar of our business philosophy and growth strategy. This is clearly illustrated by our leadership in sustainability governance.

➔ Our sustainability governance structures

Ahead of the curve, some years ago, Sanlam appointed a Sustainability Board committee and other committees that cover sustainability issues, indicating the strategic importance that we have long attached to sustainability matters. This committee monitors, oversees and advises the Sanlam Ltd

Sustainability is one component of our broader approach to sound corporate governance, which forms the very foundation of the Group's business culture.

Board on Group-wide health, safety, social and environmental issues as well as Broad-based Black Economic Empowerment (BBBEE) and transformational progress. The committee also reports on these issues and recommends policies to the Board.

The committee is chaired by an independent non-executive director, and comprises a minimum of four non-executive directors. It meets four times a year when its members review the quarterly report and other relevant memoranda submitted by the Head of Sustainability Management. Various sustainability issues are handled as required by other sub-committees of the Sanlam Limited Board such as the Group Risk and Compliance committee, the Group Human Resources committee and the Policyholders' Interest committee.

Sustainability is one component of our broader approach to sound corporate governance, which forms the very foundation of the Group's business culture. For more information, please refer to the 2010 Integrated Annual Report, which contains a comprehensive overview of the Group's corporate governance, including details of Board composition, governance structures and committees, risk management, remuneration and directors' interests.

➔ Links to corporate governance and strategy

If Sanlam is to be truly sustainable, our business model must be holistic, resting on a balanced triple bottom line. In order to thrive with a beneficial role in society, we must not only be financially profitable, but also contribute positively to social and environmental

Sustainability governance and leadership continued

well-being. In the past, these three areas of impact, economic, social and environmental, have often been seen as separate. At Sanlam we are learning to integrate all of them into our business strategy. For us, sustainability is not something we are 'adding on' to our business: it is becoming an integral part of who we are.

Against this backdrop, our Sustainability Board committee monitors sustainability-related risks and opportunities, ensuring that these translate into improved corporate governance and that they feed into broader corporate strategies. Our Code of Ethical Conduct guides how line managers and employees conduct their work, while our Sustainability Management unit monitors the sustainability landscape, alerting the Sustainability Board committee and the Board to any environmental, social and governance trends and developments that should inform our broader corporate governance and strategy.

Corporate Code of Ethical Conduct

As a sustainable enterprise, the Sanlam Group is committed to the highest standards of integrity and ethical conduct in dealings with its stakeholders. Our Code of Ethical Conduct is overseen by the Group Ethics committee, under the chairmanship of the Chief Risk Officer. This committee comprises 11 representatives from across Sanlam RSA's business clusters. Due to logistical constraints the Group Ethics committee does not represent all businesses in the Group directly. Implementing the Code of Ethical Conduct is the responsibility of the management of each business in the Group.

During 2010, the committee reviewed the Code of Ethical Conduct, a process we complete every second year to ensure the Code remains relevant to the structure of the Group and the regulatory landscape in the jurisdictions in which we operate. The Code reflects the Group's values and principles

and translates these into our business culture: all Group businesses are required to subscribe to this Code. This year's review improved the Code by updating some of the values and principles to match the changing regulatory landscape. The Code also describes Sanlam's approach to compliance with statutes and regulations.

Every second year, Sanlam RSA commissions an ethical risk assessment using a tool developed by KPMG. The 2009 assessment showed significant improvements, and the results will be analysed in detail in the next assessment in 2011. This tool is not widely used in South Africa, but Sanlam RSA returned above-average results compared to its peers in the USA. We also participated in a local study among 20 major listed corporations, conducted by Ethics SA in 2009, called the SA Corporate Ethics Indicator. Although our sample size was at the lower end of requirements, the results showed Sanlam RSA out-performing its peers in the banking and financial services category.

Should breaches of the Code of Ethical Conduct occur, relevant individuals will be investigated by management at business unit level, with sensitive issues passed through the Group Ethics committee. Relevant policies include the Group Disciplinary Code and the Group Financial Crime Combating Policy and the Group Policy on the Giving or Receipt of Gratifications, which are applied across the Sanlam Group.

In 2010 all breaches were dealt with in the above manner.

Corporate compliance

Our Head of Compliance and Forensics continually monitors and researches the regulatory environments in which we operate and provides input to the Board. Sanlam's Internal Audit unit also performs a relevant audit every two to three years. Areas of importance for 2010 and 2011 include:

Sustainability governance and leadership continued



- > The Competition Act, including the Amendment Act of 2009
- > King III
- > The Companies Act 2008
- > The Protection of Personal Information Bill
- > The Anti-Money Laundering regulations
- > The Consumer Protection Act
- > The proposed Treating Customers Fairly regulations
- > The conflict of interest provisions of the Financial Advisory and Intermediary Services Act's Code of Conduct.

From a compliance perspective, Sanlam RSA is involved through membership and active participation with the Association for Savings and Investment in South Africa (ASISA), an industry organisation that engages proactively with policymakers, regulators, intermediaries and consumers on regulatory and other important issues of concern.

The Group Compliance Office was established in 2009. Currently, the biggest challenge is to improve the process of providing the Board with adequate assurance that Group-wide compliance is met and risks are properly identified and assessed.

➔ Legal cases

Reference to the three longstanding legal cases involving the business during 2010 has been included in our 2010 Integrated Annual Report.

➔ Commitment to King III

Sanlam RSA aims to apply all material principles of the new King Report on Governance for South Africa 2009 (King III). This demands considerable time, effort and resources, but is worthwhile to further enhance Sanlam RSA's good governance principles, transparency and reputation.

Every second year, Sanlam RSA commissions an ethical risk assessment using a tool developed by KPMG.

We have already committed to or implemented the following realignments and material changes:

- > All Sanlam Ltd Board and Committee Charters and our Governance Framework are being reviewed or re-drafted to align with King III.
- > The Sanlam Ltd Board has re-arranged its agenda to improve attention to broader business concerns of governance and sustainability.
- > The responsibility of the Group Audit, Actuarial and Finance committee now extends to sustainability reporting in order to deliver the required Integrated Annual Report.
- > The Group Ethics committee, a sub-committee of the Group Executive committee (Exco), ensures regular reporting to the Board to enable more active monitoring of ethical issues.
- > The Sanlam Ltd Board compiles an ethical risk and opportunity profile, assesses the company's ethical performance and disclose findings to internal and external stakeholders.
- > At least one third of non-executive directors retire by rotation at the Annual General Meeting (AGM) in Sanlam Ltd.
- > Sanlam has established a Group Compliance Unit to ensure a dedicated approach to compliance.

➔ Unlawful conduct, corruption, and money laundering

Management is responsible for all issues relating to unlawful conduct, financial crime, corruption and money laundering at Sanlam. The Group Ethics committee, the Group Compliance Office and Group

Sustainability governance and leadership continued

Forensic Services are, however, available to assist and advise management on these issues. Quarterly reports are submitted to the Group Risk and Compliance committee of the Board and the Head of Compliance and Forensics conducts quarterly one-on-one meetings with the chairperson of this committee. Direct access to the Group Chief Executive is available when required. Group policies are aligned with South African anti-corruption law and any supplier to Sanlam must have anti-corruption policies in place.

The Group's Code of Ethical Conduct and its Financial Crime Combating Policy (FCCP) take a zero-tolerance stance on any form of unlawful conduct or corruption. Should any party be found guilty, a schedule of offences prescribes sanctions on that party. No company within the Group may establish, or re-establish, a relationship with any individual or party in contravention of this zero tolerance approach.

Sanlam RSA has also implemented the following specific measures to combat corruption and unlawful activities:

- > **Gift policies:** The Group Policy on the Giving or Receipt of Gratifications prohibits any gifts exceeding a value of R750 (or equivalent) unless approved by an authorised person.
- > **Anonymous hotline:** A hotline is available to report instances of unlawful conduct and corruption. This line is operated by an independent third party to ensure anonymity and prevent victimisation.
- > **Forensic database:** Sanlam Personal Finance and Sanlam Developing Markets maintain a database to record all reported instances of unlawful conduct. Other businesses may log these incidents on their loss database which is kept as part of the operational risk function.

- > **Employee training and awareness initiatives:** In 2010, two anti-corruption workshops were held for Sanlam RSA employees, in partnership with Business Unity South Africa (BUSA). Sanlam RSA is also an active participant in BUSA's Business Anti-Corruption Working Group (BACWG).

As a global business we comply with the rules of the countries in which we operate, as well as the global rules. In 2010 over R800 000 was invested in implementing a database tool to enable us to comply with these rules, and a further R1,5 million is planned for further development of the tool in 2011. This will include developing architecture for real-time screening and risk rating of clients. These measures satisfy the requirements of foreign business partners and prepare the Group for anticipated changes in the South African and international regulatory landscape.

In 2011 we will strengthen our Group Forensics function to formulate a robust anti-corruption programme. We have published the Financial Crime Combating Policy statement and the Code of Ethical Conduct on the Group website.



Anti-corruption

Major anti-corruption initiatives instituted by organisations such as the World Bank Institute (WBI) recognise that in addition to the essential part played by governments, companies such as Sanlam accept our responsibility in combatting corruption in developing countries.

Sanlam is committed to sustainable and transparent business. Since the end of 2007, we have been a member of the United Nations Global Compact (UNGC), and the fact that our Head of Compliance and Forensics is a member of the UNGC's Anti-corruption Working Group means we play an active role. Over the past few years the Working Group developed guidelines for reporting on corruption,

Sustainability governance and leadership continued



formally launched in June 2010. As a result of his leadership role, Sanlam's Head of Compliance and Forensics was invited to be a judge at the World Bank 2010 Ideas for Action Competition (for sustainable business practices in African corporate governance). He was invited to judge essays discussing the steps African states can take to improve corporate governance. He also participated in a panel discussion at the 14th International Anti-Corruption Conference (IACC) in November 2010, debating the role of public reporting in driving change.

In South Africa, the Head of Compliance and Forensics also chairs the BUSA Working Group for Business Anti-corruption, which is currently attempting to re-energise the National Anti-Corruption Forum (NACF). The NACF is a national forum tasked with aligning the anti-corruption strategies of government, the private sector and civil society as well as creating awareness and providing related training in South Africa.

Policy analysis and engagement with government

Corporates, as self-interested entities and proactive, responsible corporate citizens, have a valuable role in both contributing to the national debate and in the formulation of policy and regulations.

The Group Policy unit's role is to analyse policy and liaise with government and policymakers on matters of mutual interest. Sanlam RSA is an active participant in industry associations such as ASISA and government-level forums such as BUSA and NEDLAC (National Economic Development and Labour Council). Such involvement drives a cross-section of policy issues across all these organisations. We also engage with a host of smaller, more focused organisations such as the NBI (National Business Initiative).

Sanlam engages with society on a wide variety of issues, from financial to social.

In addition to its public engagement, the Group Policy unit undertakes a range of research that enters into the public domain. For example, this year the unit published a compendium of work entitled 'Five Years of Objective Retirement Advice for South Africa 2005 – 2010', written for the benefit of South Africa's government, labour unions, NGOs, universities, corporates and the public. The unit also reviewed the NBI's 2025 Vision (a strategy to make incentives for corporations to adopt more sustainable behaviour) and compiled a four-page discussion for their annual report.

Sanlam engages with society on a wide variety of issues, from financial to social. At present, Sanlam RSA is closely involved in social security and retirement reform, which addresses issues of retirement funding, health, social assistance, skills development and education in South Africa. During 2010 we were also involved in the following projects:

- > **FSB (Financial Services Board):** The anticipated Treating Customers Fairly legislation will ensure the manner in which corporates and service providers operate is, first and foremost, fair to the client.
- > **ASISA:** Sanlam RSA provided funding and research for an initiative that encourages savings at individual and household level. We were also involved in a study with ASISA which investigates the cost structure in retirement policies and aims for affordability and therefore broader access.
- > **Adopt a Municipality:** This initiative aims to improve municipal capacity through corporate support, to improve efficiency. This rests on the idea that both the producer and the householder will benefit from more efficient utility services.

Sustainability governance and leadership continued

- > **Presentations to organised groups:** We gave educational presentations to stakeholders including labour unions, organised women's groups and youth groups on topics that included finance, savings and retirement funding.
- > **Engagements with government:** The most significant engagements were regarding issues of national health insurance, social security and retirement reform, appropriate investment (Regulation 28 for pension funds to invest in a sustainable fashion), Treating Customers Fairly and the Protection of Information Act.

Looking into 2011 and beyond, we intend to maintain a significant influence in policy formulation and to sustain our reputation as a respected and trusted partner.

Other leadership initiatives

In addition to our involvement with the United Nations Global Compact and the work of our Group Policy unit, we are at the forefront of some other leadership initiatives:

- > Through our involvement in the World Wide Fund for Nature's (WWF) Living Waters Project and our presence on the WWF Steering committee, we continue to improve our understanding of and our contribution to responsible water management and environmental stewardship.
- > Our subsidiary, Santam, has an industry-leading role in climate change, as it started to work on an environmental positioning for its business towards the end of 2008 with the development of a policy target and business commitments. Santam followed this with the initiation of the Ecocentric Journey in 2009 to foster dialogue across the short-term insurance industry with the aim of addressing the issues of ecological and economic resilience. Santam is therefore committed to understand and analyse risk and opportunity related to climate change through discussion with other SA insurance industry representatives.

Corporate accolades and recognition

During the year, Sanlam enjoyed the following successes in our sustainability-related activities:

- > **JSE SRI Index listing:** In 2010, Sanlam qualified for inclusion on the JSE SRI Index for the seventh consecutive year and we were listed as one of the year's best SRI Index performers.
- > **International Actuarial Association:** Sanlam Chairman Desmond Smith was unanimously elected the 2012 president of the International Actuarial Association.
- > **Ombudsman for Long-term Insurance (OLTI):** Sanlam Personal Finance was complimented by the OLTI for our consistent service to their office over the past 10 years. This is the first time in a decade that the OLTI has publicly rewarded an insurer for its service.
- > **Financial Intermediaries Association (FIA) Industry Recognition Awards:** These awards pay tribute to those insurance product providers who receive favourable ratings in the FIA's annual intermediary satisfaction benchmark survey, conducted among almost 3 000 independent brokers. Sanlam RSA earned top position in five of the nine categories.
 - > Long-term insurance category:
 - > Product Supplier of the Year – Investment Products Recurring Premium (Sanlam RSA).
 - > Product Supplier of the Year – Investment Products Single Premium (Sanlam RSA).
 - > Short-term insurance category:
 - > Short-term Insurer of the Year – Personal Lines (Santam).
 - > Short-term Insurer of the Year – Commercial (Santam).
 - > Short-term Insurer of the Year – Corporate (Santam).

Sustainability governance and leadership continued

- > **Top-100 Companies survey** in the **Business Times**: Sanlam was rated at the top of the financial services industry in the Top-40 Index (the Top-40 blue-chip listed companies on the JSE) and rated 10th overall in this survey that rates companies in terms of the most wealth created for shareholders over specific periods.
- > **Sunday Times Top Brands survey**: In the long-term insurance category for consumers, Sanlam RSA moved from fourth position in 2009 to second position for 2010.
- > **Business Day Investors Monthly's Stockbroker of the Year**: Sanlam iTrade, together with Sanlam Private Investments (SPI), secured third place overall.
- > **Investment Analysts Society of Southern Africa (IAS)**: Sanlam was voted the company with the best financial reporting and communications in the insurance sector to the investment community in 2010. This is the 10th award from IAS since our listing on the JSE 12 years ago.
- > **Investment Weekly 2010 Global Fund Manager of the Year**: Sanlam Investment Manager's, Kokkie Kooyman, was awarded the title 'Top Global Fund Manager' in the financial category, 'Top Financial Fund', at a glittering gala in Royal Albert Hall in London. This global recognition was bestowed on the modest Kokkie, who was also the only nominee from South Africa at the awards. Kokkie has managed the Sanlam Investment Management (SIM) Global Financial Fund for 10 years. During that period the Fund achieved a compound annual return of 14% in US dollar terms for investors, despite the two bear markets that occurred over the decade. The award-winning SIM Global Fund has also consistently ranked in the top three financial funds over the past six years.
- > **Imbasa Yegolide Award (Principal Officers Association)**: Sanlam received this award for professional excellence in the Employee Benefits Industry.

Engaging our stakeholders

Our key stakeholder groups

As a Group we recognise that our business operations affect a wide range of stakeholders and that we are accountable to all of them, not just our shareholders. We aim to set an example as a leader in accountability and transparent communication with all our stakeholders, regularly engaging with each group and building long-term relationships.

We have identified the following stakeholder groups, described in more detail in the table below:

Authorisers: The Board, shareholders, industry regulators and government bodies

Influencers: Civil society structures such as industry associations, Non-government Organisations (NGOs), Public Benefit Organisations (PBOs) and communities

Business partners: Employees and suppliers

Clients: Policyholders and investment clients

The Sanlam Group's key stakeholder engagement methods

Stakeholder group	Specific stakeholders	Examples of engagement methods*
Authorisers	Shareholders/Investors	<p>There is ongoing interaction between our senior executives and shareholders and investors through our:</p> <ul style="list-style-type: none"> > Investor Relations unit > Annual General Meeting and Integrated Annual Report > Shareholder/investor presentations and global financial results roadshows (two per annum) > Analyst/Investor Days (one per annum) > One-on-one interaction between investors and senior Group executives > Investor Perception Audits conducted on our behalf by a third party (Brunswick, in 2008)
	Regulatory bodies	<p>We co-operate with a wide range of regulatory bodies in order to help shape industry policy and improve industry-wide practices and oversight mechanisms through:</p> <ul style="list-style-type: none"> > Advisory groups > Task forces > Commissions of enquiry <p>At the beginning of 2010, we established a dedicated Group Policy unit, whose areas of focus specifically include engaging with regulatory bodies and representing our position on policy-related debates and forums.</p>
	Government	<p>We work alongside government advisory groups on an ongoing basis to help shape public policy, such as on the formulation of the principles for the proposed new National Social Security Scheme. Our Group Policy unit manages our relationship with government, specifically engaging government on social security and retirement reform, BEE, labour policies, trade policy, competition policy, and other policy and regulatory matters.</p>

*While many of these examples are specific to Sanlam RSA, the Sanlam Group interacts with these stakeholder groups in all countries of operation.

Engaging our stakeholders continued

Stakeholder group	Specific stakeholders	Examples of engagement methods*
Influencers	NGOs and universities	We have long-term partnerships with a number of established NGOs such as the World Wide Fund for Nature South Africa (WWF), and universities such as Nelson Mandela Metropolitan University, the University of Cape Town and the University of the Western Cape.
	Industry associations	<p>We actively contribute to the development and implementation of key regulations that affect the industry through various industry associations:</p> <ul style="list-style-type: none"> > Association for Savings and Investments (ASISA) (of which our Group CE is the current Chairman) > National Economic Development and Labour Council (Nedlac) > Business Unity SA (BUSA) > National Business Initiative (NBI) <p>Our Group Policy Analysis unit presents our views and represents our position at various policy debates and initiatives driven by these forums.</p>
	Communities	<p>We engage with various community groups through:</p> <ul style="list-style-type: none"> > Sanlam RSA's CSI Unit and the numerous CSI projects that it supports > The Ubuntu-Botho Community Development Trust, which invests in developmental projects for the benefit of impoverished communities > Various community-based sponsorship initiatives
Business partners	BBBEE partners (Sanlam RSA only)	<p>We have regular contact with our Ubuntu-Botho partners and consult them on appropriate financial solutions for the emerging market through:</p> <ul style="list-style-type: none"> > Our Market Development Executive and Group Account Manager: Ubuntu-Botho, who plays a co-ordination role with the empowerment group > The Sanlam/Ubuntu-Botho Provincial Advisory Boards that operate in each province, acting as a cross-selling platform > A Shareholder National Roadshow at which Sanlam RSA business units are given the opportunity to share their new products and opportunities with Ubuntu-Botho and other stakeholders > The Sanlam/Ubuntu-Botho Annual Conference which aims to identify a series of actions to ensure that the relationship continues to be productive <p>The Umoja Electronic Newsletter, distributed bi-monthly, which provides Ubuntu-Botho shareholders with an update on Sanlam RSA's business activities and share notifications</p>

*While many of these examples are specific to Sanlam RSA, the Sanlam Group interacts with these stakeholder groups in all countries of operation.

Engaging our stakeholders continued

Stakeholder group	Specific stakeholders	Examples of engagement methods*
Business partners <i>(continued)</i>	Employees	<p>We communicate regularly with our employees and assess our employment climate through:</p> <ul style="list-style-type: none"> > Six-monthly employee performance review and appraisal sessions > Bi-monthly Headway communications and other communiqués from the Group Chief Executive > Regular executive management feedback sessions > Monthly Sandaba internal newsletter > Regular interaction and management tools via the Intranet > Annual employee satisfaction/climate surveys
	Intermediary sales agents/brokers	<p>We communicate regularly with and receive feedback from our intermediaries via:</p> <ul style="list-style-type: none"> > A network of Broker Consultants, who maintain regular contact with all Sanlam RSA-accredited brokers > Tempo, Sanlam RSA's monthly product-focused newsletter for intermediaries > Distribution Bulletin Board, a weekly electronic newsletter > Regular broker forums, seminars and awards programmes
	Retirement fund trustees	<p>We communicate with and receive feedback from our pension fund trustees through a number of mechanisms, including:</p> <ul style="list-style-type: none"> > Insight, Sanlam RSA's monthly newsletter for pension fund trustees > Trustee training sessions for pension fund trustees
	Suppliers	<p>We conduct annual supplier workshops and promote certain BBBEE criteria in our procurement policies.</p>
Clients	Policyholders and investment clients	<p>We communicate, interact with and receive feedback from our clients on an ongoing basis through:</p> <ul style="list-style-type: none"> > Our network of field force advisers > Regular correspondence, newsletters and our website > Client feedback mechanisms such as our client service unit and client contact centres > Invitations to our financial results presentations > Our Internal Ombudsman at Sanlam RSA > Client satisfaction surveys

**While many of these examples are specific to Sanlam RSA, the Sanlam Group interacts with these stakeholder groups in all countries of operation.*

Engaging our stakeholders continued

Regulatory bodies and Industry Associations with which Sanlam RSA engages

Entity	Description of engagement
Association for Savings and Investment in SA (ASISA)	ASISA represents the majority of South Africa's life insurance companies, asset managers, collective investment scheme management companies, linked investment service providers and multi-managers. The members of ASISA have mandated this association to engage proactively with the policymaker and regulator, as well as intermediaries and consumers on regulatory and other important issues of common concern. Sanlam RSA is a member of ASISA and our Group Chief Executive is its current Chairman.
Business Unity South Africa (BUSA)	BUSA represents South African business on macro-economic and high-level issues that affect it at national and international levels. Its function is to ensure that business plays a constructive role in the country's economic growth, development and transformation and to create an environment in which businesses of all sizes and sectors can thrive, expand and be competitive.
Department of Labour (DoL)	The DoL publishes legislation that regulates labour practices and activities, and helps to reduce unemployment, poverty and inequality through a set of policies and programmes developed in consultation with its South African stakeholders.
Department of Trade and Industry (dti)	The dti develops and implements national policies, legislation and regulations for consumer protection, enabling consumers to exercise their rights, enforcing business compliance with legislation and facilitating development of good business practices. To this end, the dti has sponsored key pieces of legislation, including the National Credit Act, the Companies Bill and the Draft Consumer Protection Bill.
Financial Advisory and Intermediary Services (FAIS) Ombudsman	The FAIS Ombudsman considers and addresses complaints by clients against financial services providers in terms of the FAIS Act. Sanlam RSA interacts regularly with the FAIS Ombud to ensure effective resolution of advice-related complaints.
Financial Intelligence Centre (FIC)	The primary objective of the FIC is to identify the proceeds of unlawful activities and to combat money laundering. Information obtained is shared with similar bodies in other countries, as well as with investigating authorities in South Africa. Compliance with money laundering control legislation is monitored by the FIC, which also provides guidance to accountable institutions and supervisory bodies.
Financial Services Board (FSB)	The FSB regulates the non-banking aspects of the financial services industry, including financial advisory and intermediary services, insurance, retirement funds and collective investment schemes.
Insurance Sector Education Training Authority (INSETA)	INSETA promotes and enables quality skills development in the insurance sector through funding education and training in South Africa to meet the national skills agenda and thereby contributing to transformation in the sector. For this purpose, Sanlam RSA pays regular skills development levies to INSETA.
National Business Initiative (NBI)	The NBI is a voluntary group of leading national and multi-national companies, collaborating to drive sustainable growth and development in South Africa through partnerships, practical programmes and policy engagement. Sanlam RSA is a member of the NBI.

Engaging our stakeholders continued

Entity	Description of engagement
National Credit Regulator (NCR)	The NCR was established under the National Credit Act and is responsible for the regulation of the South African credit industry. It is tasked with education, research, policy development, registration, investigation of complaints and enforcement of the Act.
National Treasury (NT)	The NT is responsible for financial and fiscal policy in South Africa. In particular, it plays a critical role in developing the proposed national retirement fund reforms. Sanlam RSA is contributing to the formulation of the principles underlying the proposed National Social Security System.
Ombudsman for Long-term Insurance (OLTI)	This office mediates disputes between long-term insurers and policyholders in South Africa. Sanlam RSA liaises and co-operates with the OLTI and his office in order to maintain positive relationships, ensure ongoing communication and facilitate the effective resolution of complaints.
Pensions Funds Adjudicator (PFA)	The office of the PFA was established to investigate and adjudicate complaints in terms of the Pension Funds Act. Sanlam RSA interacts regularly with the PFA to ensure effective resolution of pension fund-related complaints.
Stock exchanges	Sanlam is listed on the Johannesburg Stock Exchange Limited (JSE) and on the Namibian Stock Exchange. We abide by the Codes of Conduct of these exchanges, which include best execution practices and 'fit and proper' requirements.
South African Reserve Bank (SARB)	The SARB is the key custodian for financial stability in the economy, the supervisor to the payments system and the custodian of foreign exchange regulations. It plays a key policy role in the pricing of capital in the economy by setting official interest rates. These determine the underlying confidence, efficiency and sustainability of the financial system, the financial sector and the real economy, all of which have a direct impact on our business.

How we interact with our stakeholders

The Sanlam Group undertakes strategic engagement with these stakeholders at different levels within the organisation, from Board to business unit: each level engages with different stakeholder groups. Engaging with stakeholders enables us to assess and improve our positive impact on society as well as providing opportunities for business and market development.

At Sanlam RSA, interactions occur frequently on an *ad hoc* basis. In 2011 we intend to develop a formal stakeholder engagement strategy and framework.

Sanlam has not yet undertaken formal engagement with stakeholders relating to the specific concept of sustainability or reporting issues, but we are planning methods for engagement based on King III recommendations.

Sustainable business

A diverse, sustainable business

In Sanlam's 92 years of operation, we have grown to become one of the largest financial services companies in South Africa, with core operations in the life, long- and short-term insurance, asset management and investment sectors. We cater to all segments, from large institutional clients and high net-worth individuals to middle-income earners and the previously disadvantaged entry-level market. To target the latter, the Group has acquired a number of companies in the last five years, such as African Life, Safrican and Channel Life. We are diversifying geographically to ensure we also offer services to alternative growth markets. Our financial solutions span numerous business lines across three business clusters: retail, institutional and short-term clusters, as described below. For more detail on each business unit within these clusters and a review of their performance during 2010, please refer to the Business Unit Reviews in the 2010 Integrated Annual Report.

Retail cluster

Sanlam Personal Finance (SPF) is a major provider of individual life insurance, savings, investment and retirement solutions to the middle market, the affluent market (Glacier by Sanlam) and the self-employed and professional market (Sanlam Cobalt).

Sanlam Developing Markets (SDM) offers affordable financial products primarily to the entry-level market in South Africa and to all market segments in other developing markets in Africa and India. In South Africa, SDM's brands include Sanlam, Channel Life and Safrican.

Sanlam UK provides life, specialist pensions, investment management and financial advice services in the United Kingdom.

Institutional cluster

Sanlam Asset Management provides local and international asset management services through Sanlam Investment Management (SIM) and through its African asset management operations.

Sanlam Wealth provides portfolio investment services and online share trading facilities for private client investment management through Sanlam Private Investments (SPI), iTrade and Calibre.

Sanlam Investment Services offers collective investments (unit trusts), multi-manager investment management, hedge funds, investment consulting, stockbroking and investment administration.

Sanlam Capital Management uses structured debt and equity transactions and associated capital market activities to help manage risk for institutional clients through structured debt and equity transactions, as well as derivative structuring. This business unit also structures corporate, infrastructure and empowerment financing transactions, offers private equity investment and manages property investments. As such, the unit's profitability comes from transactions rather than premiums and aims for a long-term average return on equity of 25%.

Sanlam International Investment Partners (SIIP) offers a number of international investment products for global diversification across asset classes, geographies, sectors, currencies and managers, as well as some hedge funds. Formed in 2008, SIIP currently has businesses in North America, the UK, Europe and the Asia Pacific.

Sanlam Employee Benefits (SEB) provides life insurance, investment and annuity solutions to institutions, group schemes and retirement funds, as well as fund administration for retirement and umbrella funds. SEB operates through four entrepreneurial divisions including Sanlam Group Benefits, Sanlam Structured Solutions, Sanlam Umbrella Solutions and Coris Capital.

Short-term insurance cluster

Santam, 57%-owned by the Sanlam Group, focuses on short-term insurance for the personal, commercial and corporate markets. Its client list includes the majority of the Top-100 companies on the JSE.

Sustainable business continued

Sustainable financial and operational capacity

One of the key services a business can provide to society is to create financial wealth for its citizens. Sanlam's core purpose is to be the leader in wealth creation, a position only achievable through profitable ventures that bring sound benefits to all stakeholders.

While protecting communities and the environment is an ethical imperative, a sustainable business must have at its heart a rigorous and robust business model. There can be no focus on the triple bottom line if the business itself is not a viable, profitable entity. In order to survive, we must provide consistent economic value to our clients and shareholders.

In order to remain sustainable, numerous risks must be addressed. Specifically for Sanlam Personal Finance (SPF), our largest business unit, these risks include:

- > The changing demographics of our target market – ensuring our business model adapts in order to accommodate this shift;
- > The pressure on clients' disposable income due to forecast increases in the cost of living (increasing electricity costs, medical aid rates etc);
- > Both the volume of projects and resource constraints resulting from various cost-saving initiatives, which place strain on employees. This risk will be further exacerbated by Project Renaissance's (IT project) impact on capacity in 2010 and 2011;
- > The impact of regulatory changes, in particular Solvency II, on our costs and resource time as well as the effort required to implement these changes; and
- > IT security requirements.

Management approach and actions

As a leading financial services group, we offer a wide range of financial solutions focused on enhancing our policyholders' lives. The Group's approach is based on sound capital management principles underscored by

conservative management and a client-centric business model. We strive to ensure that our products satisfy needs and are appropriately priced.

In a challenging economic environment, the only ways to improve profit are cost-reduction and business growth. Sanlam's philosophy of business prudence ensures quality and sustainable growth, achieved by optimisation and expansion of our market presence through:

- > improved operational efficiencies and performance;
- > optimisation of capital structure;
- > pursuit of selective add-on or diversification opportunities; and
- > transformation.

To achieve this, we are currently focusing on growth and capital efficiencies, that is, servicing growth from less capital. In particular, our growth strategy focuses on:

- > diversification into new or under-developed markets;
- > growth of alternative revenue sources;
- > distribution initiatives; and
- > managing the cost versus income ratio.

Capital efficiencies (distributed amongst our shareholders) are gained through:

- > optimisation of our investment profile;
- > appropriate adjustment of risk-return; and
- > appropriate capital / risk reward.

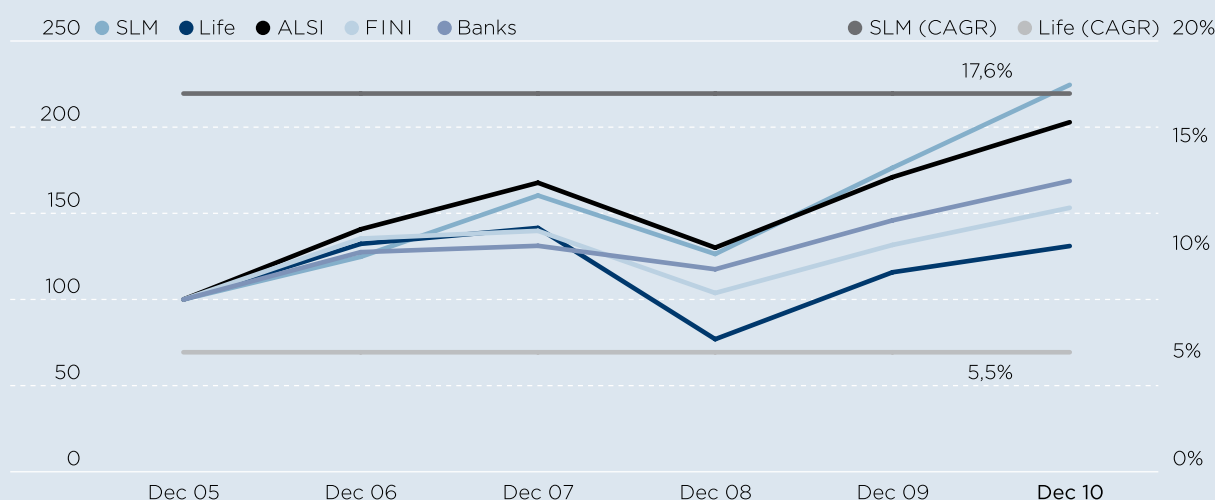
In recent years, we have responded to our clients' increased financial pressures by offering various solutions, which have reduced the volume of lapsed policies. These solutions include giving clients a policy contribution 'holiday', updating the policies to ensure market relevance and assessing existing client policies so as to suggest alternatives to enhance our service. Combined, these actions have greatly enhanced the overall quality of our business and the Group's brand experience as a whole.

Sustainable business continued

Performance

Our 2010 Integrated Annual Report comprehensively details our financial performance and sustainability. A key proxy for our financial sustainability is reflected in the Sanlam Group's relative share price performance over the past five years, a clear endorsement of performance for the period December 2005 to December 2010. The Group outperformed all other relevant indices (Life, ALSI, Fini, Banks) with Sanlam's share price experiencing a compound average growth of 17,6% per annum, compared to our peers who generated a return of 5,5% – a peer out-performance rate that equates to approximately 12,1% per annum over the five-year period. While this fluctuates somewhat within a given year, the average rate underscores the level of value Sanlam creates for our shareholders.

The Sanlam Group's relative share price performance over the past five years



The business continued to show resilience and the resultant growth is that of a sustainable business model. In response to this, investors have awarded the Group the highest market valuation in the South African life insurance sector (in the large to mid capitalisation range), measured on a price to embedded value metric.

Persistency and lapse rates at Sanlam Personal Finance (SPF)

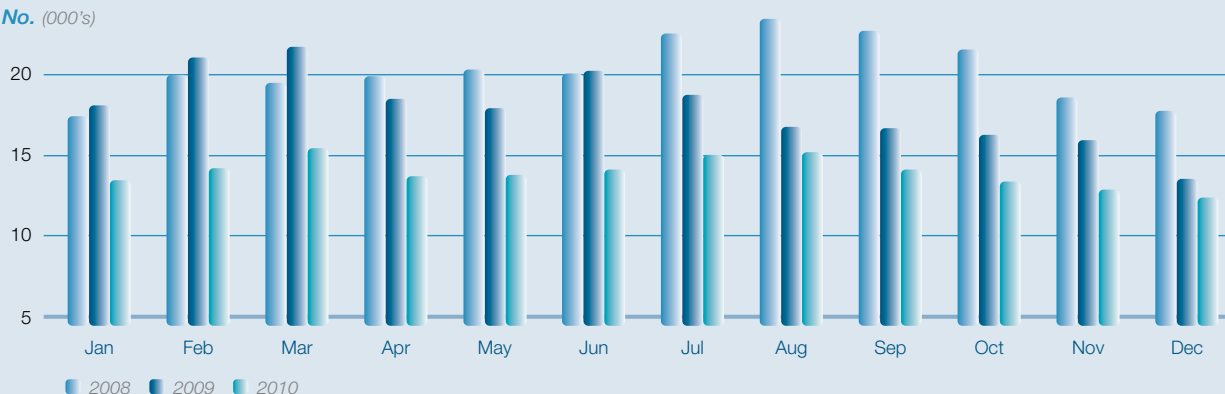
The extent to which a life insurance company retains client business is one of the best measures of success. As JP Morgan Cazenove said in September 2010, *"We continue to believe there is no better value driver in the mature SA life insurance sector than client retention. High upfront sales costs on low-margin products necessitate a long-term profitable relationship with clients."* For Sanlam, better client retention boosts profitability, reduces waste and demonstrates our ability to forge strong relationships with clients. Policy retention helps them stay on track in meeting their long-term financial objectives while also keeping their vital financial protection measures intact.

Sustainable business continued

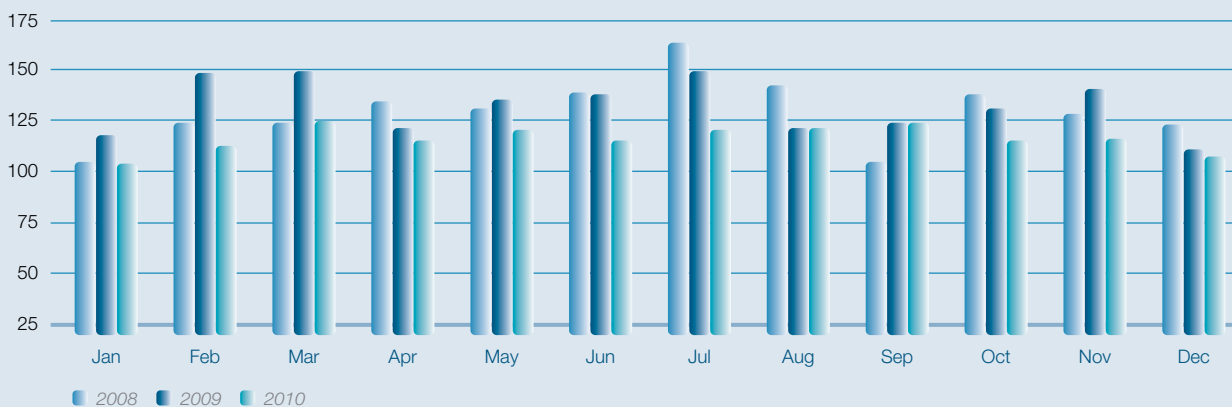
Given the adverse economic conditions in recent years, one would expect policy lapse rates to have increased. However, SPF reduced its policy lapses⁽¹⁾, surrenders⁽²⁾ and fully paid-ups⁽³⁾ from 7,2% in December 2009 to **5,9%**⁽⁴⁾ for the same period in 2010.

Total lapses, surrenders and paid-up trends

No. (000's)



Annualised premiums (R'm)



⁽¹⁾ Lapse: When a plan is terminated before the contractual end date and no value is available to be paid out.

⁽²⁾ Surrender: When a plan is terminated before the contractual end date, and a termination amount is paid out. There may be a termination charge applicable.

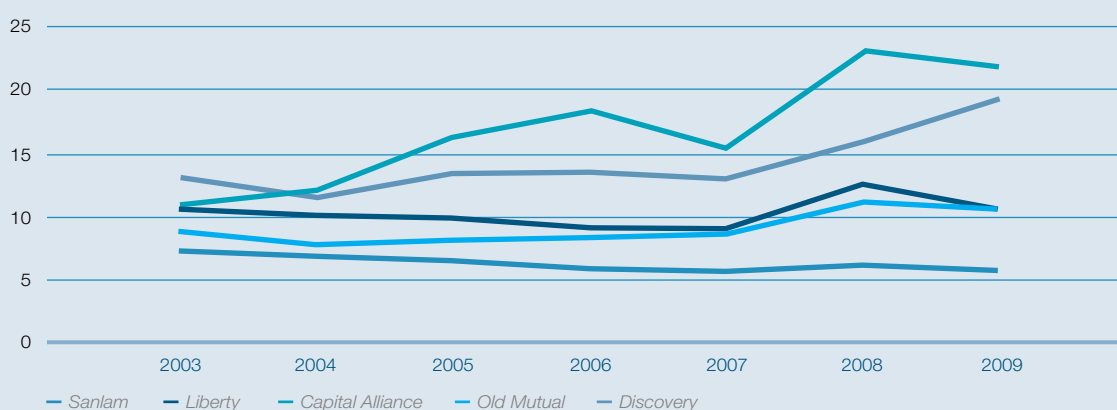
⁽³⁾ Fully paid-up: When the payments on a recurring payment plan are terminated, and the plan remains in force after the payments are terminated.

⁽⁴⁾ Basis of measurement: Persistency rates are defined as the number of policy lapses (excluding reinstatements), surrenders and fully paid-up policies (excluding cancellations thereof) at 31 December 2010 as a percentage of the total in-force policies as at 1 January 2010 (for SPF only and excluding annuities).

Sustainable business continued

It is instructive, in these times, to compare SPF's lapse rates with those of its peers. The graphs below make such comparisons for SPF's average regular premium, single premium and risk product lapse rates. This shows that SPF's lapse rates have been consistently lower than those of our peers in recent years.

Average lapse rates on regular premium individual life policies: unweighted average



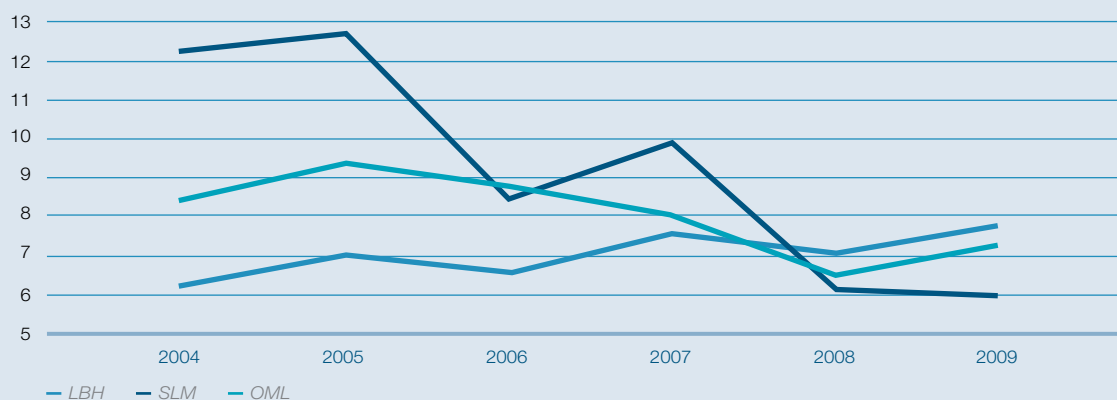
Notes:

Source: FSB Annual statutory reports

Source: JP Morgan Cazenove, July 2010

All lapses and surrenders as % of in-force book

Single premium individual life policy decrement rate: FSB statistics



Notes:

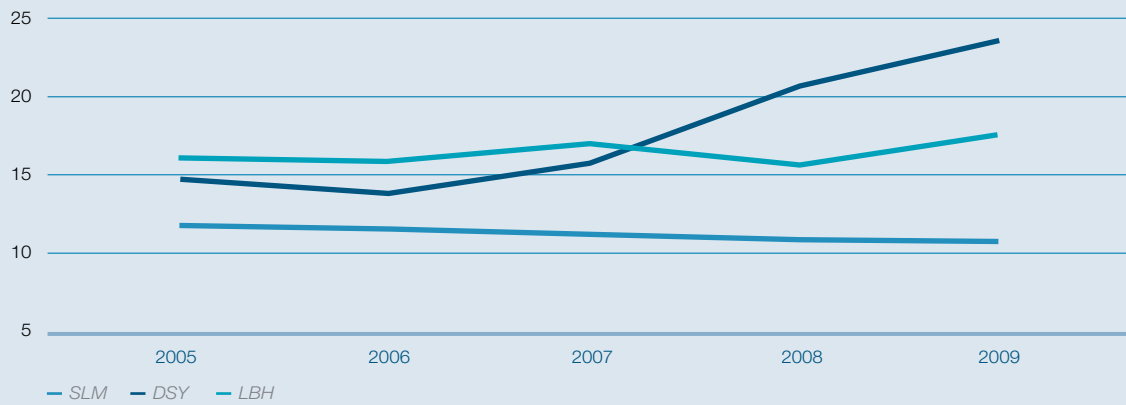
Source: FSB Annual statutory reports

Source: JP Morgan Cazenove, July 2010

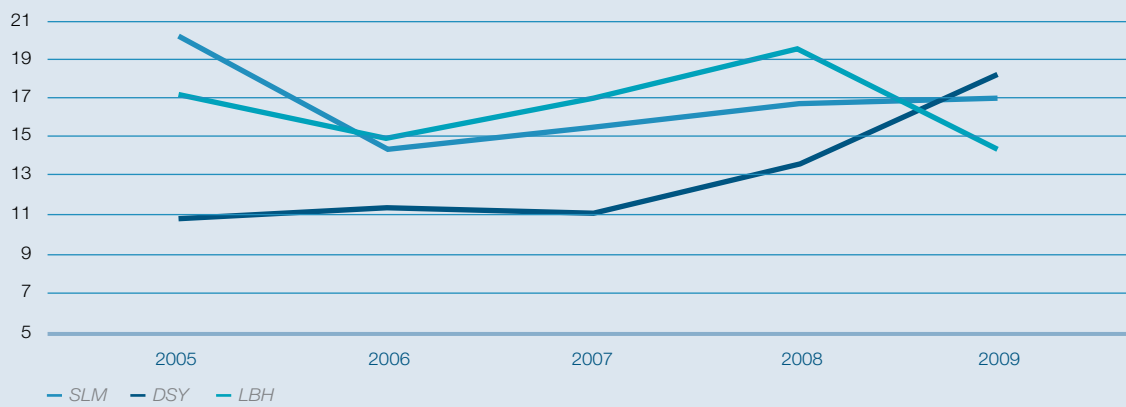
Sustainable business continued

Risk product lapse rate

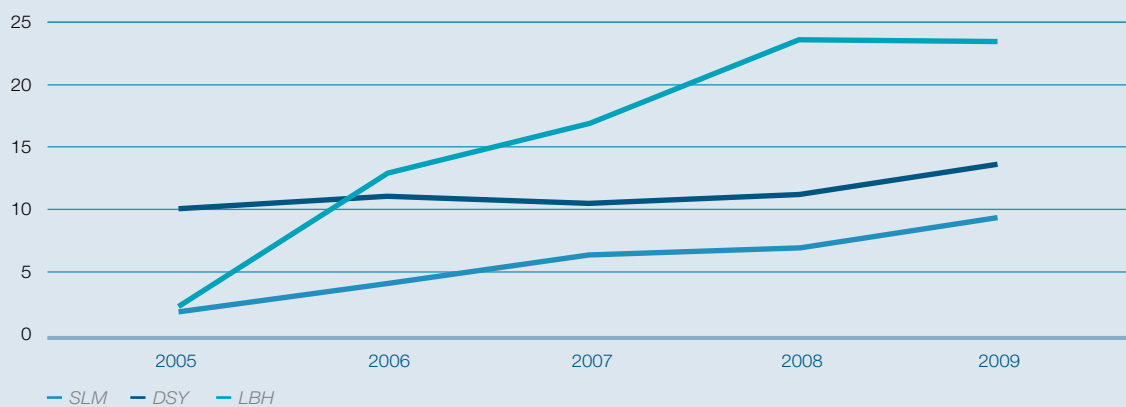
First year lapse rates (%)



Second year lapse rates (%)



Third year and beyond lapse rates (%)



Notes:
Source: Investec Securities

Sustainable business continued

In its July 2010 analysis, JP Morgan Cazenove said, *“The quality of business written by Sanlam has far exceeded that of its peers in the past... Sanlam’s thorough and onerous new business production process does slow down new business volumes, but helps to ensure that clients are sold affordable products which meet their needs, thereby helping to ensure client retention is optimised and lapse rates minimised. The 2009 lapse and surrender rates were impressive in the light of the difficult economic and investment environment, especially during [the first half of 2009]”*

SPF’s ODDS model

ODDS is a management tool which models the statistical risk (or ‘odds’) of a new policy lapsing within the first 12 months. Developed in the 1990s in partnership with the University of Pretoria, this tool is embedded in SPF’s quotation system in order to score each new application. If an application for a new policy is assigned a high score on the ODDS model it is sent to management who make the final decision on whether it will be granted or not. The ODDS tool has contributed to SPF’s excellent persistency rates in the past years.

Plans for 2011 and beyond

In South Africa, external regulatory measures such as the Statement of Intent (SOI), the anticipated Treating

Customers Fairly legislation and the new National Health Insurance system will bring increased operational costs, margin pressures and impact profitability in the insurance sector. Sanlam RSA is gearing resources and adapting by up-scaling businesses that will benefit from these changes. By implementing the right systems, growing relevant client bases and moving into umbrella funds that support smaller businesses, we believe Sanlam RSA will be well prepared for the transition.

Over the next few years, each business cluster will independently pursue comprehensive growth strategies. In the short to mid term, we will need to address the challenges of a decentralised business model. For example, the inefficiencies created by business overlap need to be rationalised from a strategic angle. Sanlam will focus on the principle of ‘doing business better’ by drawing clear boundaries between certain businesses and improving co-operative processes.

The recently launched Sanlam for Sanlam initiative aims to facilitate this in order to optimise growth across business units. Specifically, the businesses will examine overlaps and synergies between Sanlam Personal Finance (SPF), Sanlam Developing Markets (SDM) and Sanlam Investments (SI).

In the long term, we will also focus on diversifying through developing new markets.

Sustainable business continued

Broad-based economic contribution

The Group Value Added Statement summarises our primary economic impacts on a range of important stakeholders, including policyholders, employees and non-directors, communities, suppliers, government and shareholders.

The Sanlam Group value added statement

for the year ended 31 December 2010

	2010 R million	% change	2009 R million	% change	2008 R million	% change	2007 R million
Premium income	51 558	6	48 719	0	48 542	10	44 077
Other operating income	3 145	21	2 604	(3)	2 690	6	2 544
Investment return	32 404	16	27 960	530	(6 504)	(124)	26 999
Commission and other sales remuneration paid to agents and brokers	(5 006)	9	(4 577)	6	(4 318)	18	(3 667)
Wealth accumulated	82 101	10	74 706	85	40 410	(42)	69 953
Wealth distributed among stakeholders							
Policyholders							
Policyholder benefits, claims and increase in reserves	64 642	7	60 411	97	30 663	(44)	54 558
Employees and directors	4 836	21	3 994	9	3 653	4	3 499
Salaries and other staff costs	4 814	21	3 973	10	3 624	4	3 471
Directors' fees	22	5	21	(28)	29	4	28
Communities							
CSI and cause-related investment	54	0	54	(2)	55	8	51
Suppliers							
Procurement of goods and services	3 034	23	2 471	(10)	2 745	10	2 487
Government	3 083	9	2 829	199	946	(66)	2 770
South African normal income tax	1 936	11	1 742	23	1 422	(25)	1 887
South African capital gains tax	474	(24)	624	168	(924)	(332)	398
Foreign tax	347	113	163	33	123	(21)	156
Tax on retirement funds	—	—	—	0	0	(100)	52
Indirect taxes and levies	326	9	300	(8)	325	17	277
Shareholders	4 337	32	3 276	(17)	3 960	49	2 653
Ordinary dividends paid to Sanlam's shareholders	2 112	7	1 977	0	1 968	11	1 768
Retained income distributed due to shares cancelled	1 233	100	615	(60)	1 549	1 549	0
Income attributable to minority shareholders	992	45	684	54	443	(50)	885
Retained for future growth	2 115	27	1 671	204	(1 612)	(141)	3 935
Retained earnings	1 855	31	1 415	176	(1 872)	(150)	3 779
Depreciation and amortisation	260	2	256	(2)	260	67	156
Wealth distributed	82 101	10	74 706	85	40 410	(42)	69 953

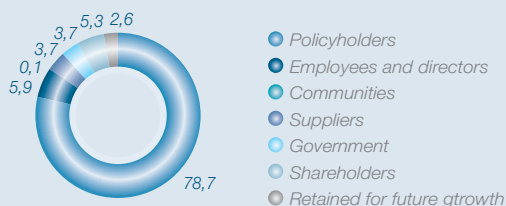
Sustainable business continued

In 2010, the Group's operations resulted in substantial benefit to our most important stakeholder groups. In addition to the R4,3 billion generated for our shareholders and the R2,1 billion retained for future growth, we:

- > awarded R64,6 billion to policyholders in the form of policyholder benefits, claims and increases in accumulated reserves;
- > paid R4,8 billion to employees and directors in the form of employee and other benefits;
- > contributed R3 billion to the South African government fiscus through various state taxes and levies;
- > paid R3 billion to our suppliers and business partners; and
- > contributed R54 million to local communities and other cause-related programmes and donations.

The proportional distribution of wealth to our various stakeholders is reflected in the graph below:

Summary of wealth distributed (%)



A transforming organisation

In South Africa, economic transformation is both a social and a business imperative. From an ethical perspective, it is necessary to correct the wrongs of the past by focusing on equal inclusion of all individuals in the economy. From a business perspective, diversity within the organisation and in our

business partnerships will enhance our ability to provide a multicultural society with relevant products and services.

Management approach and actions

Because transformation is a journey, our strategy is built on achieving consistent improvement. The Sustainability Management unit measures our scores and provides insight on their optimisation for all Sanlam RSA businesses. In 2010, our energies largely focused on improving BBBEE scores for skills development and employment equity. In terms of skills development, Sanlam RSA is working on improved measurement systems that will yield more accurate scores. Our 8,1 point improvement from 2008 to 2009 underlines the value in this approach.

From the following table, it is evident that an area requiring further management attention is that of employment equity. This has called for fresh focus on some of the minimum thresholds, specifically those for senior management. That said, these are close to the sub-minimum threshold. Our main challenge in this area is the attraction and retention of the right skills and human capital.

Sanlam RSA has also focused on improving preferential procurement scores that decreased in 2009 largely due to poor measurement within our smaller subsidiaries. Accordingly, attention has turned to streamlining systems for capturing BBBEE credentials, which in turn will allow for more informed choices when selecting suppliers.

As a wider group of companies now captures their BBBEE data, focus is on the formalisation of recording systems to improve information consolidation. The information is 100% aligned to the dti Codes requirements and we expect reinstatement of the FS Codes in early 2011.

Sustainable business continued

Performance

In 2009, we successfully achieved our target of a higher level-4 score, but the goal for 2010 was a level-3 rating. The table below presents our unverified dti Scorecard data for the year to December 2010 and the equivalent verified scores for 2008 and 2009.

dti Scorecard

(for the year to 31 December 2010, versus 2009 and 2008)

Element	dti weighting	Indicators	2010 Total scores (unverified data)	2009 Total scores (data verified by AQRate)	2008 Total scores (data verified by AQRate)
Equity ownership	20	Exercisable voting rights in the hands of black people	18,20	18,20	16,65
		Exercisable voting rights in the hands of black women			
		Economic interest of black people			
		Economic interest of black women			
		Economic interest of other specific black beneficiaries			
		Ownership fulfilment			
		Current equity interest			
		Black new entrant involvement in ownership (bonus points)			
		Other black beneficiaries' involvement in ownership (bonus points)			
Management control	10	Exercisable voting rights of black Board members	8,16	7,54	7,74
		Black executive directors			
		Black senior top management			
		Black other top management			
		Black independent non-executive Board members (bonus point)			

Sustainable business continued

dti Scorecard (continued)

(for the year to 31 December 2010, versus 2009 and 2008)

Element	dti weighting	Indicators	2010 Total scores (unverified data)	2009 Total scores (data verified by AQRate)	2008 Total scores (data verified by AQRate)
Employment equity	15	Black disabled employees as % of all employees	6,74	4,04	3,83
		Black senior management employees as % of all employees			
		Black middle management employees as % of all employees			
		Black junior management employees as % of all employees			
		Exceeding EAP targets in each category (bonus points)			
Skills development	15	Skills development for black employees as % of leviab amount	9,55	9,46	1,36
		Skills development for black employees with disabilities as % of leviab amount			
		Number of black employees (as % of total employees) participating in in-service training programmes			
Preferential procurement	20	BBBEE procurement spend from all suppliers as % of total procurement spend	17,29	15,46	17,56
		BBBEE procurement spend from QSEs or EMEs as % of total procurement spend			
		BBBEE procurement spend as % of total procurement spend from suppliers that are: – >50% black owned; or – >30% black women owned			
Enterprise development	15	Average annual value of enterprise development spend as % of net profit after tax	15,00	15,00	15,00
Socio-economic development	5	Average annual value of socio-economic development spend as % of net profit after tax	2,81	2,84	3,04
Total score			77,74	72,54	65,18

Sustainable business continued

We achieved our goal of a level 3 BBBEE contributor status based on our transformational efforts in 2010. We continue to make progress on our Management composition which directly affects both the Management and Employment Equity elements.

We further maintained our investment in the development of staff and black staff in particular.

The implementation of our new procurement policy and a greater focus on supplier transformation resulted in an increased score under the procurement element.

Our Socio-Economic Development spend is aligned to our social, environmental and business development initiatives. Higher net profit after tax figures resulted in a decrease in our achieved score for 2010.

Plans and targets for 2011 and beyond

Our strategic objective with regard to the BBBEE scorecard is to maintain the level 3 contributor level achieved in 2010. A more representative workforce and investment in our people remain our primary focus for 2011.

We will further refine our measurement and reporting on the BBBEE performance of underlying businesses within the Sanlam Group in an effort to highlight areas of non-compliance, but also to share best practice and lessons learnt between businesses.

Our long-term vision is to move from a regulated input-based measurement system to a more meaningful outcome-based measurement of transformational initiatives which will provide a better understanding of the impact that BBBEE has on all stakeholders.

Diversifying ownership, management and control

Management approach and actions

Sanlam's Ubuntu-Botho (UB) empowerment transaction in 2004 transferred 10% ownership to a

broad-based group of black shareholders. This shareholding was 12,76% at the close of 2010. However, based on measurement criteria prescribed by the dti Codes with specific reference to the exclusion of Mandated Investments and Foreign Business Operations from the denominator, the Group's black ownership is close to 20%.

Ubuntu-Botho partnership

This venture has helped us fast-track our transformation into an organisation that is a true representation of the communities in which we operate. The UB consortium has three anchor shareholders:

- > Sizanani-Thusanang Helpmekaar led by Patrice Motsepe (55%)
- > Sanlam/Ubuntu-Botho Community Development Trust (20%)
- > The Broad-based Empowerment Groupings (25%)

The Broad-based Empowerment Groupings comprise 12 provincial companies (11 are public companies and one is a private company, each with an average of 70 shareholders), a national company of women who own and manage small and micro enterprises and three trusts (churches, women and youth). There are two unions, NEHAWU and SADTU, through their investment companies, NEHAWU investment Holdings and SADTU investment holdings, which are part of the empowerment groupings. There is also a company with shareholders comprising kings and chiefs across the country called Nkosi/Kgoshi. A provincial advisory board facilitates provincial cross-selling between Sanlam businesses whilst also assisting shareholder business growth.

Expanding shareholding to micro- and small businesses also gives the Group access to a significantly expanded base of potential clients. This partnership affords significant insight into local markets

Sustainable business continued

and the ability to quickly identify market opportunities that call for development of new products, which complements our client-centric strategy. As a result, our access to new audiences via a broad-based consortium of organisations (including trade unions and community organisations) has seen us grow into a more sustainable entity in addition to significantly increasing our share price since 2004.

A formal set of processes and interactions between the Sanlam Group and the UB shareholders illustrates a strong level of commitment to the Group's growth:

- > UB has its own Board and administration office while the Group has a Group Account Manager: Ubuntu-Botho, who is our co-ordinator with the empowerment group.
- > The Sanlam/UB Provincial Advisory Boards operate as a cross-selling and business development platform.
- > A Shareholder National Roadshow gives Sanlam RSA's business units the opportunity to share their new products and explore potential synergies with UB and other shareholders in South Africa.
- > The Sanlam/UB Annual Conference aims to identify a series of actions to ensure continued growth of the relationship.
- > Provincial penetration studies and an annual Group Market Development Conference aims to disseminate market intelligence among the business leadership across all regions.
- > A quarterly lead-generation process tracks potential business generated via UB.
- > The Umoja Electronic Newsletter updates shareholders on Sanlam RSA's business activities and share notifications on a bi-monthly basis.

Performance

At the end of 2010, our BBBEE ownership score totalled 18,20 based on the verified score from 2009. As nothing has changed significantly over the past year, this is the best indicator of BBBEE ownership at the time of writing this report. The unverified score for 2010 is 18,20. The 2008/2009 increase was largely attributable to the improved measurement of the underlying shareholders within the UB structure.

dti Scorecard – equity ownership

(for the year to 31 December 2010, versus 2009 and 2008)

Element	dti weighting	Indicators	2010 Total scores (unverified data)	2009 Total scores (data verified by AQRate)	2008 Total scores (data verified by AQRate)
Equity ownership	20	Exercisable voting rights in the hands of black people	18,20	18,20	16,65

Sustainable business continued

In terms of transforming control of the organisation, the Group is performing relatively well. The Board currently comprises three black females, five black males, one white female and eight white males. Owing to a decrease in the number of black board members from 2008 to 2009, attributable percentage voting rights decreased in 2009, hence the slight decrease in this score. However, the number of black executive Board members increased in 2009, leading to the increase in the score relating to black executive management. During 2010, alignment of the definition of executive management to the provisions of the dti Codes resulted in a positive effect on Sanlam RSA's scoring.

dti Scorecard – management control

(for the year to 31 December 2010, versus 2009 and 2008)

Element	dti weighting	Indicators	2010 Total scores (unverified data)	2009 Total scores (data verified by AQRate)	2008 Total scores (data verified by AQRate)
Management control	10	Exercisable voting rights of black Board members	8,16	7,54	7,74
		Black executive directors			
		Black senior top management			
		Black other top management			
		Black independent non-executive Board members (bonus point)			

Motivated employees

Introduction

Our successful business relies on an engaged, motivated and capable workforce. Sanlam's employees are representative of our target market, and possess important skills to help us understand this market. These factors are critical to ensuring our sustained competitive edge in a radically changing world.

Accordingly, the Sanlam Group strives for a working environment that is conducive to attracting skilled and diverse people and encourages them to reach their potential. We go to great lengths to provide a compelling employee value proposition, through which we:

- > recognise employees as our most important asset;
- > focus on transforming our workplace and promoting its equity and diversity;
- > offer training, learnerships and skills development and ensure a sustainable 'talent pipeline' through career progression, leadership development and succession planning;
- > foster a cordial and conducive working environment; and
- > take care of employees' wellness and promote a healthy work-life balance.

Our skills strategy is a careful blend of employing the right people, in the right numbers, in the right places and at the right time. To achieve this, the right structures need to be in place. At the Group level, human resources (HR) are governed through three key mechanisms. The Board has a dedicated sub-committee for HR issues, which meets four times a year. The HR forum holds monthly and *ad hoc* meetings with all heads of HR at Sanlam

RSA, chaired by the Head of Group HR, to discuss day-to-day operations and issues. Sanlam RSA also has a Category Advisory Board (CAB) to manage demand and supply issues related to HR service delivery.

At an operational level within the Group, in general each business unit has its own set of support services, which include an HR unit. Sanlam has four business level HR managers who oversee SDM, SPF, Sanlam Investment cluster, and Santam, and one who oversees the Group Office. Group HR has a number of internal consultants and support staff who focus on Group-wide strategic projects and compliance with labour legislation and regulatory codes. Business HR managers do not report to the Group HR, but work within a framework of 'loose' and 'tight' principles and report back to the heads of the respective businesses. 'Loose' principles are discretionary, and 'tight' principles include generic issues such as Group benefits (e.g. medical aid and pension funds).

Employee performance

What our employees achieve in their individual roles has a direct influence on the operational successes of the business. The Sanlam Group encourages individuals to savour the responsibilities and challenges of their careers and we aim to create an environment in which employees are nurtured and guided on how to apply their skills for maximum advantage. Competitive remuneration packages and employee value propositions aim to keep employees motivated and incentivised while fostering a more invested attitude and work ethic.

Motivated employees continued

Management approach and actions

There are three key mechanisms with which we aim to stimulate employee motivation and productivity:

1. **General performance development process:** Agreed deliverables are contracted with each employee and supported by a feedback process that runs throughout the year. Performance against these deliverables is linked to annual remuneration and short-term bonuses.
2. **Business critical performance development process:** Specific business-growth targets are linked to the deliverables of those employees in positions directly influencing business performance. Rewards are based on the business achieving these targets.
3. **Supporting initiatives:** Measures such as wellness programmes and various educational initiatives are in place to motivate employees.

Within the limits of an approval framework, employee-related decision-making is decentralised as far as possible and employees are encouraged to be accountable for their deliverables. Sanlam RSA requires all its business clusters to be accredited as 'Investors in People' — an international standard that guides employee performance and development processes. Currently only the investment cluster is not accredited, and this will be a focus over the next few years.

Plans for 2011 and beyond

We will continue to optimise our existing performance incentive mechanisms by focusing on engagement, motivation and retention.

Workplace transformation and diversity

Management approach and actions

In our federated business model, different skills are required in different areas of the business. Employment Equity (EE) plays an important role, and our Human Capital Transformation Strategy and EE plans are carefully guided by the requirements of the Department of Labour and the dti Codes and rooted in our traditional values of ethical behaviour and respect. Some key principles of this strategy include:

- > creating an enabling work environment conducive to attracting, developing and retaining the right human capital, with specific focus on the designated groups;
- > advancing an organisational culture that embraces diversity and fosters inclusivity;
- > encouraging consistency and integrity in all management and HR practices;
- > promoting proactive and forward thinking when addressing EE and skills development;
- > planning for flexibility and adaptability to ensure alignment with the ever-changing business environment; and
- > supporting, monitoring and evaluating the delivery of the processes and structures necessary for transformation.

All appointments are strategically aligned to our transformation goals. A highly defined and selective recruitment process exists, with selection criteria set against clearly defined job descriptions.

Motivated employees continued

Governance

The Group Chief Executive (Group CE) holds ultimate responsibility for transformation within the Sanlam business and communicates progress to the Board via the HR and Sustainability committees. The Group Employment Equity Consultative Forum (GEECF), which is relevant to Sanlam RSA only, reports directly to the Group CE and its members also oversee the implementation of the EE plans within the business. They have a consultative and monitoring role within the business and act as a conduit to the Group CE for all the business cluster EE forums. Individual businesses also have their own EE forums, which report into the cluster-level forum. The forums have different meeting frequencies, some meeting monthly. The Sanlam GEECF meets bi-monthly and on an *ad hoc* basis when necessary. Group-wide transformation progress is communicated by the Group CE through the monthly communiqué, *Headway*.

Policy, plans and employment equity targets

Sanlam RSA's policy on employment equity was approved early in 2010. Our Board-approved Human

Capital Transformation Strategy remains in place and the EE component of this strategy informs the business-specific EE plans. The plans have a validity of three years and performance is measured annually against the targets (both qualitative and quantitative) as set in the previous year. As part of this, the business units develop processes to address weak areas so as to meet targets. Progress is measured quarterly and reported to the Board. The EE plans have defined recruitment strategies and performance against the EE targets is linked to our bonus calculation processes.

The current EE plans were reviewed and approved by the Director-General of the Directorate of Employment Equity within the Department of Labour towards the latter part of 2010. These plans are valid for the period from 1 September 2009 to 31 December 2012, with the 2012 targets set against the baseline as at March 2009. However, the targets were reviewed during the latter part of 2010, and new targets will be finalised during the first quarter of 2011. At the start of 2012, Sanlam RSA will perform a Group-wide barrier analysis to identify any areas requiring attention, which will then inform the new EE plans going forward.

Motivated employees continued

Employment equity targets for 2012 (actual Sanlam RSA workforce numbers)

Occupational level		Male				Female				Foreign nationals		Total
		A	C	I	W	A	C	I	W	Male	Female	
Top management	December 2010 Profile	1	0	0	5	0	1	0	1	0	0	8
	December 2012 Goal*	1	0	0	5	0	1	0	1	0	0	8
Senior management	December 2010 Profile	29	33	25	347	10	15	16	99	3	1	578
	December 2012 Goal	34	35	33	320	18	18	20	110	5	0	593
Professionally qualified and experienced specialists and mid-management	December 2010 Profile	90	93	54	433	29	70	38	407	5	2	1 221
	December 2012 Goal	79	75	46	281	47	66	37	224	2	2	859
Skilled technical, academically qualified workers, junior management, supervisors	December 2010 Profile	522	321	134	1 133	466	487	132	1 410	21	5	4 631
	December 2012 Goal	492	292	164	1 111	275	286	126	930	3	2	3 681
Semi-skilled and discretionary decision making	December 2010 Profile	1 080	292	56	84	1 983	709	97	652	4	13	4 970
	December 2012 Goal	917	431	31	82	1 535	648	88	471	2	0	4 205
Unskilled and defined decision making	December 2010 Profile	41	21	0	7	86	48	1	8	0	0	212
	December 2012 Goal	31	34	1	8	53	57	2	14	0	0	200

Note

Targets are under review in relation to Department of Labour classifications

In the last quarter of 2010, a decision was taken to reflect the Sanlam Exco members only as top management, in line with the Department of Labour's classification, resulting in the reduction in the number of top management staff.

Motivated employees continued

Employment equity targets: 2009 to 2012 (percentage of Sanlam RSA workforce)

Occupational level	Measures	Current (31 December 2010)	2009	2010	2011	2012
Top management	Black	25,00%	25,71%	25,00%	25,00%	25,00%
	Female	25,00%	20,00%	25,00%	25,00%	25,00%
	Black female	12,50%	8,57%	12,50%	12,50%	12,50%
Senior management	Black	22,15%	20,20%	22,24%	25,38%	26,70%
	Female	24,39%	22,73%	24,45%	26,23%	27,55%
	Black female	7,09%	4,38%	6,11%	8,12%	9,52%
Middle management	Black	30,63%	31,46%	34,72%	38,09%	41,33%
	Female	44,72%	42,46%	42,57%	43,16%	43,54%
	Black female	11,22%	12,16%	13,91%	15,92%	18,04%
Junior management	Black	44,53%	37,68%	40,15%	42,24%	44,27%
	Female	53,98%	46,90%	45,94%	44,79%	43,94%
	Black female	23,43%	16,01%	17,16%	17,42%	17,99%
Semi-skilled	Black	84,85%	82,18%	83,99%	85,50%	87,28%
	Female	69,50%	69,70%	68,04%	66,49%	65,21%
	Black female	56,12%	53,59%	53,81%	53,92%	54,05%
Unskilled	Black	92,92%	94,00%	89,50%	89,39%	89,00%
	Female	67,45%	68,63%	66,50%	64,65%	63,00%
	Black female	63,68%	63,24%	59,50%	57,58%	56,00%
Total	Black	60,07%	57,02%	59,15%	60,96%	62,72%
	Female	58,40%	55,54%	54,52%	53,45%	52,57%
	Black female	36,04%	32,70%	33,44%	33,72%	34,10%
		0,27%		0,31%	0,34%	0,40%
People with disabilities	Black	0,23%	0,24%	0,22%	0,24%	0,27%
	Female	0,13%	0,19%	0,14%	0,15%	0,17%
	Black female	0,03%	0,12%	0,14%	0,15%	0,17%

When the targets were set using the March 2009 complement as a baseline, the aim was to increase the current total black staff complement from 54,08% to 62,72% by December 2012. As of December 2010 the black:white ratio was 60:40. As discussed above, the 2011 and 2012 targets are in the process of being reviewed.

Motivated employees continued

Disability

Race and gender are not Sanlam RSA's only diversification measures. EE plans include disabled persons and we are engaging business units to identify opportunities for the disabled to advance their careers within the business. During the year, Sanlam Personal Finance (our largest business cluster) initiated disability learnerships with 18 participants, with a view to creating career opportunities for the disabled.

Diversity awareness

To support the progress made in workforce transformation, Sanlam RSA endeavours to facilitate cultural awareness, tolerance and acceptance in the workplace. Each business has unique diversity issues and there are ongoing business-specific initiatives that include training and the celebration of diversity, such as diversity days.

During 2010, we focused on disability awareness, which particularly supports Sanlam RSA's drive to appoint more disabled staff and increase this staff complement. The businesses undertake surveys each year to measure diversity awareness, the results of which show steady improvement.

Performance

Employment equity statistics for our workforce

The table below shows the total number of Sanlam employees (including those with disabilities) across the different race groups (African, Coloured, Indian and White) at the various occupational levels, as of 31 December 2010.

Sanlam Group staff complement as at 31 December 2010

Occupational level	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Fe-male	
Top management	1	0	0	5	0	1	0	1	0	0	8
Senior management	29	33	25	346	10	15	16	99	3	1	577
Professionally qualified and experienced specialists and mid-management	90	93	54	433	29	70	38	407	5	2	1 221
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	522	321	134	1 133	466	487	132	1 410	21	5	4 631
Semi-skilled and discretionary decision making	1 080	292	56	84	1 983	709	97	652	4	13	4 970
Unskilled and defined decision making	41	21	0	7	86	48	1	8	0	0	212
Total permanent	1 763	760	269	2 008	2 574	1 330	284	2 577	33	21	11 619
Temporary employees	15	7	0	1	15	8	5	16	0	1	68
Grand total	1 778	767	269	2 010	2 589	1 338	289	2 593	33	22	11 688

Note

A = African, C = Coloured, I = Indian and W = White.

Motivated employees continued

Sanlam RSA's black employee complement has now reached 60% of total staff (compared to 56% in 2009, 53% in 2008, 46% in 2007). This is in line with our targets and we believe we have a good retention rate due to our competitive employee value propositions and remuneration packages. We have made significant progress in diversifying the profile of our Board and staff in general. Group HR continuously monitors the employee profile of Sanlam RSA to ensure that appropriate action is taken in order to reach the EE targets.

The table below shows the total recruitment figures for Sanlam RSA across the different race and gender groups and various occupational levels for the period 1 January to 31 December 2010.

Sanlam RSA recruitment figures, 1 January to 31 December 2010

Occupational level	Male				Female				Foreign		Grand total	Grand total	
	A	C	I	W	A	C	I	W	M	F	All	Black	White
Top management	0	0	0	0	0	0	0	0	0	0	0	0	0
Senior management	9	6	4	20	5	5	0	5	0	0	54	29	25
Professionally qualified, experienced specialists, mid-management	19	19	10	57	12	6	9	31	1	0	164	75	89
Skilled technical, academically qualified workers, junior management, supervisors, foremen, and superintendents	207	73	36	149	185	90	23	122	5	2	892	614	278
Semi-skilled and discretionary decision making	766	93	36	29	1214	155	26	62	2	5	2 388	2 290	98
Unskilled and defined decision making	23	9	0	4	45	17	0	0	0	0	98	94	4
Grand total	1 024	200	86	259	1461	273	58	220	8	7	3 596	3 102	494

Motivated employees continued

Sanlam RSA's employment rate was 19,5% higher than in 2009 (3 008 new employees). Of new appointments made during 2010, 86% were black. Specific recruitment ratios at the various occupational levels have been set in consultation between the Heads of the businesses and the Group CE. The table below indicates the agreed and achieved black:white recruitment ratios.

Occupational level	Agreed black:white recruitment ratio	Achieved black:white recruitment ratio
Top management	50:50	No appointments were made
Senior management	50:50	54:46
Professionally qualified and experienced specialists and mid-management	60:40	46:54
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	66:34	69:31
Semi-skilled and discretionary decision making	90:10	96:4
Unskilled and defined decision making	90:10	96:4

There were no appointments made during this period and therefore no movement reported.

Across Sanlam RSA, R177 967 was spent on diversity initiatives during 2010, attended by 2 361 staff members. These initiatives included an outing to a township, a debate by two popular South African figures on transformation in the country, and a series of workshops and discussions on understanding and managing diversity.

Discrimination-related grievances

Sanlam RSA reported two cases of sexual harassment and unacceptable behaviour. These were isolated cases which were not raised as formal grievances and the matters were satisfactorily resolved.

Motivated employees continued

Our performance against the dti Scorecard

The following table shows Sanlam RSA's performance against the employment equity component of the dti's BBBEE Scorecard for the period 1 January to 31 December 2010. This data is yet to be verified but will be published on our website once our verification process is complete.

dti Scorecard – employment equity

(for the year to 31 December 2010, versus 2009 and 2008)

Element	dti weighting	Indicators	2010 Total scores (unverified data)	2009 Total scores (data verified by AQRate)	2008 Total scores (data verified by AQRate)
Employment equity	15	Black disabled employees as % of all employees	6,74	4,04	3,83
		Black senior management employees as % of all employees			
		Black middle management employees as % of all employees			
		Black junior management employees as % of all employees			
		Exceeding EAP targets in each category (bonus points)			

There has been a positive increase in the EE score. The focus on increasing black headcount during 2010 will remain key for 2011.

Motivated employees continued

Skills development and career progression

Management approach and actions

At Sanlam RSA, the Senior Manager of Employment Equity and Skills Development draws up the workplace skills plans which consolidate the individual business plans. She also chairs the Group Learning and Development Forum, comprising the Heads of Training Development for each business, which aims to identify training requirements that will assist in meeting the strategic requirements of the businesses. The Forum discusses changes to the Skills Development legislation and identifies the associated impacts on the business. The Senior Manager of Employment Equity and Skills Development reports quarterly on Sanlam RSA's skills development issues to the Board and annually to the Insurance Sector Education and Training Authority, INSETA.

Business unit skills development plans address specific skills requirements, ranging from general business skills to highly specialised skills. All line managers have their own training budget. Each employee engages with management regarding their training and development plans in order to maximise performance in their current position and to ensure their skills set will facilitate career progression.

At present Group HR is focused on repositioning the workplace skills plans and improving capacity to record and report on training interventions across the business. This has proved to be challenging in the past and has resulted in lower-than-realistic dti Skills Development scores.

Retention

While recruiting the right people is critical for business success, it is equally important to retain staff long enough to effectively develop the business. Group HR continuously monitors the situation and takes action to address retention. This includes effective monitoring through reporting, identifying specific initiatives to

address the culture and working environment, and implementing initiatives to make the employee value proposition more lucrative.

Sanlam identifies key individuals for their contribution to the company, and aims to retain their skills through specific retention initiatives. The majority of these initiatives are centered on remuneration such as bonus packages. Currently the value of these initiatives is in the region of R90,5 million.

Currently, turnover statistics across the organisation are satisfactory with the highest success at a more senior level (across all demographics). Retention is more challenging among the lower level positions, because such employees tend to leave more readily for even a minimal salary increase. Turnover of staff in commission-based roles also tends to be higher than their salaried counterparts. However, this is an industry trend and not unique to the Group.

Career progression

The Sanlam Group aims for transparent internal advertising of positions. Employees selected for promotion receive additional training and mentoring and new employees can receive additional training, such as coaching, where the need arises. There are robust employee development processes for talented senior employees, such as the 'buddy system' for recently promoted senior managers, which pairs them with an experienced colleague, and the Coaching for High Performance programme at Sanlam Investments.

Succession planning

This is an important issue as we must ensure suitable replacements for key managerial positions. The Sanlam Group has different approaches for filling the various positions but all follow the basic premise that it is each manager's responsibility to ensure he or she has a successor. The unit and cluster CEOs oversee such succession plans. Succession pools exist within the top four levels of the organisation, which involves identifying

Motivated employees continued

staff able to lead at a more senior level. This is monitored and facilitated by Group HR in conjunction with the Group CE. Once identified, individuals are monitored on an ongoing basis. Should they fail to perform as required, they are removed from the pool and other potential candidates are added.

Performance

Up-skilling our workforce

Skilled technical, professionally qualified, senior management and top management are some of the areas where the financial services sector lacks skills. We therefore have a strong focus on employing people with the necessary skills and qualifications. The table below shows the numbers of Sanlam RSA employees who had a degree or three-year diploma in 2010.

Sanlam RSA employees with a degree or three-year diploma: 2010

	Black		White		Total	
	Number	Average age	Number	Average age	Number	Average age
Male	391	34	573	43	964	39
Female	510	32	528	40	1 038	36
Total	901	33	1 101	42	2 002	38

While the total of 2,002 has decreased slightly from 2,019 in 2009, the number of new recruits with a degree or three-year diploma has increased by over 84%.

Sanlam RSA new recruits with a degree or three-year diploma: 2010

	Black		White		Total	
	Number	Average age	Number	Average age	Number	Average age
Male	114	32	91	38	205	35
Female	128	30	47	33	175	30
Total	242	31	138	36	380	33

While the overall average age of new recruits is 33 years, the average age for black recruits is 31 and for white recruits 36. Close to 64% of our new graduate and diplomate recruits were black staff members, an increase of almost 7% from 2009.

Amount spent on training and skills development

During 2010, R58 476 431 was spent on training and skills development within Sanlam RSA. Of this amount, 53% was spent on black employees. This includes a combination of development programmes and technical and desktop training. This figure amounts to 1,77% of the leviable amount, compared to 1,9%⁽⁵⁾ in 2009, of which 0,94% was spent on black staff members.

⁽⁵⁾This figure has been restated to exclude Santam's training figures which were included in 2009 reported figures. Santam reports separately from Sanlam.

Motivated employees continued

Our performance against the BBBEE Scorecard

dti Scorecard – skills development

(for the year to 31 December 2010, versus 2009 and 2008)

Element	dti weighting	Indicators	2010 Total scores (unverified data)	2009 Total scores (data verified by AQRate)	2008 Total scores (data verified by AQRate)
Skills development	15	Skills development for black employees as % of leviabale amount	9,55	9,46	1,36
		Skills development for black employees with disabilities as % of leviabale amount			
		Number of black employees (as % of total employees) participating in in-service training programmes			

Initiatives were put into place, largely focused on robust record-keeping, during 2009 to ensure that a significant increase in the score was achieved and to ensure that we are continually improving in the area of Skills Development.

Training programmes offered by Sanlam

Some of the training and skills development programmes offered by or facilitated by Sanlam during 2010 included the following:

Development programme	Target audience	Objective	Number of participants	EE ratio
Coaching for High Performance	Middle and senior management	To equip managers with managerial and coaching skills with the aim of enhancing the performance of their teams.	21	19%
Assertive Leadership Programme	Junior and middle management	To assist in turning assertive behaviour into a habit, proactively encouraging focus on results and optimal co-operation with others.	20	50%
Building Leadership Capacity	Junior management	To impart critical leadership skills.	14	64%
Leading Edge	Potential future leaders	To equip future senior leaders with leading edge skills and experience.	6	67%
Development Programme	All employees	A combination of varied external programmes which aims to sharpen management and leaderships skills.	31	52%

Motivated employees continued

Training programmes offered by Sanlam (continued)

Development programme	Target audience	Objective	Number of participants	EE ratio
Technical Induction	All non-investment professionals	To broaden understanding of investments, investment terms and the role of each investment business.	81	58%
Senior Management Development Programme (MDP)	Middle to senior management	To achieve and sustain trend-setting performance through high quality leadership, management of change and a keen understanding of the functional aspects of management in the financial services industry, by equipping senior managers with the necessary knowledge as well as leadership and change management skills. The programme focuses on translating learning into improvement in the workplace for both the individual and the organisation.	52	62%
Team Leader Programme	Team leaders and junior management	A generic programme with a focus on people management, interpersonal skills such as handling mistakes and conflict, giving feedback, handling different personalities and achieving expected results.	52	52%
Learnership	Unemployed learners	To provide an opportunity for learners with disabilities to gain skills within the industry with the view of employing them on a permanent basis.	19	89%
Learnership RFA	Employed learners	To expose learners to generic competencies required in the management and creation of wealth including Long-term Insurance, Short-term Insurance and Collective Investments and to allow for specialisation to meet the needs of different work roles.	14	%
Alchemy Talent Development	Sanlam Glacier employees	To develop Sanlam Glacier staff (new and existing talent) at a business and personal level. The programme includes structured facilitation on pertinent business topics, and the application thereof within the Glacier environment. It also includes the support of a mentor and coach for the year. Involvement in a project is central to the programme, through which participants contribute to one of Glacier's key strategic initiatives for the year.	8	75%
Management Development sessions	Management levels	A combination of workshops and courses to build management skill capacity.	58	22%

Motivated employees continued

Training programmes offered by Sanlam (continued)

Development programme	Target audience	Objective	Number of participants	EE ratio
Leadership Development	Junior and middle management	To equip recently appointed managers with professional development and enhanced practice development.	250	50%
Leadership Capacity Building	Managers and specialist	To enhance the leadership skills of managers.	146	23%
Coaching and Mentoring	Junior and middle management	To provide junior to middle management with skills to coach their direct reports.	31	58%
Fast tracker Programme	Middle management	To develop employees to senior management level and bridge the competence gap between middle and senior management.	21	52%

Sanlam RSA spent R1 271 834 on formal coaching initiatives during 2010. Ninety-four members of staff participated of which 41% were black. Management development initiatives cost Sanlam RSA R4 970 241 for 913 staff members, of which 42% were black.

Sanlam RSA awarded 296 bursaries to both staff and external candidates, at a cost of R4 120 590. A total of 24 internships cost the business R801 500, and R1 192 894 was also spent on 40 learnerships this year.

Plans for 2011 and beyond

Development is underway for a Graduate Leadership Programme (GLP) for 2011, which will focus on identifying high-potential graduates within the organisation in order to quickly and efficiently develop them. The programme aims to accelerate the development of leadership skills and competencies of our young graduates rather than focusing on technical or management skills.



Conducive working environment

Sanlam's makes a considerable effort to ensure that our working environment is conducive to attracting and retaining high-performance individuals, while also identifying initiatives that develop a culture that embraces diversity and a working environment that is enjoyed by all our staff members.

Management approach and actions

Upon appointment, Sanlam RSA employees participate in the Group Orientation Programme which is followed six months later by a meeting with the Group CE. This offers employees a valuable forum in which to share feedback on their experiences, and provides the Group CE with the opportunity to obtain insight into the culture of the organisation. The Group CE personally addresses the issues that arise. New employees also attend business specific orientations, which are evaluated six months after completion by way of a survey. Based on survey feedback, we determined that employees often do not understand many of the agreements they sign upon their appointment. To rectify this, the level of detail shared at these orientation sessions has been improved.

Motivated employees continued

We are also improving employee understanding of the company's benefits structure and we held training sessions throughout the year on this topic. The Sanlam Group offers a comprehensive range of benefits in the form of retirement fund, medical aid and group life cover, so it is important that our employees understand the value and the conditions of these correctly.

There are numerous other day-to-day benefits offered to Sanlam RSA employees, including a countrywide employee assistance programme (EAP) for employees and their immediate families, shops and conveniences at our head office, access to loyalty programme discounts, and focused wellness interventions.

During 2010, senior managers and staff members identified as 'future leaders' in the Sanlam Group completed an organisational culture survey, called the Beehive Survey. The results indicate the extent to which an organisation has developed in moving towards a culture that is more inclusive, people-driven and client-centric. This shift increases employee engagement and therefore, performance. The survey has been conducted since 2004 and shows a steady improvement on all parameters. These improvements ensure a more engaged workforce leading to better performance of the company.

We are seeking to develop ways of improving participation, and our *Sanlam for Sanlam* initiative is focused on facilitating collaboration between business units.

A number of other surveys were conducted during the year, on the following topics:

- > Wellness
- > Remuneration and Benefits

- > Employee Perceptions
- > Employee Satisfaction
- > Climate and Culture
- > Investors in People.

The Group manages its own grievance procedures by facilitating consultation between our employees and our organisation through various formal and informal mechanisms. This procedure is communicated to all employees via the intranet. Grievances are monitored by HR in terms of frequency and level of escalation. At Sanlam RSA, the incidences of CCMA (Commission for Conciliation, Mediation and Arbitration) cases are minimal (44 for the year), and therefore we do not see them as materially significant.

In our federated business model, employee interaction and engagement tend to be decentralised, but we do have Group-wide communication channels including:

- > Our internal newspaper *Sandaba* (lauded as one of the Top Five Corporate Publications of 2009 in the SA Publication Forum awards).
- > Monthly *Headway* communication from the Group CE.
- > Executive management feedback sessions.
- > Communiqués from the Group CE.
- > The Sanlam intranet site.
- > Employee satisfaction/climate surveys.
- > Business-specific internal publications.

Motivated employees continued

Performance

Group employee turnover statistics: 2010

Occupational level	Male				Female				Foreign		Grand total	Black	White
	A	C	I	W	A	C	I	W	M	F			
Top management	0	0	0	0	0	0	0	0	0	0	0	0	0
Senior management	4	3	2	23	2	2	0	6	0	0	42	13	29
Professionally qualified and experienced specialists and mid-management	9	5	14	41	8	3	7	30	2	0	119	46	73
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	133	53	31	174	95	58	23	164	3	2	736	393	343
Semi-skilled and discretionary decision making	774	71	22	23	1158	117	24	78	1	0	2 268	2166	102
Unskilled and defined decision making	27	9	6	7	66	16	1	6	0	1	139	125	14
Grand total	947	141	75	268	1 329	196	55	284	6	3	3 304	2 743	561

The overall termination rate for Sanlam RSA was 28,65%. While this figure may appear to be high, it is due to high turnover amongst the commission-based staff, which is a normal trend in our industry. If they were excluded the turnover rate would be 15,42%. The rates for black and white staff turnover are 20% and 10% respectively – excluding the commissioned staff.

Employee turnover has increased by 5,34% since 2009 (23,31%). This is partly due to the inclusion of employee statistics from Coris Capital, MiWay and Blue Ink, which were not included in 2009, and partly due to the inclusion of temporary staff in the employee headcount.

Sanlam RSA spent approximately R1 924 922 on the Employee Assistance Programme in 2010. Over the year, the Sanlam Group distributed 13 685 copies of *Sandaba* (an in-house magazine) and 8 990 copies of *Tempo* (an intermediary magazine).

Plans for 2011 and beyond

During 2010, Sanlam RSA undertook a process of re-educating staff on the medical benefits offered, in order to address common misperceptions about these. During 2011 there will be a Group-wide focus on further entrenching our business culture in order to further align this with our business strategy.

Motivated employees continued

Employee health and safety

Management approach and actions

Sanlam RSA's Wellness Strategy forms an important component of the Sanlam Employment Value Proposition and aims to help employees achieve a healthy work-life balance.

The Employee Assistance Programme (EAP) forms part of the Wellness Strategy, offering employees and their families a variety of voluntary services. Approximately 8,1% of employees made use of these during 2010.

Sanlam RSA's wellness programme has clear objectives, positioning it as part of our overall approach to employment. Specifically, the wellness programme aims to:

- > strengthen Sanlam's employment brand by positioning the Group as an organisation that cares about the wellbeing of its employees;
- > empower and encourage staff to maintain their wellbeing and their productivity levels;
- > integrate the Group's various wellness interventions thereby enabling a consistent wellness offering across the organisation;
- > reduce absenteeism and sick leave; and
- > improve employee morale to positively influence the overall employment experience.

These services are complemented by a variety of health tests (blood pressure, BMI, cholesterol, diabetes, HIV/Aids) and wellness presentations on issues such as substance abuse and depression, as well as our medical aid benefit.

A Wellness Task team comprising wellness managers from across Sanlam RSA meets regularly to discuss feedback from testing, to identify health risks and to formulate ongoing strategies to handle health and wellness issues that may impact the business and its people.

During 2010, the wellness programme focused on stress management through the Revived and Resilient programme. A series of talks was presented and a self-help e-learning programme was made available through the intranet. The uptake of this programme has been pleasing.

We are currently developing a managed healthcare initiative for staff which will be available in 2011. This initiative is again voluntary but will be more proactively supported than our current initiatives.

HIV/Aids

Although we are in a low-risk industry, Sanlam acknowledges that HIV/Aids is an epidemic that has potentially significant impacts throughout the South African economy, including on our business. Experience has shown that a considerably higher HIV test rate is achieved when it is part of a holistic health offering, which is why testing is at the core of our wellness offering.

A well integrated HIV/Aids support process is available to all Sanlam RSA staff members. In addition to this all new staff members receive HIV/Aids training as part of their induction process.

Motivated employees continued

Performance

Sanlam RSA's *Lighter Side of Life* challenge was completed in March 2010. This voluntary programme focused on healthy weight loss through sustainable changes in lifestyle and was supported by medical supervision and counselling. After six months, the top three contenders had lost 59,6 kg, 34,7 kg and 32,9 kg respectively. Out of the 25 participants, 18 lost more than 10% of their body weight, and cumulatively the group lost 461,5 kg. According to the Medical Nutritional Institute, these results are well above average.

During 2010, the uptake of our wellness test offerings at Sanlam RSA was as follows:

	% employees tested
Blood pressure	14,22
Cholesterol	14,39
Glucose	14,39
BMI Index	14,39
HIV testing	5,17

During the wellness campaign 742 staff members were tested for HIV, of whom seven tested positive (1%). No specific HIV/Awareness programmes or events were held. However, a very informative 90 minute session on the subject is included in the Group Orientation programme, which 928 Sanlam RSA staff members attended in 2010.

Dependable products and services

A diverse sustainable product portfolio

Historically, the insurance industry has been perceived as a purveyor of products that are sold as opposed to bought. With an improved level of education, today's clients have more financial savvy, and have a greater choice of financial products and ways to source them. There has also been a convergence of products within the financial services industry and an increasing demand for products that are easier to understand. Combined with an inherent mistrust or suspicion of financial institutions, these developments have forced companies to adapt, creating more diverse products and better distribution strategies to remain competitive.

For a business to be financially sustainable in the long term, it must consistently offer products and services that both stand the test of time and yet remain relevant today.

Broadening access to financial services

Millions of South Africa's poor continue to be excluded from products and services. The issue poses a very real threat to national development and security, and consequently to every local business. By extending our coverage to include this group, Sanlam RSA will not only contribute to South Africa's economic upliftment but we will also create important new market opportunities and effectively place ourselves in a prime position poised for further growth.

One of our business units, Sanlam Developing Markets (SDM), specifically focuses on improving access to financial services in entry-level markets in South Africa and internationally. It strives to incorporate lower-income groups into the mainstream economy and helps them better provide for their families. If satisfied and served well, these customers will remain loyal and committed to our brand as they advance to higher incomes and achieve greater personal wealth.

Our approach and actions

The low-income sector represents at least 75% of the South African market, yet remains acutely under-served in terms of appropriate risk, savings, investment and retirement products. Through SDM (operating as Sanlam Sky Solutions in South Africa), we have, in recent years, put great effort into providing tailored products to the previously disadvantaged in the entry-level market and lower LSM (living standards measure) groups with monthly household incomes up to R10 000. Funeral policies remain by far the greatest area of demand in this market, but we also offer savings and short-term insurance products at this level.

We have worked hard to develop robust distribution channels to reach these market segments. SDM's multi-distribution model increases exposure through five channels: agency, broker, group benefits, retail, and network marketing (Channel4Life).

SDM also focuses on reaching clients in a number of African countries and in India. In contrast to South Africa, these countries are poorly serviced in terms of financial products in all market segments. SDM's focus in these countries therefore spans the full spectrum of income groups.

Agency and broker

Within Sanlam RSA, the agency and broker models are currently the strongest performing channels. Using a face-to-face sales method, a basic needs analysis and advisory service are supplied directly to the client. Both channels focus on the government (civil servants) and commercial markets. While funeral cover is the most successful product, we also offer retirement policies, savings plans and hospital plans. Agency and broker distribution have the strongest presence in the Eastern Cape and KwaZulu-Natal but recent growth plans focus on expansion of all provincial markets in South Africa.

Dependable products and services continued

Group Benefits

The lower end of the entry-level market is best approached through our Group Benefits model, which utilises various affinity groups such as the Zionist Christian Church and funeral parlours to reach potential clients. Group Benefits also accesses clients through formal corporate relationships (for example, through employers, banks and intermediaries). Over the past few years, the business has increased its rural presence in areas where lack of infrastructure has traditionally prevented access to many services, particularly among the elderly. To address this, Group Benefits has started to employ shipping containers as rural service stations. The community is trained and employed to operate these containers, collecting premiums and processing claims almost immediately via mobile technology. Low operational costs allow us to keep premiums to a minimum, which suits the lower end of the entry-level market. Group Benefits currently has 62 branches, called Ubuntu Points, throughout rural areas in KwaZulu-Natal, Limpopo, Mpumalanga, North West and the Northern Cape.

Retail

On the retail side, SDM's partnership with the JD Group aims to distribute financial products to the local entry-level market. During 2010, products were distributed to the JD Group client base via outbound calls and via the JD Group club card membership, providing approximately 30 000 new low-cost funeral policies a month. More recently, we began selling face-to-face through Russels retail stores in the JD Group on a pilot basis. Expansion in this area will occur brand by brand.

In partnership with Shoprite, we have launched our new I-Cover product through their South African retail stores. This is an off-the-shelf insurance product, packaged as a starter-pack. Clients simply activate the policy via a call centre.

Network marketing

Focusing largely on funeral policies, Channel4Life is a multi-level marketing scheme that offers policyholders an opportunity to become business owners (network owners) who earn a referral fee on each policy they refer. Referral fees (commission) can be earned on up to eight levels of paying clients within their network.

Safrican

Safrican Insurance is a registered life company with a full life licence. Its focus area of business is in the underwriting of funeral insurance, largely in the low-income segment of the market. Its target market is largely organised groups, such as unions, church organisations, employer groups, etc.

SDM in other developing countries

In the other developing countries in which we operate, SDM is working hard to continue improving Sanlam's market share by establishing more viable life businesses. This is effectively broadening access to financial services across most market segments and SDM has already established operations in Botswana, Kenya, Tanzania, Zambia, Ghana, Uganda and India. During the year, we identified opportunities in Malawi, Nigeria and Mozambique. Wherever SDM operates, we work with local regulators to build the industry and improve its maturity, thus playing an important role in local skills development.

SPF opening doors

At the close of 2010, a new range of retail funds catering to previously disadvantaged individuals interested in investing in empowerment transactions and community upliftment projects was launched by SPF. The fund aims to allow previously disadvantaged clients to participate in listed and unlisted empowerment transactions, with exposure to socially responsible investments and community builder property, through a collective investment-type mechanism.

Dependable products and services continued

Performance and plans

Sales figures for SDM

During 2010, SDM sold just over 760 000 individual life policies in both South Africa and internationally, contributing to a growth in file size (number of policies on the books) in most of the areas in which we operate. Particularly encouraging are the sales volumes in some of the smaller businesses we operate, such as those in Ghana and Zambia. These new business volumes can be broken down as follows:

Sales volume for SDM

South Africa	378 639 ⁽⁶⁾
Rest of Africa	247 047
India	135 320
Total	761 006

⁽⁶⁾Basis of measurement: The total number of individual life policies sold by SDM to the entry-level market during the financial year ending 31 December 2010 in South Africa. The entry-level market is defined as individuals in a household that have a household income of between R1 000 and R10 000 per month.

Product distribution in SDM

During 2010, SDM established one new service centre in South Africa bringing the total number to 20. However, Sanlam RSA is increasingly integrating all client servicing, regardless of market segment. Therefore, entry-level market clients will increasingly be able to access any service centre for policy assistance.

The total number of new retail stores activated in 2010 is 104, through our partnership with the JD Group.

SDM is also investigating the potential for offering personal loans to segments of the entry-level market, initially to current clients, and later expanding into a full product offering. We have run successful pilot schemes at the upper end of the entry-level market.

During the past year, we opened eight new sales offices in different life channels across the country. A nationwide consolidation of our service centres is currently underway.

In general, market research shows Sanlam's presence is strengthening. SDM aims to further enhance its position through a continued focus on relationship building amongst prospective clients.

The strength of our sales advisers

Our SPF, SDM and Sanlam UK business units rely extensively on intermediaries (advisers and brokers) to distribute products and services throughout our areas of operation. Skilled advisers and brokers elicit confidence and help build a trusted reputation for our brands, which is essential for the sustainable growth of our businesses.

It is therefore crucial to ensure that our employees and intermediaries, as brand ambassadors, are well equipped to provide responsible and appropriate financial advice to our clients. Accordingly, we need to ensure that our adviser and broker profiles are aligned with the markets they serve, and we must equip our intermediary salespeople with ongoing training and development regarding product knowledge and regulatory requirements.

Dependable products and services continued

Our approach and actions

SPF adviser profiles

The tables below present our SPF adviser profile for 2010 and the profile of new advisers appointed during the year.

Current profile of SPF advisers: 2010

	Years of experience			Total ⁽⁷⁾
	0 – 3	3 – 5	5+	
Number of advisers	1 159	140	832	2 131
% black advisers	25%	16%	8%	22%
% male (of total adviser complement)	59%	71%	81%	68%
% female (of total adviser complement)	41%	29%	19%	32%
Average age (years)	36	41	53	43
% English speaking*	52%	41%	27%	42%
65% of total advisers are based in cities and metropolitan areas				

* English-speakers refer to first language English-speakers.

⁽⁷⁾ Basis of measurement: Profile of advisers in SPF and SDM based on personal information (age, language and demographic) supplied by the advisers upon appointment. In terms of demographics for the purposes of the adviser profile, black advisers are defined as only African black advisers.

The figures show that there has been a slight increase in the proportion of female advisers since 2009 (3%), and a 12% increase in the total number of advisers (2009: 1 898).

Profile of new SPF advisory staff appointees: 2010

Number of appointments	690
% black advisers	44%
% male	58%
Average age	34,3
% English speaking	60%

The proportion of appointments of black advisers has increased from 36,5% in 2009 to 44% in 2010.

SPF adviser training

When products are altered or new ones introduced, staff and intermediaries undergo mandatory training, facilitated by the Product Support team and conducted nationwide. While we ensure both our advisers and our brokers are product trained, we are only responsible for providing them with Financial Advisory and Intermediary Services (FAIS) accreditation training. FAIS governs both groups, but brokers are responsible for their own training. However, we do ensure every year that our advisers and brokers are properly accredited, and we achieved 100% compliance in 2010.

Dependable products and services continued

SPF runs an Internal Training Academy that cost R29,2 million in 2010, and free broker training and examinations, which cost R352 000 last year. In addition, specific FAIS-accreditation training was offered to our advisers through three workshops, with attendance as follows:

Training workshop	Number of advisers
RFP 1 – 2 day	309
RFP 2 – 2 day	130
RFP 2 – 4 day	380

SDM (South Africa) adviser profiles

The tables below present our SDM (South Africa) adviser profile for 2010 and the profile of new advisers appointed during the year.

Current profile of SDM (South Africa) advisers: 2010

	Years of experience			Total ⁽⁷⁾
	0 – 3	3 – 5	5+	
Number of advisers	2 054	77	234	2 365
% black advisers	84%	3%	8%	95%
% male (of total adviser complement)	34%	1%	5%	40%
% female (of total adviser complement)	53%	2%	5%	60%
Average age (years)	34	38	45	34
% English speaking*	100%	100%	100%	100%

* Only capture English as the language, as all policies are sold in English

Profile of new SDM (South Africa) advisory staff appointees: 2010

	Total ⁽⁷⁾
Number of appointments	1 455
% black advisers	98%
% male	38%
% female	62%
Average age	32
% English speaking	100%

⁽⁷⁾ Basis of measurement: Profile of advisers in SPF and SDM based on personal information (age, language and demographic) supplied by the advisers upon appointment. In terms of demographics for the purposes of the adviser profile, black advisers are defined as only African black advisers.

Dependable products and services continued

SDM adviser and broker training

When new advisers commence their employment, they attend a four-day Representative Induction programme, which covers relevant introductory topics such as FAIS, FICA (Financial Intelligence Centre Act), Code of Ethics, Company values, product knowledge, the sales process, and so on. Induction training occurs monthly at each branch. In addition to this, other training activities during 2010 included:

- > Further product training for current staff.
- > Values training.
- > How to complete a needs analysis.

We spent approximately R1 300 000 (including indirect costs) on adviser training for 2010.

During the year, SDM undertook 14 training interventions at brokerages, providing product training to a total of 152 brokers. We did not provide any examination support or alternative free training this year.

Broker accreditation for FAIS is reviewed at contractual stage, and FAIS now requires all brokers and advisers to be FAIS-accredited by 31 December 2011.

Sanlam UK

The Sanlam UK cluster targets sophisticated clients and focuses on wealth creation through a range of financial advisory, fund administration, long-term savings and asset management products and services. These services are distributed either via intermediaries or directly to clients, requiring sound, responsible distribution strategies and strong relationships with a range of intermediaries.

Given the recent financial crisis and continued volatility of international financial markets, there is notable focus on financial regulation, customer protection and a drive to improve financial risk management. In this context, the relationship between Sanlam UK's businesses and its intermediaries becomes even more important.

Against this backdrop, during 2010 Sanlam UK set up Sanlam Distribution Services, a discreet business unit which aims to ensure responsible intermediation and focuses on cementing the relationships between Sanlam UK businesses and their intermediaries. As such, part of Sanlam Distribution Services' mandate is to improve the sustainability of the independent financial advisers (IFAs) with which Sanlam UK deals, by assisting IFAs to:

- > Implement suitable business procedures;
- > Adapt/change their business models to prevailing market and regulatory conditions;
- > Conduct thorough client risk-profiling using Sanlam Distribution Services' profiling tools;
- > Support IFAs with a technical service for tax and pension planning;
- > Assist IFAs to de-risk their businesses through stringent risk management techniques.

Client education and literacy

Informed customers make better financial decisions. Given the complexities and ever-changing nature of the financial industry, organisations and individuals alike can only benefit from clients with better financial knowledge. Sanlam wants every customer, from the lowest tier to the highest, to feel confident in their choices about their financial future – and confidence begins with knowledge.

Dependable products and services continued

Sanlam Personal Finance

As part of its market research, SPF determines which market segments would benefit from financial education and the level of education required. This has resulted in a number of financial literacy initiatives aimed at the middle market.

SPF – Examples of expenditures on client education and literacy

Programme	Spend	Approximate target market and reach	Description
Kaya FM (Gauteng)	R1 500 000	53 000 parents per week (household income of between R10 000 and R20 000)	Covers more serious topics of health, finances, and other household matters. Each month, we conduct an educational interview with a Sanlam spokesperson.
YFM (Gauteng)	R1 500 000	768 000 singles per week (household income of between R10 000 and R40 000)	Covers a variety of topics presented by financial experts, e.g. savings.
Ontbysake	R750 000	60 000 Afrikaans parents per week (household income of R20 000 – R40 000)	SPF has a weekly interview on the Ontbysake show on Kyknet (Saturday morning). Interview content is educational and experts from our various business units have participated.
E-safety	R50 000	Reach unknown: Parents with children in school (household income of R20 000+)	Electronic newsletter on e-safety to parents, sponsored by Sanlam Liquid. The fortnightly newsletter includes a financial education article.

In addition, we have distributed numerous public relations articles on topics such as budgeting, teaching children to save, savings planning for a child's education, and improving personal financial management, in publications such as Daily News, City Press, Die Burger, Move Parent and Shape. We launched a financial literacy DVD series, targeting worksites and comprising eight financial themes on topics including managing your money, budgeting and debt problems, personal goals and savings, risk management, retirement planning, tax and other employee benefits. We are currently investigating the translation of these into other official languages.

Sanlam Cobalt

Sanlam Cobalt Small Business has a strategic responsibility to advance our clients' financial knowledge, with a focus on professionals and small to medium enterprises (SMEs). The more someone understands his or her personal financial situation, the more likely he or she will be able to manage it in a pro-active manner.

Cobalt offers SMEs a free Business Fitness Assessment and a report based on the high-level information we gather on the business, its strategy and risks. An independent business adviser performs the assessment and the subsequent report, and then facilitates discussion about the biggest risks. This is a useful service for SMEs looking to improve their business, and allows us to highlight areas in which a Sanlam Cobalt product would be beneficial for the SME. During 2010 Sanlam Cobalt spent R100 000 on this offering. Independent business advisers provided their time free of charge.

Dependable products and services continued

We also launched a free business planning journal in 2010. Sold electronically, over 11 000 copies were downloaded, without any supporting marketing efforts by Sanlam Cobalt.

In addition, we circulate approximately 18 000 weekly e-newsletters, the content of which focuses on relevant financial and business issues.

A business plan development session, utilising the business planning journal, was conducted for previously disadvantaged business students at the University of the Western Cape.

Sanlam Cobalt Financial Literacy Campaign

A few years ago, Cobalt Solutions for Professionals began researching the financial needs of student professionals in order to develop a relevant product. This revealed a need for financial literacy rather than a product, as students felt their education had not prepared them to manage the financial risk associated with starting a career.

In 2009, Sanlam Cobalt launched its Financial Literacy Campaign for final-year students from various professional faculties. Students attend a presentation by a well-known Sanlam-sponsored speaker who explores the key risks, pitfalls and financial choices that a young professional typically faces. Attendees are given guidelines on managing such issues and we have developed a 'life events planner' booklet as well as a more comprehensive version of the lecture in DVD format, which support the learning process. These initiatives will strengthen the Sanlam brand in the long term.

The efficacy of this project requires the establishment and maintenance of strong relationships with the key professional universities. Dr Johan van Zyl (Group CE) supports the initiative by meeting with the vice-chancellors of the universities and expressing Sanlam Cobalt's intent to support them through focused interventions.

Since its inception two years ago, the project has reached approximately 2 500 students. In 2010, we invested R300 000 in the project itself and R50 000 on the 'life events planner' booklet and lucky draw gifts. We aim to increase the project by 30% during 2011.

Sanlam Developing Markets (SDM)

In South Africa, SDM invests in consumer education programmes that equip the entry-level market (ELM) with simple and easy-to-understand financial concepts in order to empower them to make better-informed decisions about their financial affairs.

SDM facilitates consumer education by leveraging the Takalani Sesame brand. Each year, we run an educational roadshow or various other events with the theme of savings. This year's event included the non-cancellation of policies as a theme. We identified and targeted client segments with high lapse rates across the country and used theatre to highlight the importance of keeping policies active. Our client services staff also attend such events, handling policy-related questions on the spot. In 2010, over 40 000 people attended the main events, and radio broadcasts reached approximately 9,5 million listeners. SDM spent 2,2 million on this initiative in 2010. The Sponsorship unit provided a further R200 000 to bring the total spent on the event to R2,4 million.

SDM also printed over 200 000 copies of Takalani Sesame comic books (at a further cost of R200 000). These illustrate issues such as 'saving for the future and education', 'spending money wisely', and 'how to invest money in the right savings vehicles'. These comic books were distributed to schools by our sales force.

We also provide expert advice fortnightly to the public through the Free State-based Radio Qwa Qwa. This reaches approximately 239 000 people in the entry-level market segment (LSM 3 – 6) from Phutaditjhaba, Bethlehem and Reitz.

Dependable products and services continued

For the third consecutive year, our Group Benefits business also took their roadshow into rural areas. Through theatre, we taught people in a fun and informative way about the importance of a funeral plan. This initiative is part of Sanlam RSA's culture and our approach to bridging the financial gap in previously under-served communities, honouring the principles of the Financial Sector Charter. A variety of topics were covered, including saving, investing, borrowing and budgeting. Content was written and conducted in accordance with SAQA educational standards and delivered by SETA accredited trainers. Participants received personalised accreditation certificates for each module.

Client service levels

We strive to improve our clients' product access so they can better manage their own financial security. This involves presenting terms in a clear manner, offering them access to more relevant information and generally making it easier for them to manage their policies through expanded or refined services. Such interventions go a long way towards client persistence and retention.

Management approach and actions

In order to retain their business, we strive to incentivise our clients with service excellence as well as good investment performance. Sound financial advice combined with an efficient and consistent after-sales service is key to the success of any client-centric strategy.

In 2010, the FSB (in South Africa) published a discussion document on its intended implementation of the Treating Customers Fairly (TCF) legislation, similar to that used in the United Kingdom since 2001. A new approach to regulation of market conduct in the financial services

industry, it is based on outcomes rather than rules and regulations. The ultimate goal is to create a culture that places client needs at the forefront of every stage in the product's life cycle. This legislation is still in draft stage but the FSB is set to release a second discussion document early in 2011 that proposes the way forward. The challenge will be to develop appropriate measurement criteria.

Sanlam RSA's client-centric strategy already implements many of the principles of the TCF so we anticipate that the transition will be a smooth one. We currently have a representative on the ASISA and ASSA working groups for TCF. We also wholly support the principles of the Consumer Protection Act.

Our client-centric strategy dictates a focus on solutions rather than products and this attitude is encouraged among our intermediaries too. We provide these partners and our own advisers with appropriate levels of training and support to reduce the risk of giving inappropriate advice.

Performance

Client-service awards

Sanlam RSA's client success is evident in our persistence figures, which are among the highest in the industry. In addition, the business has won numerous awards this year:

- > Getclosure (web-based complaint driver) rated us as one of the top five rated South African companies, awarding us a four-star 'customer centricity' rating for our handling of complaints in 2010.
- > Business Processing Enabling South Africa (BPESA) (an institution for client contact centres) awarded our Client Contact Centre a finalist position in the 2010 awards in three categories:

Dependable products and services continued

- > Best SA Customer Service Centre, awarded to call centres that exceeded client expectations. Winning centres clearly demonstrated all-encompassing dedication towards client service by providing key business objectives for the year and results for each.
- > Best SA Business Processing Centre: The effectiveness of the business unit as a whole was evaluated in terms of quality of performance and objectives, and whether these were aligned to organisational goals.
- > Community Spirit Award: The contact centre's community involvement project was evaluated.

Our Client Service Project – Sanlam Topaz

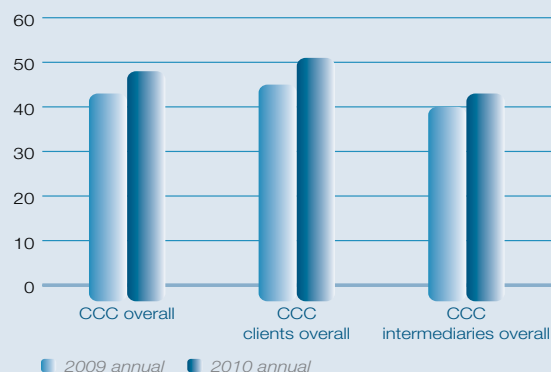
Initiated in 2008, the Client Experience project's objectives were to shift focus from measuring client satisfaction (the outcome) to measuring the client service, complaints or claims experience as a whole. Related training has focused on employee attitude towards clients and improving the soft skills of staff. Our measurement strategy has also changed, and we now measure the following aspects:

- > Quality of the service.
- > Quality of the relationship.
- > Quality of the channel.
- > The overall satisfaction of the channel.

This yields our 'Voice of the Customer' (VoC) score, the results of which are a key performance area for all client-facing staff in three areas, namely Client Contact Centres (CCC), Policy Administration and Claims (PAC) and New Business. Globally, the Top-50 companies achieve a VoC score of 60 – 65 and our own results show annual improvement.

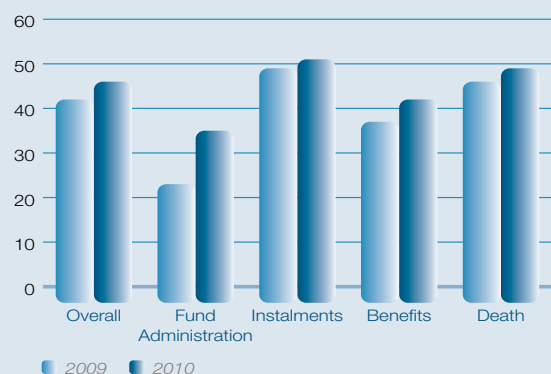
Sanlam Topaz Client Contact Centre VoC score

Client contact centre VoC tracking 2009/2010



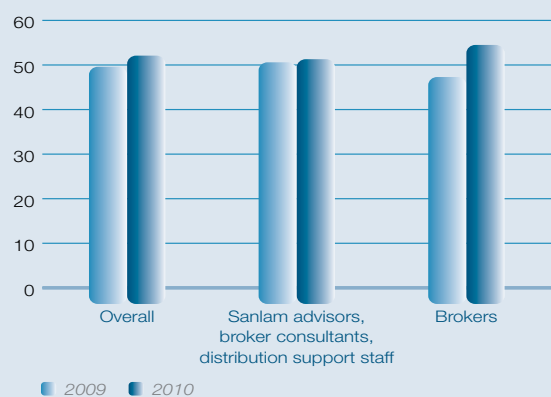
Sanlam Topaz Policy Administration and Claims VoC score

Administration and claims VoC score



Sanlam Topaz New Business VoC score

New business VoC score



Note

The main 'clients' in the new business underwriting and issuing process are the intermediaries (advisers and brokers).

Dependable products and services continued

In relation to the New Business VoC results, the average Broker score given to all the participating life companies increased significantly by an average of 5,7 points from 2009 to 2010. Sanlam Topaz increased by 7,2 points, increasing the gap between ourselves and our nearest competitor from 3,4 to 5,7 points.

Indicators	2010	2009
Discovery Life	48,8	37,8
Liberty Life	39,7	40,6
Momentum	42,0	43,9
Old Mutual	47,0	29,1
Sanlam	54,5	47,3
Grand total	47,2	41,5

This increase can be attributed to an increase in our Service Quality Index score, achieved by Sanlam Topaz's strong focus on professionalism, clear communication and accessibility to our clients during 2010.

Making client contracts easier to read

The Consumer Protection Act specifies that clients should be able to easily understand their contracts. Six years ago, Sanlam underwent the process of translating all standard letters and contracts into plain language. We are again in the process of further simplifying the language used in critical contracts and other areas in order to remove all ambiguity. However, it is understood that clients still have trouble with comprehension, largely due to a lack of financial education, an issue we believe the industry should take responsibility for. This has been a factor in shifting our focus to financial literacy education. For more information on these initiatives, please refer to the section on 'Consumer education and literacy'.

Dealing with client complaints

Management approach and actions

Our complaints handling process is critical in forging lasting relationships with our clients. During 2010, we upgraded this process to make our complaints procedures more visible to clients, an exercise that included an update of our website and complaints brochure. Internally, we ran a staff awareness campaign to improve complaints recognition and handling, aiming for a consistent business-wide complaints experience.

We aim to resolve all complaints on entry. However, if this is not possible, complaints are taken to a dedicated client relations consultant in the Client Relations unit, who is also the point of entry for all complaints from the external ombudsmen (FAIS Ombudsman, Pension Funds Adjudicator and Ombudsman for Long-term Insurance). Media complaints are referred to Media Relations, whose escalation point is also Client Relations. Client Relations has direct access to the Complaints Resolution committee (CRC), which consists of senior people from different disciplines (e.g. Legal Services, Compliance and the specific business process involved) to make complaint-related decisions. If still unresolved through these channels, the complaint is escalated to the Sanlam Arbitrator, although clients can, if they wish, also lodge complaints directly with him.

Clients can refer any complaints to the Sanlam Arbitrator. The Arbitrator is the final internal arbiter for investigating and adjudicating all written complaints from our clients and policyholders and serves on the one hand to assure clients of Sanlam's concern for fair treatment, and on the other to raise questions that can lead to improvements in the way we do business. This process ensures clients are treated fairly and serves to prompt questions and feedback that have the potential to improve the way we do business.

Dependable products and services continued

While the Sanlam Arbitrator's decision is fully binding on Sanlam RSA, if not satisfied the client can escalate the matter to the relevant external ombudsmen or pursue other legal means.

Where ordered to pay compensation, we thoroughly investigate all determinations. As part of this process, relevant remedial actions are taken to prevent recurring complaints. Where required, processes are changed or further training is provided. Some cases may also lead to disciplinary action.

While the process described above is specific to SPF, it is also relevant for SDM and Sanlam RSA as a whole. The difference is that each business cluster has its own internal complaints unit, which the CCC feeds with cluster-specific complaints. This internal complaints unit then researches the issues within the relevant business units and reverts directly to the complainant. SPF and SDM each have their own Client Relations unit that handles third party complaints.

Sanlam also has a Policyholders' Interest committee (PHI committee), which reviews and monitors all policyholder-related decisions and related matters in the Group at a strategic level. The committee was established in response to increased consumer activism and questioning of the insurance industry's value proposition and business models as they relate to clients. The PHI committee enables the Sanlam Limited Board to monitor how effectively we are meeting our obligations to our policyholders/clients.

Performance

In 2010, most complaints raised by clients fell into the following categories:

Client complaints 2010

	SPF (excludes Glacier, includes those fielded by the Sanlam Life CCC and other processes)	SDM
Complaints about bad service	15%	5%
Complaints about cost structures and fees, particularly in connection with the premature termination of policies	12%	4%
Complaints about investment returns and policy/investment payouts	6%	4%
Complaints regarding death claims	5%	32%
Complaints regarding benefit claims	4%	12%
Complaints regarding the advice given when the policies were sold	13%	11%
Complaints regarding the premiums paid for policies	18%	24%
Issues in respect of policies ceded to other parties	1%	0%
Clarity regarding the meaning, terms and conditions of policies	8%	8%
Complaints referred to other departments	18%	n/a
	100%	100%

Dependable products and services continued

The tables below show the total and average monthly number of complaint interventions referred to the various Ombudsmen by SPF and SDM, from 2007 to 2010. Note that each 'Complaint intervention' recorded below represents a complaint moving between SPF and the relevant Ombud, or SPF and the client. This means that SPF records the number of times a complaint moves between the business and the Ombud, even if it is a single complaint, and therefore that the same complaint will be counted more than once if the client reports through more than one channel. This gives the business a sense of the efficacies of both its own internal complaints resolution scenarios and its engagements with the Ombud's office.

SPF: Total and average monthly complaint interventions referred to Ombudsmen: 2007 – 2010

SPF (all)

Year	Sanlam arbitrator		Ombudsman for Long-term insurance		Pension funds adjudicator		FAIS Ombudsman	
	Total	Average/ month	Total	Average/ month	Total	Average/ month	Total	Average/ month
2007	634	53	345	29	276	23	20	2
2008	631	53	229	19	594	50	82	7
2009	760	63	292	24	703	59	79	7
2010	590	49	323 ^(a)	27 ^(a)	405	34	118	10
%2010 / 2009	78 %		111 %		58 %		149 %	

^(a)Basis of measurement: The number of total and average monthly complaints received from the Ombudsman for Long-term Insurance by SPF and SDM during the financial year ending 31 December 2010.

The number of SPF complaints received by the FAIS Ombudsman increased by 49% between 2009 and 2010. The numbers have in general shown a gradual increase since the initiation of the office in 2004, and this increase is viewed as a natural trend. Complaints to the FAIS Ombudsman averaged around 10 a month over the year and when compared to the number of policies being written each month, we do not consider this a cause for concern.

Of the SPF complaints that went to the Ombudsman for Long-term Insurance, only 17% were decided in favour of the complainant. This was substantially lower than the same decision rate (46%) for the industry. Sanlam Life complaints made up only 5% of industry complaints to the Ombudsman for Long-term Insurance, which was substantially lower than our market share (24%).

SPF's Client Relations unit (which handles the bulk of SPF complaints) was commended by the Ombudsman for Long-term Insurance at their 25th birthday function for being the organisation that best supported the Ombudsman over the past 10 years through the prompt handling of complaints and by providing fully substantiated responses.

Dependable products and services continued

SDM: Total and average monthly complaint interventions referred to Ombudsmen: 2007 – 2010

SDM

Year	Ombudsman for Long-term insurance		Pension funds adjudicator		FAIS Ombudsman	
	Total	Average/ month	Total	Average/ month	Total	Average/ month
2007	414	35	6*	0.5*	24*	2*
2008	536	45	4*	0.3*	55*	4.5*
2009	776	65	18	1.5	34	3
2010	648 ^(b)	54 ^(b)	9	0.75	120	10
%2010 / 2009	84 %		50 %		353 %	

*These figures exclude the data for Channel Life

^(b)Basis of measurement: The number of total and average monthly complaints received from the Ombudsman for Long-term Insurance by SPF and SDM during the financial year ending 31 December 2010.

The number of complaints dealt with through the FAIS Ombud in 2010 is almost four times that recorded during 2009. This is largely as a result of a six to eight month backlog of complaints experienced by the FAIS Ombud offices during 2009. In addition, at the start of 2010, approximately one third of SDM's complaints related to fraudulent and fictitious policies. On investigation, it was discovered that certain brokers in informal communities were fabricating new policies as a means to generate extra revenue for themselves. This resulted in a spike in complaints to the FAIS Ombud offices. To curtail such fraud, SDM has implemented new processes including stronger verification procedures upon policy initiation, effectively reducing such complaints to less than 5% of the total complaints received.

SDM's average resolution time for dealing with external complaints (to the ombudsmen, and adjudicators) is currently 98 days compared with an industry average of 124 days, while the average resolution for internal complaints is four days.

Three claims cases were referred to court last year. The first was settled before reaching court. The second concerned a complaint that was incorrectly made before the claim was submitted to SDM and is still to be settled. The third relates to a Group Benefit that was not paid out and SDM is, at the time of publication, still defending this in court.

Responsible investments

ESG-based investment decision-making and progress against the UN Principles for Responsible Investment (UN-PRI)

A strong case is being made internationally for large institutional investors (such as pension funds and other asset owners) to put pressure on investment companies to change their operating practices to incorporate environmental, social and corporate governance (ESG) considerations into their investment decisions and products. As one of the largest institutional investors in South Africa, we therefore recognise that we have an obligation to focus on socially responsible investment practices.

Management approach and actions

In 2007, Sanlam Investment Management (SIM) signed up to the UN-PRI. As a signatory, we have undertaken to adopt the six principles and to report on our progress in this respect.

UN Principles for Responsible Investment

- > Incorporate ESG issues into our investment analysis and decision-making processes.
- > Be active owners and incorporate ESG issues into our ownership policies and practices.
- > Seek appropriate disclosure on ESG issues by the entities in which we invest.
- > Promote acceptance and implementation of the Principles within the investment industry.
- > Work together with other companies to enhance our effectiveness in implementing the Principles.
- > Report on our activities and progress in implementing the Principles.

Committing to the UN-PRI's responsible investment practices presents considerable challenges which will be incorporated over time. We understand our duty to be

responsible investors as a journey, not an event. As part of an incremental approach, we decided to focus first on governance issues. In 2006, we constituted a committee, the Corporate Governance unit, to drive SIM's responsible investment initiatives. Comprising senior investment professionals and company secretarial staff, the unit meets every second month.

Through this unit, SIM codified its philosophy on proxy voting and created guidelines for our analysts to follow when voting proxies. We consulted with clients and had the guidelines approved by the SIM board. We maintain a log of all resolutions voted upon, and provide a listing of all resolutions declined (with reasons) in our client quarterly communications.

We have also developed a scoring method to evaluate and measure governance risk relating to company boards. This score serves as one input into our investment decision-making processes and is particularly useful when deciding between two or more potential investments that deliver similar returns. In 2009, we also developed a policy for responding to requests to approve incentive and retention schemes. This has led us to engage with several company boards regarding their remuneration practices.

The environmental and social components of the ESG framework are more challenging as there is currently no legislation to provide guidance. South African legislation also prohibits collaborative efforts, which makes it challenging to implement the UN principle that recommends companies work together to enhance their ability to implement the other principles. However, through ASISA, the investment industry is addressing this issue by developing an industry forum as a platform for regulated collaboration. Under ASISA's guidance, a local Code for Responsible Investing (CRISA) has been formulated. SIM appointed a representative to serve on the ASISA working group that developed CRISA and is now also a signatory to the CRISA code.

Responsible investments continued

One of the challenges associated with implementing ESG criteria is that these might, in certain instances, conflict with our client investment mandates. Consequently, we are currently verifying whether we are operating within the constraints imposed by our client mandates. After this process, we will inform our clients in detail about our responsibility-oriented activities on their behalf. To fulfil our mandates, we will also need to develop policies on environmental and, possibly, social aspects, where these are not covered by laws, charters and codes.

Overall, we are pleased with our progress towards implementing the UN-PRI principles, and we voluntarily completed the UN-PRI survey in May 2010 (only required of signatories in their fourth year of participation).

In September 2010, SIM was proud to host the Information Management Network's (IMN) Inaugural African Cup of Investment Management conference. IMN is a global investment forum that runs investment management conferences, designed to educate investors so they may not only survive but also thrive in investment management.

Socially Responsible Investment funds

Management approach and actions

Sanlam RSA is committed to developing a range of actively managed funds that bring about social and economic change through active engagement. In recent years, we have noticed a growing interest in SRI funds with some consultants now pro-actively seeking these for their clients. There is now a variety of SRI-type funds within a number of our business units.

SIM SRI Equity Fund

The SIM SRI Equity fund is a socially responsible equity fund, committed to driving shareholder activism within South Africa. This fund has an active investment approach, putting the process of successful investment

management in the context of sustainable development and aligning the investment process to the values of socially and environmentally aware investors. This fund holds assets to the value of R57,4 million.

SIM SRI Bond Fund

The SIM SRI Bond Fund is an actively managed socially responsible investment bond fund that strives to make a significant contribution to social and economic upliftment through investments in listed fixed income instruments. This fund holds assets to the value of R133,9 million.

Africa Sustainability Fund

Administered by Sustainable Capital, this fund provides long-term investors with equity exposure to African companies (excluding South Africa) within a responsible investment framework at relatively low cost. Sustainable Capital identifies and integrates proprietary research on environmental, economic, social and governance issues into the investment research process to enhance the risk-adjusted performance of investors' portfolios. Sanlam provided seed capital in support of this fund.

Sanlam Multi Managers SRI Fund

Over the past few years, Sanlam Multi Managers has been actively seeking opportunities to incorporate SRI options into their funds. At the same time, much work has been done in developing an understanding of what SRI should mean to South African investors. The local context has less focus on typical ESG factors and more on products that bring real benefit to grassroots communities through high-impact, targeted return investments. The challenge is how best to create an SRI fund that includes high-impact targeted investments that are important in the South African context but avoid tying up funds for long periods. The answer will be a fund that combines high- and low-impact investments, resulting in a more liquid SRI fund, a product we will launch in 2011.

Responsible investments continued

Sanlam Private Investments' Shariah Fund

Sanlam Private Investments has introduced a tailor-made investment solution in compliance with Islamic Shariah guidelines, a fund aimed primarily at those of Islamic faith. Built on Shariah principles and with a strong ethical foundation, this fund has no dealings with organisations involved in alcohol, tobacco, gambling, armaments, pornography or pork products. As Shariah law forbids payment or receipt of interest, financial institutions are also excluded.

The Shariah solution is based only on equity investments and a limited core of acceptable financial instruments. Any interest and impermissible income will be 'purified' during the audit process and donated to charity.

Sanlam Shariah Fund

Compliant and non-compliant investment sectors

Compliant investments	Non-complaint investments
> Technology	> Banks
> Healthcare	> Insurance
> Consumer products	> Brokerage and securities firms
> Basic industries	> Alcohol
> Mining and manufacturing	> Gaming and casinos
> Energy	> Hotels
> Transportation	> Musical instruments
> Telecommunications	> Entertainment, movies, theatres and film distribution
> Natural resources	> Pork and meat packaging industries
> Construction	> Home loan companies
> Education	> Tobacco
> Selected utilities	> Pornography
> Selected real estate, and Real Estate Investment Trusts (REITS)	> Amusement and recreation
> Commodities and agriculture	> Arms and weaponry
> Information technology	> Advertising and media

Before an investment can be included in the Shariah Fund it is thoroughly evaluated:

- > Companies are screened to confirm that their products comply with Shariah standards.
- > Ratios such as debt to equity are measured to ensure they are within acceptable limits.
- > Riba (interest) is avoided.
- > The correct financial instruments (largely equities) are confirmed.
- > The investment's overall soundness is then critically reviewed.
- > Only after this process is the investment accepted as being Shariah compliant.
- > Auditing and income purification on a regular basis.

Responsible investments continued

Sanlam Personal Finance's Empowerment Fund

A new range of retail funds that allow previously disadvantaged individuals to invest in empowerment transactions was launched in October 2010. The funds provide exposure to socially responsible investments and community builder property. Clients participate in the funds through a collective investment mechanism which will be constructed from the following asset classes:

- > private equity: including BBBEE financing;
- > equity: socially responsible listed shares;
- > property: community builder property investments;
- > bonds and government bonds: socially responsible bonds; and
- > cash.

Performance

SIM's SRI funds are performing exceptionally well. According to an Alexander Forbes investment performance survey for the year ending December 2010, SIM was rated fourth out of the nine measured equity funds and second out of the five measured bond funds.

Fund performance – SRI Equity Fund

To October 2010	Fund	Benchmark*
Three months	9,26%	9,34%
Six months	21,71%	21,84%
12 months	15,38%	15,39%
Inception	22,72%	23,46%

*Benchmark: (FTSE/JSE SRI Index – J2007)

Fund performance – SRI Bond Fund

To October 2010	Fund	Benchmark*
Three months	0,88%	0,61%
Six months	10,65%	9,03%
12 months	18,41%	15,47%
Inception	12,72%	11,15%

*Benchmark: 67,50% BEASSA TRI OTHI | 22,50% BEASSA TRI GOVI | 10,00% STeFI

Sanlam RSA's other SRI-type funds have not been in existence long enough to present meaningful performance data or commentary.

Responsible investments continued

Financing empowerment and investing in infrastructure

Management approach and actions

According to the Financial Sector Charter (FSC), 'empowerment financing' includes the provision of finance for, or investment in, the following: transformational infrastructure in underdeveloped areas, agricultural development for emerging black farmers, low-income housing and black SMEs, and BBBEE financing. Although the FSC is not yet finalised, Sanlam RSA is committed to the Charter's principles.

For all BBBEE financing, our investment mandate requires that the target risk and return considerations and investment merits must supersede all other considerations when determining investment viability. This ensures that when considering empowerment financing, the target rate of return is of paramount importance. Much of our empowerment financing occurs through private equity buy-outs and growth financing investments across all sectors. All investee companies must demonstrate that some or all of their black staff will benefit, directly or indirectly, from Sanlam RSA's investment.

Our approach to infrastructure financing is the same as for BBBEE financing in that if the investment thesis allows for the hurdle rate of return to be met, the investment will be allowed.

Investment activity

The Agri-Vie fund achieved its final close in at the end of 2010, having raised USD\$ 109 million for investment in agri-businesses across sub-Saharan Africa. The principle investment thesis of this fund is food security, and the

fund targets investments in small and medium enterprises within the food and agriculture sector. Sanlam RSA and the Kellogg Foundation are the anchor investors of the fund. The Agri-Vie Fund made two new investments during 2010, bringing the total so far to four. Sanlam Private Equity (SPE) made three follow-on investments in black-empowered companies during 2010 to strengthen and stabilise the balance sheets of these empowerment companies and to facilitate further growth.

Owing to the low returns in infrastructure investments and their long-term nature, SPE did not identify any appropriate opportunities for such investments during 2010.

Responsible property management

Management approach and actions

Sanlam RSA has approached the issue of responsible property management by appointing specialist consultants to look at ways of managing our property portfolios based on 'greener' principles. Although the green building concept encompasses more than just energy management, energy consumption constitutes one of the largest considerations. We have therefore decided to focus initially on this aspect.

In 2008 we appointed PEC Group to assess our property portfolio's energy efficiency and to consider potential savings. Over the past two years, the PEC Group has focused mainly on council electricity bills and recoveries from tenants. In addition, they have tested energy-saving lighting, remote-controlled air conditioning systems and roof and pipe insulation. When the tests are complete, a cost-benefit analysis will be presented to our property management company.

Responsible procurement

As a large organisation, Sanlam is responsible for wide-ranging environmental and social impacts. Procurement offers us the opportunity to improve our direct and indirect impacts on natural resources and communities, through consciously selecting supplies and suppliers that minimise their own adverse environmental and social effects. In the South African context, this includes a focus on BBBEE suppliers.

Since the Group Sourcing unit became fully functional, procurement has become considerably more proactive and strategic, making decisions and stimulating behaviour that reduces costs to our business, the environment and communities. Strategic sourcing means that we look critically at purchasing needs and formulate smarter ways of sourcing, including a greater focus on BBBEE suppliers. In all supplier-selection decisions at Sanlam RSA, we aim to:

- > source as many goods and services as possible from BBBEE-accredited suppliers and black-owned business; and
- > select suppliers that incorporate ESG best practice into their operational processes.

Our procurement policy

An effective procurement policy can bring about behaviour change that has a positive impact on the environment and society, while also achieving substantial monetary savings. While the Group Sourcing unit (which is inclusive of Santam) procures for all businesses within the Sanlam Group, the Group Procurement Policy is relevant only to Sanlam RSA. We have aligned our policy with current best practice in terms of transparency of business dealings, effective governance processes, employee conflict of interest, timely delivery and quality workmanship and service. The policy aims to aid transformation by developing black entrepreneurial potential and by enhancing the long-term economic sustainability of all stakeholders. Sanlam International businesses may adopt this policy adapted for their own business environments.

Management approach and actions

Sanlam's current procurement approach is one of pro-active cost reduction and avoidance through the strategic management of all operations. This is managed by the Head of Group Procurement and ultimate responsibility rests with the Chief Executive of Group Services. The Group Sourcing unit has four sub-units: claims, category management, operations and governance, and sourcing development. The Category Advisory Board (CAB) oversees the optimisation of five category management sourcing areas for the Group:

- > Marketing
- > Travel
- > Human resources
- > Professional services
- > Facilities management.

Where required, the Group Sourcing unit makes strategic sourcing recommendations to the CAB Demand Manager, who reports directly to the Group Services executive. This provides the leadership required to drive implementation and to ensure compliance with the relevant policies within all business units.

The recently launched Sourcing Development sub-unit is aimed at applying the benefit of Group Sourcing procurement deals across the Group, as these contracts did not include all affiliate and subsidiary companies. This unit is focused on bringing all affiliate and subsidiary companies' portfolio administrators (including in the intermediated space) into the Group procurement process. Such inclusivity will allow greater cost savings for the Group.

In 2009, a range of policies was introduced with the commissioning of the Group Sourcing unit. During 2010, the focus was on entrenching and fine-tuning processes as well as bringing behaviour patterns in line with policy. For example, by creating awareness around business travel issues, we have influenced the ways individuals are choosing to travel. Where possible, video-conferencing

Responsible procurement continued

removes the need for travel but should it be unavoidable, people fly economy class and stay at guesthouses rather than at costly hotels.

Our supplier selection process now includes an online application tool, aligned with claims business requirements. While Sanlam's procurement policy includes environmental criteria, in reality this is a more challenging area than first anticipated and has yet to be fully implemented. The professional services area has a number of policies, currently being consolidated into a single policy with a number of associated processes.

Performance

Strategic sourcing has brought about considerable efficiency improvements in terms of cost, bringing over R180 million in benefits to the Group during 2010. Total unweighted BBBEE procurement expenditure for 2010 exceeded R9 billion.

Plans and targets for 2011 and beyond

In addition to embedding many of the new initiatives implemented during 2010, in the coming year Sanlam RSA will entrench its environmental selection processes. We have a drive to identify greater efficiencies with regard to building leases, specifically with respect to energy management, with a focus on environmentally friendly buildings. We have also implemented further research into maximising web-based solutions to reduce the need for business travel.

Our strategic sourcing policy requires that we forge stronger relationships with fewer, more strategic suppliers. This necessitates a determined focus on supplier relationship building and compliance.

BBBEE procurement

Stimulation of economic activity among the historically disadvantaged sector is critical for Sanlam RSA's growth and South Africa's advancement. While market forces dictate transformation, Sanlam has a keen understanding of how good management of diversity in the supply chain will benefit sustainable procurement in the long term.

Management approach and actions

Our aim is to increase the complement of black owned small businesses in our supplier group, with specific focus on black female owned companies. Accordingly, Sanlam RSA's supplier screening includes BBBEE criteria and crosschecks all suppliers' BBBEE credentials. We strive to ensure that as many suppliers as possible have a minimum of Level-4 BBBEE accreditation.

The CAB views BBBEE as critical to strategic sourcing. However, there are challenges to recording credentials in certain areas. Since the initiation of Group Sourcing 18 months ago, recording credentials at business unit level has gradually been absorbed by the higher-level function. This process is still underway and we are streamlining it through the implementation of more robust IT systems. On a continual basis, contracts come up for renewal and we review them carefully with a focus on BBBEE. Our BBBEE targets are also reviewed on a quarterly basis.

Performance

In 2010, 80,46% of Sanlam RSA's procurement on a weighted basis came from BBBEE certified suppliers, giving us a score of 17,29 on the dti Scorecard. In the travel category, for example, about 97% of suppliers are currently BBBEE-verified.

Responsible procurement continued

dti Scorecard – preferential procurement

(for the year to 31 December 2010, versus 2009 and 2008)

Element	dti weighting	Indicators	2010 Total scores (unverified data)	2009 Total scores (data verified by AQRate)	2008 Total scores (data verified by AQRate)
Preferential procurement	20	BBBEE procurement spend from all suppliers as % of total procurement spend	17,29	15,46	17,56
		BBBEE procurement spend from QSEs or EMEs as % of total procurement spend			
		BBBEE procurement spend as % of total procurement spend from suppliers that are: – >50% black owned or – >30% black women owned			

The decreased score in 2009 was due to a lack of verifiable BBBEE certificates for our suppliers. In 2010, we focused on ensuring that suppliers submitted verified certificates and therefore anticipate a significant improvement in our 2010 BBBEE procurement score.

The R9,3 billion unweighted procurement for 2010 translated into R6,7 billion BBBEE procurement on a weighted basis. Approximately 30% of suppliers provided valid BBBEE certificates and of this 30%, close to 90% were level 1 to 4 BBBEE contributors with recognition levels of 100% and above.

Plans and targets for 2011 and beyond

To further streamline the process of recording supplier BBBEE credentials, Sanlam RSA plans to implement a web-based system that allows suppliers to upload their own BBBEE certificates.

Our target for 2011 is to maintain BBBEE procurement levels in excess of 70% and procurement from Qualifying Small Enterprises (QSEs) above 15%. Achieving the minimum targets of 3% and 2% procurement from 50% black owned and 30% black women owned entities remains challenging and Sanlam RSA will focus on strategies to broaden the procurement base from these entities.

**Enterprise development**

Enterprise development is closely aligned with preferential and BBBEE-procurement, since Sanlam RSA is best able to develop small black-owned enterprises in South Africa through our purchasing power and structures. Sanlam RSA supports the growth and upliftment of black entrepreneurs in order to ensure a representative and sustainable supplier base. Enterprise development is also inherent in the Sanlam business through the provision of financial advice and assistance.

Responsible procurement continued

Management approach and actions

Sanlam RSA assesses its entire supply chain in order to identify transformational challenges and to determine the viability of enterprise development initiatives as a solution. Whenever development of a new business area commences, our strategy includes facilitating the entry of black business into that area. This includes investing in small black businesses by assisting their cash flow through means such as soft loans and early payment terms.

Over the past few years, Sanlam RSA has also privatised business service areas such as the chauffeur and shuttle service, On-Time, and the Print Shop. To promote enterprise development more broadly, Sanlam RSA runs a business-oriented educational television programme for entrepreneurs, as well as entrepreneurial competitions. Through the Cobalt initiative, Sanlam RSA provides free health checks and advice for small businesses. During 2010, we piloted a small project for suppliers, providing advice and assessing their financial needs, and this will be continued in 2011. Small businesses with cash-flow problems are also offered bridging loans.

Sanlam RSA's largest contribution to enterprise development occurs through our UB transaction, since we financed the deal through preferential loans. This deal returned full points for Sanlam RSA on the enterprise development component of the dti Scorecard. Shareholders in the broad-based UB empowerment groupings have access to capital, business advice and the opportunity to grow their businesses rapidly, aided by a provincial advisory board that facilitates cross-selling opportunities between shareholding businesses.

Performance

dti Scorecard

(for the year to 31 December 2010, versus 2009 and 2008)

Element	dti weighting	Indicators	2010 Total scores (unverified data)	2009 Total scores (data verified by AQRate)	2008 Total scores (data verified by AQRate)
Enterprise development	15	Ave annual value of enterprise development spend as % of net profit after tax	15,00	15,00	15,00

Plans and targets for 2011 and beyond

We aim to continue supporting the growth and upliftment of black entrepreneurs through our procurement practices, with particular focus on black female owned business development.

Prosperous society and community

CSI and SED

For an economy to be healthy, it requires healthy and educated people with skills conducive to long-term sustainable growth. A growing economy also needs to ensure a future supply of natural resources is available to support business processes and to maintain social stability.

Sanlam RSA's CSI (corporate social investment) and SED (socio-economic development) initiatives focus not only on education but also include environmental and HIV components. By investing in these areas, Sanlam RSA not only encourages future customer loyalty and support, but we make a meaningful contribution to the society we serve.

Management approach and actions

In 2010, the CSI unit continued analysing and re-assessing its CSI programmes in order to improve strategy in alignment with our business priorities. Our current model, implemented in 2009, supports four focus areas and approximately 23 projects. We agreed to focus efforts on fewer, more strategic projects in order to be more effective, sustainable and better aligned with our CSI investment guidelines.

A large portion of the year was spent undergoing a project selection process. To assess each project, we held workshops with all relevant business units during which the goals and outcomes of the projects were considered in detail. We also consulted with external stakeholders. Engagements were followed by a compliance workshop at which we developed a detailed assessment matrix to measure each project's scores against our strategic requirements.

This information was also used to finalise our 2011 – 2015 CSI strategy, the key outcomes of which are to ensure a sustainable future business by supporting

the development of a better society. Our CSI objectives are to:

- > invest meaningfully in the economy of the country;
- > contribute to the alleviation of poverty and development of poor communities; and
- > be recognised as a responsible and caring corporate citizen.

In line with our strategy, from 2011 our CSI programme will focus strictly on education, covering five core components:

- > Maths, science, accounting and English literacy (high school learners);
- > Financial literacy (high school learners, university students, community members and public sector employees);
- > Leadership development (teachers and parents);
- > Health (HIV education at high schools);
- > Environment.

When deciding on the nature of our investments, our guidelines include the following:

- > Our CSI programmes must be based on sustainable partnerships with communities.
- > Grants must be for the benefit of disadvantaged individuals and communities, as defined in the dti Codes of Good Practice.
- > Grants should have a strategic value and show a measurable social return on investment.
- > Grants should be relatively long term, covering costs for a minimum of three years.
- > Before any decisions are made, the CSI process must first take into account the needs and concerns of the beneficiaries.
- > The process must have specific identifiable and measurable impacts.

Prosperous society and community continued

- > There should be a monitoring and evaluation process to determine when objectives have been met.
- > The grant should include necessary capacity building from the implementing agent and/or beneficiaries.

Specific projects have been selected, with which Sanlam RSA will be working closely during 2011 to ensure goals are met. Towards the end of 2010, we undertook the process of exiting the projects that were not selected. In 2011, the projects to be supported are:

- > The Steve Biko Foundation
- > The UWC Chair in Investments
- > The Thuthuka Bursary Programme
- > The Nelson Mandela Metropolitan University
- > The Regency Foundation (HIV&Me Programme)
- > The NBI Eastern Cape Initiative
- > The NBI Learnership Programme
- > The Sanlam/UB Schools Project
- > The HOPE Financial Literacy Project
- > The WWF Living Waters
- > Sanlam Happy Home (DICAG)
- > Abalindi Home
- > The Billion Child Appeal (Win-win project).

Projects and performance

During 2010, our CSI spend was R19,3 million, which represented 0,52% of Group net profit after tax. This included R1 million that was allocated to the various business clusters (R200 000 each) for staff volunteer projects and contributions to Takalani Sesame, and excludes Santam's CSI spend.

dti Scorecard – socio-economic development

(for the year to 31 December 2010, versus 2009 and 2008)

Element	dti weighting	Indicators	2010 Total scores (unverified data)	2009 Total scores (data verified by AQRate)	2008 Total scores (data verified by AQRate)
Socio-economic development	5	Average annual value of socio-economic spend as % of net profit after tax	2,81	2,84	3,04

Prosperous society and community continued

In 2010, we invested in the following projects:

Project name	Project partner	Project description	Number of beneficiaries	2010 project budget
The Mentoring programme	University of Western Cape	The Sanlam UWC Development programme provides professional development opportunities for high achieving BCom graduates registered for the Management in Finance and Investments Honours degrees.	20 students in 2010	R605 000
The Chair in Entrepreneurship	University of Western Cape	The Chair is responsible for the discipline of investment risk management and presents findings to the Investment Cluster on a bi-annual basis.	n/a	R408 100
The Chair in Enterprise Development	University of Fort Hare	The Centre for Enterprise Development (CED) in the Eastern Cape provides relevant, customised and best practice solutions to small and medium enterprises.	n/a	R500 000
The BCom Financial Planning programme	Nelson Mandela Metropolitan University	To give effect to FAIS requirements, this programme was designed to meet the needs of learners in the sector who require both management and specialist knowledge and skills.	28	R300 000
The Thuthuka Bursary Fund	Universities – countrywide	This fund is aimed at increasing the entry numbers and improving the academic scores of black students at tertiary level by partnering with students to address their financial and other needs through a comprehensive programme. The programme brings together universities and the accountancy profession in an effective and revolutionary manner.	Eight students per annum	R240 000
The Nelson Mandela Metropolitan University – Black Advisers Programme	Nelson Mandela Metropolitan University	Bursary programme for students in their final year of the BCom Financial Planning degree as mentioned above.	Eight students	R400 000
The Ramakrishna/Abalindi Home for the aged and HIV/Aids victims	Ramakrishna/Abalindi Home	A home for the aged and terminally ill patients in KwaZulu-Natal.	10 care-givers and 45 patients	R228 000

Prosperous society and community continued

Project name	Project partner	Project description	Number of beneficiaries	2010 project budget
The Tso-Botshogo Programme for HIV/Aids infected and affected families	Tsa-Botshogo	To improve family care and support for women and children affected by and/or infected with HIV/Aids.	± 98 within the Soweto area	R253 000
HIV/Aids support	Liv Village	A village accommodating abandoned and abused children giving them opportunities to rebuild their lives through education.	15	R100 000
HIV/Aids support	Cosatu	HIV/Aids counselling programme run by Cosatu for members within the Western Cape region.		R100 000

Below are some of our key flagship programmes that have touched our employees:

The Sanlam/Ubuntu-Botho Schools Project

This flagship partnership with the Motsepe Foundation has awarded R2 005 000 to 29 historically significant and disadvantaged schools to date. As part of the partnership, a donation of R75 000 is given to each school to enable them to fulfil their most pressing educational needs.

The WWF/Sanlam Living Waters Partnership

Our landmark commitment to sustainability and environmental stewardship is expressed through our partnership with the World Wide Fund (WWF) on the WWF/Sanlam Living Waters Programme. This partnership seeks to secure the wise management of our aquatic ecosystems and resources, thereby protecting and enhancing the wellbeing of all South Africans. Sanlam contributes R3 183 000 per annum to address water scarcity in the country.

The Steve Biko Foundation

In July 2009, the Steve Biko Foundation, supported by Sanlam, commenced assistance to The Business Place eQonce. This organisation facilitates enterprise development initiatives in the Eastern Cape by assisting previously disadvantaged individuals wanting to either establish businesses or who already operate SMMEs. They assist with business development counselling and a wide variety of training modules. From July 2009 through to February 2010 the Business Place eQonce assisted 3 112 emerging entrepreneurs in the local community. Sanlam RSA contributed R400 000 to this project, which ends in 2011.

Disabled Children's Action Group (DICAG)

DICAG is a national cross-disability organisation formed in 1993 by parents of disabled children. It addresses the needs of such children in South Africa, specifically those living with challenging circumstances. In 1999, a group of DICAG parents from rural and informal settlements around Mthatha in the Eastern Cape established the Happy Home centre, with the help of Dr Nelson Mandela and Sanlam. Sanlam RSA sponsored the purchase of the centre and has supported the initiative for over 11 years.

Prosperous society and community continued

Happy Home cares for disabled youths and currently has 67 residents including abandoned children, disabled Aids orphans and children attending a local school for intellectually disabled students. The school has no hostel accommodation forcing many children to live with relatives in nearby villages. There were occasional reports of abuse, including rape, and concerned parents saw the centre as the solution. The key objectives of Happy Home are:

- > to provide an early childhood development programme for disabled children;
- > to provide a day-care centre to reduce the risk of rape and physical abuse of disabled children;
- > to provide health education and skills development through workshops; and
- > to promote equal opportunities for the disabled children irrespective of gender, race and /or social status.

The centre serves 68 villages and over 2 000 people. The parents work as volunteers at the home and are also involved in all decision making. The community makes donations of clothing, cooking utensils and garden tools. A variety of rehabilitation and counselling programmes are provided and educational workshops are held for parents too, covering topics such as child abuse, causes of disability, genetics, and how to care for disabled children. A skills development component is also provided. Sanlam provides financial support to the centre, contributing R200 000 in 2010.

Employee involvement

As individual members of the South African community, Sanlam RSA's employees are committed and passionate about community development. By making available a budget for community development initiatives, Sanlam RSA encourages employees to participate in social development in their own individual capacities. In 2010,

we contributed R769 000 to community projects identified and implemented by employees in groups, which also aids in not only boosting employee morale but also improving the relationships with communities in which our employees operate.

Ad hoc

Sanlam RSA reserves a smaller portion of its budget for various small initiatives mainly from communities with urgent once-off needs. This year we funded the following projects on an *ad hoc* basis:

- > The Sanlam National Music Competition – R200 000
- > The Farm-workers competition – R100 000
- > Touch Africa – R285 000
- > Wola Nani – R40 000
- > Emthonjeni – R60 000
- > Sive Nathi – R40 000
- > Tygerberg Children's Home – R50 000.

Plans for 2011 and beyond

We will continue to utilise our resources to overcome our country's social and environmental challenges. Our fundamental strategy is to ensure that our investments lead to the creation of wealth for the poor communities in which we operate. To support this strategy and internalise the management of CSI we aim to establish the Sanlam Foundation in 2011.

Sponsorships that focus on society and communities

Through sponsorship activities, Sanlam aims to either create a presence or provide an experience for the communities it assists. While such investments are commercially driven, developmental elements still deliver considerable social value and benefit to the recipients. We view these sponsorships with a win-win attitude, adding real business value while also supporting socially significant causes.

Prosperous society and community continued

For Sanlam RSA, sponsorships are a way for intermediaries to engage with various target markets. The experiences provide 'moments of opportunity' for the audience to take positive action towards managing their risks and finances. We select only sponsorship opportunities that speak to our target market in a positive way, aiming to have Sanlam RSA perceived as a valued and trusted partner.

There are certain criteria against which potential opportunities are measured. Should the proposed opportunity promise a better return than those to which we are currently committed, the strategy is re-worked to accommodate this. Our sponsorship approach is thus kept dynamic, enhancing the Sanlam brand's competitiveness within a tightly defined budget.

Performance

Our four core sponsorships have been productive in establishing Sanlam brand awareness within our target markets in South Africa and adding value to the communities in which we operate.



Takalani Sesame

Over the past six years, Takalani Sesame has reached 25 million children between the ages of two and nine. The show airs on SABC1 and SABC 2 channels 22 times each week as well as on six SABC vernacular radio stations, reaching 36 million viewers and listeners. Sanlam RSA and Takalani also undertook the following activations:

- > 54 mall activations, reaching close to 105 000 parents and children;
- > Six school activations, reaching close to 10 000 children and their parents;
- > An eight-town roadshow, reaching an audience of 22 000.

In addition, in partnership with the Sowetan and Free 4 All schools newspapers, we ran either weekly or monthly Takalani life skills stories, reaching almost 1,6 million children. Takalani and Love Life also performed at the V & A Waterfront to an audience of approximately 5 000 children to showcase their work on HIV/Aids.

The 2010 budget for Takalani Sesame was R9,6 million, with R3,3 million spent on communication activities, and R6,3 million on actual sponsorships.

Prosperous society and community continued



The Sanlam Cancer Challenge

The Sanlam Cancer Challenge is the biggest amateur golf tournament in South Africa with over 37 000 participants. Over the past 18 years it has helped raise R26,3 million for cancer prevention programmes and patient care. In 2010, Sanlam RSA donated over R4 million to the event, and golfers' donations raised R2,5 million for CANSA.



The Sanlam Kay Motsepe Schools Cup

In 2010, we introduced a new sponsorship initiative, the Sanlam Kay Motsepe Schools Cup, a national annual soccer tournament that aims to revive the culture of school football amongst the youth. The project aims to include over 4 000 high schools from all nine provinces throughout South Africa competing at regional, provincial and national levels.

This project is co-funded by Sanlam RSA, the Sanlam Ubuntu-Botho Community Development Trust and the Kay Motsepe Foundation. It helps talented young soccer players achieve their sporting dreams and aims to unite youth through a shared passion for the game while promoting sporting excellence. From a business perspective, this allows Sanlam RSA to create brand awareness amongst entry level and lower markets and non-traditional audiences.

Money awarded to the winning schools is applied to enhance internal infrastructure through legacy projects at the schools, which also benefit the surrounding communities. Some of these projects include a new soccer field, computer equipment, school transport, etc.

This year, Sanlam RSA contributed R2 million to the project, which involved 2 425 schools and reached 41 225 youths. This event will receive R30 million over five years, making it both the biggest high school soccer sponsorship and the highest prize money ever seen in South African schools soccer.

Prosperous society and community continued

Sanlam cultural sponsorships

Through art and cultural event sponsorships, we aim to reposition the Sanlam brand within Sanlam RSA's traditional target market and also transform it in the non-traditional target markets. In 2010, we contributed R4 780 000 in sponsorship money (which includes R2 938 983 in rights and R1 841 000 in leveraging) to the following:

- > **Sanlam Music Competition 2010:** Started 22 years ago, the competition was devised and instituted by the Tygerberg Branch of the South African Society of Music Teachers (SASMT) and is a national platform from which to develop talent from an early age. The project now has a specific focus on facilitating the participation of music students from disadvantaged communities and in 2010, 80% of the contributed amount was used for such children.
- > **Radio Sonder Grense Competition** is an annual writing competition for radio drama that encourages Afrikaans radio dramas with true local flavour. Reaching 150 000 listeners each week, over the past 12 years the competition has discovered many new writers and local talent.
- > **Litnet** is a unique South African literary online journal for developing prose and poetry writers who are yet to debut. It offers a writing course and promotes African literature and multilingualism. Litnet has an average of 59 950 unique visitors a month and the Facebook group has 3 113 friends.
- > **Sanlam Novel Competition** aims to develop, publish, market and distribute stimulating books of exceptional quality. It is also intended to encourage wider reading through the facilitation of outstanding literary standards.
- > **Sanlam Prize for Youth Literature** aims to promote youth literature for the 12 to 18 age group. The competition has six categories: Afrikaans, English, Nguni languages, Sotho languages, Tshivenda and Xitsonga. A total of 67 books have been awarded this literature prize.
- > **Woordfees** is a project in partnership with the University of Stellenbosch that invites all cultures to showcase their work in Afrikaans. This includes work in drama, music, community outreach (WOW project) and poetry, amongst others. In 2010, this project drew a representative audience of over 35 000 from across South Africa.
- > **The Food Wine Design Fair** held its inaugural event in 2010. The fair showcases South African goods and is endorsed and supported by the Department of Trade and Industry. Local producers from around the country presented their work to an audience of 10 000 in central Gauteng, creating awareness of their products and enabling the producers to grow their businesses, create more jobs and ultimately contribute to the South African economy.
- > **Other cultural event sponsorships:** We also sponsored the Klein Karoo Nasionale Kunstefees and the Afrikaanse Taal en Kultuur Vereniging, as well as various book sponsorships.

Healthy bio-physical environment

Our planet, once considered one of unlimited resources, is quickly becoming one of scarcity with the consequences of industrial and post-industrial over-consumption now felt in everyday life. In addition to competing for natural resources, organisations are being called to action on environmental issues, through legislation, regulation and by stakeholder groups. Companies proactively managing their environmental risks will be in a stronger position to survive a transitioning economy.

Environmental issues such as climate change represent specific risk for the insurance sector. In many industries, plans and predictions are formed on past lessons, a fact particularly relevant to the insurance industry given that actuarial calculations rely on historical data. However, when addressing climate change we can no longer rely on past patterns but instead we depend on models of the future. We therefore need a new framework and new tools, a development that will have significant implications for Sanlam.

We therefore have a vested interest in protecting our planet by minimising our negative environmental impacts as thoroughly as possible. We can achieve this by shrinking our carbon footprint, conserving our resources, managing our waste and sourcing our supplies responsibly. To ensure our progress, Sanlam RSA has committed to the Carbon Disclosure Project – assessing and reporting on our carbon footprint changes – and we measure our energy, water and materials consumption, taking decisive action as needed.

We also recognise secondary environmental impacts associated with:

- > our portfolio of investment properties;
- > the businesses we invest in and finance; and
- > suppliers' business operations.



Report of the Group Environment committee

Shifting stakeholder attitudes towards environmental protection are driving companies to explore resource efficiency so they can create more ecologically responsible operations while also improving their bottom line and competitive advantage. In 2010, Sanlam RSA performed a market analysis that identified environmental issues as one of the key drivers affecting our business going forward. It is therefore imperative, from a business perspective, for us to have a strategic approach in addressing environmental issues.

Management approach and actions

Sanlam RSA has a formally constituted Group Environment committee to oversee the management of environmental issues. The committee, which meets every six weeks, underwent changes during 2010 and now comprises Exco-mandated representatives from all business units and functional areas. This broad representation ensures that decisions taken by the committee are based on a consultative process, for which the business unit areas are responsible within their respective reach. This has provided more stringent leadership on environmental issues and embeds such practices into the business more effectively.

The official objectives of the Group Environment committee are to:

- > ensure that the business, as a global player with global economic and environmental influence, aligns with 'best practice' in environmental sustainability;
- > to represent business and functional areas across Sanlam RSA and to actively engage in strategic environmental issues on behalf of those business areas, in line with the decisions and directives of the Group Environment committee; and

Healthy bio-physical environment continued

- > to effectively position Sanlam RSA as a leader in environmental sustainability in the South African financial services industry.

Practically, the Group Environment committee's terms of reference require it to:

- > hold regular meetings;
- > play an active role in the above-mentioned meetings, against outlined expectations;
- > participate in the ongoing process of identifying and strategically driving environmental values and targets within Sanlam RSA;
- > focus across business units and subsidiaries in order to align environmental strategy and practice wherever possible;
- > plan and implement a co-operative relationship between the Sustainability Management unit and various business areas;
- > report on progress on environmental issues and targets within business areas, as relevant;
- > address Sanlam RSA's environmental footprints and explore financially sound and/or beneficial initiatives for the reduction thereof;
- > foster an appetite for environmental stewardship as a value system within Sanlam RSA;
- > explore new product opportunities with environmental benefits; and
- > understand and recommend investment decisions based on environmental criteria.

Policies and targets

In addition to finalising the terms of reference of its work, the Group Environment committee also co-ordinated a consultative process to refine the existing Group Environmental Policy. This will ensure that the new policy, to be signed off by business unit heads by February

2011, is applicable to the different business areas and enjoys firm commitment to implement the policy.

A new procurement policy is also being drafted and will include reference to the requirement for selecting suppliers with a good environmental track record. This aspect of the procurement policy will be enhanced by the new Group Environmental Policy once it has been finalised.

The committee is also focused on developing new resource-reduction targets, which will be finalised during the first half of 2011.



Associations and partnerships

Global Compact

In terms of the UNGC membership, the Group's first effort at reporting into the Global Compact led to a better understanding, internally, of which UNGC principles are most relevant to our organisation. We are currently focused on the areas of labour, environment, human rights and anti-corruption.

WWF partnership

Sanlam RSA's partnership with the WWF will end in 2011. This valuable relationship has driven the business towards better environmental stewardship in many aspects. The WWF is currently reviewing its requirements in terms of the Living Waters project and other aspects of the relationship, and has proposed a new partnership with Sanlam RSA based on the interest we expressed in continuing a WWF partnership. This will be considered at Exco level as well as by the Group Environment committee. A new agreement is likely to be finalised during 2011, the scope of which is likely to include:

- > strategic advice from WWF;
- > joint research into water issues affecting the business and society;
- > implementation of water-efficient practices;

Healthy bio-physical environment continued

- > development of products that address risks associated with water; and
- > sustainable solutions for insurance and investments affected by water issues.

While the proposed *Sanlam Blue Space* project has not been formally initiated, elements of this are now being implemented as part of WWF's ongoing work in water management, with our support. In addition, our representation on the WWF Steering committee has grown, enhancing the capabilities and expertise applied to developing better ways of leveraging the relationship. While there has been no product development yet (which was a key element of *Sanlam Blue Space*), the expanded Steering committee is engaging with how product development can address the most pressing of water issues.

In 2010, Sanlam RSA invested R3,1 million in the WWF. By the end of 2011, the business will have invested a total of R15 196 000 in the partnership since 2007.

Environmental impacts

In relation to environmental impacts, Sanlam RSA's first step has been to review eco-efficiencies and resource consumption in our immediate environment. The current initiatives managed by the Facilities Management team are driving the business in this direction and are linked to employee education so that buy-in and therefore ongoing efficiencies can be achieved. We promote environmental awareness among clients through the quarterly *Reality* magazine and emails. This strategy includes linking the magazine's quarterly theme to a Sanlam RSA initiative, such as water awareness and renewable energy, as well as a strong focus on the WWF Living Waters programme. The magazine currently reaches over 140 000 clients quarterly.

Climate change

Santam has taken the lead role, both in the Group and the South African short-term insurance sector, in climate change matters. This has also created greater awareness across the broader Group. It is imperative that Sanlam understands the potential impact of climate change on the business and that a strategy is developed to manage the consequences thereof. As a Group, we intend to continue our leadership role in this area within the industry.

Focusing on water

Sanlam appreciates that its business activities have broad social and environmental consequences that affect a wide range of stakeholders, not just policyholders and shareholders. Specifically, through Sanlam RSA's partnership with the WWF on the Living Waters project, we now understand the looming global sustainability issues associated with a compromised freshwater supply and the links to climate change. This is particularly pertinent in a water-scarce country such as South Africa, now one of the 30 driest countries in the world, as well as many parts of Africa. We therefore aim to become a leader in this area by focusing on heightening awareness and developing solutions to alleviate the water crisis.

Our carbon footprint

South Africa has an extremely energy-intensive economy, fuelled by carbon-based electricity. It is also a developing country, home to some of the poorest communities, people who are likely to feel the impact of climate change most severely. From a business perspective, the Ernst & Young 2009 Business Risk report rated climate change as the fourth highest business risk. As such, South African businesses have both a responsibility and a business imperative to measure and reduce carbon emissions.

Healthy bio-physical environment continued

Management approach and actions

This year Sanlam again participated in the Carbon Disclosure Project (CDP) as part of the 74% of top South African companies that are now signatories to the project. South Africa now jointly holds the fourth-highest CDP response rate globally.

Our commitment to the CDP is taken seriously and, since 2007, we have been increasing the scope of our carbon footprint measurement as well as taking steps towards reduced emissions. Our 2010 Carbon Footprint Report will include measurements in six of our largest South African offices: Sanlam Head Office, Sanlam Investment Management, Glacier, Hyde Park, Sanlyn and the Sanlam Sky building. Our subsidiary Santam measures and reports on its own carbon footprint independently. In terms of number of employees, the increase is as follows:

	2010	2009	2008	2007
Number of employees included in carbon footprint measurement	4 942	4 424	4 116	2 996
% of total Sanlam RSA full-time equivalent employees (FTEs)	68%	75%	68,5%	57%

Our carbon footprint measurements are undertaken in full accordance with the most widely used global standard for Greenhouse Gas (GHG) accounting and reporting, the GHG Protocol. This is compatible with other GHG standards such as ISO14064.

Performance

Sanlam RSA's Carbon Footprint Report will be published separately on our website once it has been completed. For the purposes of this Sustainability Report, the table below shows the results of our carbon footprint measurement for the past four years. The increase in our reporting scope each year since 2007 must be considered when comparing year-on-year emissions.

Healthy bio-physical environment continued

Sanlam RSA's carbon footprint

January – December 2010 versus 2009, 2008, 2007

Organisational boundary		2010 Head Office, Hyde Park, Sanlynn, SIM, Glacier, Sanlam Sky	2009 Head Office, Hyde Park, Sanlynn, SIM, Glacier	2008 Head Office, Hyde Park, Sanlynn, SIM	2007 Head Office
Scope	Activity	Tonnes CO ₂ e	Tonnes CO ₂ e	Tonnes CO ₂ e	Tonnes CO ₂ e
1 – Direct emissions from:	Diesel usage in equipment owned or controlled by Sanlam RSA	30	34	40	32
	Air-conditioning and refrigeration gas refills	0	0	0	194
	Vehicle fleet	Not available ⁽¹⁰⁾	2	0	0
	Total scope 1	30	36	40	225
2 – Indirect emissions from:	Purchased electricity	44 535 ⁽¹¹⁾	38 651	27 700 ⁽¹²⁾	25 919
	Total scope 2	44 535	38 651	27 700	25 919
3 – Indirect emissions from:	Business travel in rental cars	206,94	250,64	275	246
	Business travel in commercial airlines	3 442	3 085	3 739	2 896
	Hotel accommodation	173	168	155	Not reported
	Business travel in privately-owned vehicles (employee travel claims)	Not reported	809,00	247	129
	Third-party vehicle fleet	57,34	16,54	18	Not reported
	Employee commuting ⁽¹³⁾	6 900	6 806	5 446	3 446
	Office paper consumption	698	323	368	330
	Courier information	188,19	Not reported	Not reported	Not reported
	Total scope 3	11 677	11 458,00	10 248	7 048
	Other				
	Non-Kyoto Gas	1 926	1 184	891	61
	Total	1 926	1 184	891	61
	Grand total	58 166,83	51 292,72	38 879	33 252
	FTEs covered	4 942	4 424	4 116	2 996
	Office space covered (m ²)	120 872	127 348	124 124	101 250
	Emissions/FTE	11,77	11,59	11,14	11,1
	Emissions per m ²	0,48	0,40	0,37	0,33

Note:

The 2007 – 2009 figures have been restated to be expressed as a round number, consistent with how Sanlam's 2010 carbon footprint data was reported.

⁽¹⁰⁾ Data for fleet vehicles was not available. Although this value is immaterial to the overall carbon footprint (1,84 tonnes CO₂e in the 2009 Carbon Footprint Report) inclusion thereof would have made the report more complete.

⁽¹¹⁾ Basis for measurement: Scope 2 emissions based on the GHG Protocol for six buildings: Sanlam Head Office, Sanlam Investment Management, Glacier, Hyde Park, Sanlynn and Sanlam Sky.

⁽¹²⁾ In the 2009 report, Sanlam's purchased electricity consumption at the head office was incorrectly reported as 100% of the total usage (34 675) whereas actual use is only 75% of the total (27 700). The other 25% is used by tenants.

⁽¹³⁾ Employee commuting data is extrapolated from a sample of employees who undertake a survey.

Healthy bio-physical environment continued

Sanlam RSA's CO₂ emissions for 2010 calculate to 11,77 metric tonnes per full-time equivalent employee or 0,48 metric tonnes per square metre of office space across the six measured buildings.

We expanded the boundary of measurement for our 2010 Carbon Footprint Report to include the Sanlam Sky building in Johannesburg. This meant an increase in fulltime employees covered. In addition, the coverage of office space per square meter in Sanlam Head Office increased. The operational boundary of the 2010 report also increased due to the inclusion, for the first time, of carbon dioxide emissions from third party courier services provided to Sanlam.

Our highest carbon emissions come from electricity consumption (Scope 2 emissions). There are currently a number of energy saving initiatives under the management of the Facilities team, detailed in the section on 'Resource consumption and efficiency'. Employee commuting is the second-highest carbon emitting activity. There are no current initiatives to counteract this but it is an issue to be addressed in the coming year.

As a signatory to the CDP, Sanlam RSA is committed to submitting an annual questionnaire to the CDP, which is used for industry monitoring and provides investors with information on greenhouse gas emissions and climate change strategies of organisations. In 2010 Sanlam RSA was ranked 5th overall on the CDP Leadership Index, and featured in the top quartile of the carbon performance index.

Carbon offsetting

We do not currently offset any carbon emissions through the purchasing of carbon credits. This possibility was considered at Board level and the Sustainability Management unit undertook a high-level feasibility study

in 2010. Carbon offset initiatives are generally recommended in the final stages of emissions management programmes, as minimisation is the preferred mitigation strategy. As Sanlam RSA is still focused on establishing an accurate and practically comprehensive carbon footprint assessment and the carbon-emission reduction strategy is still an evolving work in progress, carbon-offsetting initiatives are not feasible at this time. We will continue to focus on reduction initiatives, education and awareness and the monitoring of progress.

Resource consumption and efficiency

As a result of amendments to South Africa's draft Taxation Laws Amendment Bill 2009, anticipated energy taxes are likely to substantially increase the operational costs of Sanlam RSA through associated taxes and penalties. However, proven energy savings will unlock large operational cost savings. In addition, the tax allowances for energy-efficient equipment and renewable energy technologies will add to an organisation's bottom line.

It is necessary for Sanlam RSA to minimise the environmental impacts of our resource consumption and also to engage with stakeholders on issues of environmental importance, in order to shrink our carbon footprint. In addition, as a signatory to the Energy Efficiency Accord, we are committed to reducing our fossil fuel-based energy consumption.

While considered a low-impact organisation, our biggest environmental impacts result from:

- > the buildings we occupy, the associated resources consumed and the waste generated through daily activities within these; and

Healthy bio-physical environment continued

- > the carbon emissions and other environmental impacts associated with our business activities beyond the boundaries of our buildings (such as business travel and employee commuting).

Management approach and actions

Sanlam RSA's resource consumption and efficiency is managed primarily by Facilities Management (who report to the Finance unit). A co-operative relationship exists between this team and the Sustainability unit.

Environmental targets for 2010 were set in 2007, including those for electricity and water consumption, CO₂ emissions, waste and recycled waste. These targets are being reviewed and new targets set.

Energy management at the head office

We currently manage our peak electricity demand in order to reduce tariffs. While the maximum demand capacity of the building is

14 000kVA, we target a maximum demand of 6 500kVA at any given time, that is, less than 50% of peak demand. This is achieved through careful management actions such as staggering the start-up of all equipment and focusing on the specific infrastructural needs at different times of the day.

In 2010, progress was made towards improved measurement of our energy use by installing a real-time energy management system. These meters measure the general energy consumption occurring in the building but are also configured to reliably measure consumption of specific infrastructural components such as HVAC (heating, ventilation, air-conditioning), elevators, lighting, IT and office equipment, as well as other elements such as water heating. The system is also able to measure electricity consumption per area, specifically the parking

garages and each floor. The ultimate aim is to develop an energy management strategy and ensure that we effectively manage systems and areas yielding the largest energy savings.

The HVAC system, comprising a number of chillers that cool water, is our biggest consumer of electricity. It is monitored daily and an alarm sounds when the system reaches a certain level of intensity, at which point the chillers can be manually turned off where they are not needed. We have also replaced the old one-speed HVAC motors with multi-speed motors that enable a gradual increase in energy consumption. Old air handling units are being overhauled to improve efficiency. By simply switching to a new cleaning product, air flow efficiency has been improved by as much as 25% leading to less energy being required to generate the required air flow.

Our elevator upgrade project is at implementation stage and, by replacing our lifts' mechanical parts, energy efficiency will increase. For example, the old motors idle when the lift is not in use whereas the new motors hibernate. On completion of the upgrade, the comparative energy savings figures will be documented.

We are currently investigating the benefits of movement sensors attached to light fixtures at the head office and other selected buildings. Such sensors will lower energy consumption and extend the lights' lifespan. We are also focusing on minimising energy consumption through reducing heat penetration by the sun. A pilot study is underway to measure the energy savings achievable by applying sun-shield glazing to buildings.

Other housekeeping initiatives include turning lights and other equipment off when idle. The related energy saving is estimated at 591 000 kilowatt hours (kWhs) per annum. As a Group, Sanlam also encourages energy efficient housekeeping behaviour at all our offices.

Healthy bio-physical environment continued

Water conservation at the head office

At present, our approach to water conservation is one of logic, good housekeeping and applying smart management. The maintenance team responds swiftly to leaks and overflows and garden irrigation systems are deactivated during winter. In summer, watering coincides with the hours in which evaporation rates are lowest. We have installed manual flush systems on all toilets to reduce usage and dual flush systems are to be introduced in the near future.

Waste at the head office

On a monthly basis, the head office recycles about 61% of all waste (including food waste), which equates to 10 – 15 tonnes per month. We intend to achieve a waste recycling rate of 75% and we are investigating what materials are not being recycled. For example, recycled paper hand towels could assist us with our environmental mandate. Recycling is managed by an external consultant who provides our facilities team with monthly reports.

We also run an ongoing paper-saving campaign and staff are asked to contribute paper-saving ideas that are

considered for implementation. The Facilities unit endeavours to purchase paper only from merchants or mills that have an environmental policy and/or a forestry policy. This meets the ESG requirements of our Group Procurement Policy.

From an operational perspective, there is also a drive to minimise the volume of paper used in client communications. Such initiatives include an uptake in electronic communication i.e. e-mail and telephonic interaction. The challenge however is the lack of a client e-mail database but this is being addressed with an e-mail recruiting drive.

Performance

During 2010, we spent the following amounts on various resource efficiency initiatives:

- > Lift project: R2 935 825 (completed)
- > Energy metering project: R41 040 (in progress)
- > HVAC speed drive project: R317 099 (in progress).

The resultant savings from these projects will be measured once the systems are fully functional and reported on in 2011.

Healthy bio-physical environment continued

Resource consumption at the Sanlam RSA head office: 2006 – 2010

Sanlam head office	2010	2009	2008	2007
Full-time equivalent employees (FTEs)	2 982	2 913	2 967	2 996
Total Eskom energy consumption (kWh) – 100% of building	36 307 724	37 598 500	27 700 000	35 998 000
Total Eskom/FTE	12 176	12 907	9 336	12 015
Total Eskom energy consumption (kWh) – Sanlam specific (75% of building for 2007 and 2008; 74% for 2009; 92% for 2010)	33 403 106	27 822 890	20 775 000	26 998 500
Sanlam specific Eskom/FTE	11 202	9 551	7 002	9 012
CO ₂ emissions (tonnes) – Sanlam specific (75% of building for 2007 and 2008; 74% for 2009; 92% for 2010)	34 405t	28 658t	20 775t	25 919t
CO ₂ emissions/FTE	11,54	9,84	7	8,65
Total water consumption (kl)	138 390	102 387	106 183	123 440
Water/FTE	46,41	35,15	35,79	41,20
Recycled water use (% of total use)	None	None	None	None
Untreated water use (% of total use)	None	None	None	None
Paper purchased (tonnes)	122	136	127	160
Paper purchased/FTE	0,04	0,05	0,04	0,05
Waste(m ³)	180	204	172	192
Waste/FTE	0,06	0,07	0,06	0,06
Waste recycled (tonnes)	110	144	100	93
Recycled waste/FTE	0,04	0,05	0,03	0,03

Notes:

⁽¹⁾ 2010 water is based on figures for January – October and extrapolated to 12 months using an average monthly figure.

⁽²⁾ Paper figures exclude printing of policy documents.

Healthy bio-physical environment continued

Environmental targets

Setting targets for Sanlam RSA's environmental goals ensures progress is being made in these areas. For the targets to be relevant and realistic, they should be well informed by internal research and engagement, processes that help to involve and convince key players of the importance of these goals.

Management approach and actions

Sanlam RSA had environmental targets to be achieved by the end of 2010, some of which were building-specific (such as electricity, water and waste), while others were business-specific (such as business travel). While we have made progress, we have not met all our targets, which raised concerns about the accuracy of the baseline data and whether the targets were actually achievable.

The Group Environment committee is evaluating the 2010 environmental targets in order to determine a sound method for setting new ones. The committee will finalise and introduce these during the first half of 2011. This process highlights the specific challenges we face in

determining realistic targets, in terms of scope, scale, measurement methods and tracking. We intended the new targets to be in place by the end of 2010, but given the challenges in defining a robust set of targets, timelines have been extended. A longer, more inclusive engagement process will also result in a greater level of staff awareness and smoother integration with management plans.

Performance

Owing to the inaccuracies of the baseline data for the 2010 targets, we decided it was not meaningful to report on these targets in this document. More detailed and accurate reporting will occur once the new environmental targets are set and being measured.

Plans for 2011 and beyond

From 2011 onwards, the Group Environment committee will be instrumental in ensuring strong leadership so as to meet our new environmental targets. A core focus will be the positioning of Sanlam RSA as a corporate leader and champion with respect to environmental sustainability.

Assurance statement

Independent assurance report to the directors of Sanlam Limited for the year ended 31 December 2010

Scope of our engagement

We have completed our independent assurance engagement to enable us to express our limited assurance conclusions on whether the Sanlam Ltd Sustainability Report (the Report) for the year ended 31 December 2010, has been prepared, in all material respects, in accordance with the self-declared Global Reporting Initiative (GRI) G3 Guidelines B+ application level using the principles of materiality, completeness and sustainability context, and whether the following key performance indicators (specified KPIs) contained in the Report have been prepared, in all material respects, in accordance with the basis of preparation as described separately in the Report for each of the specified KPIs as outlined in the footnotes on the same page (management's sustainability criteria):

- > Tonnes of CO₂ arising from purchased electricity at the office buildings of Sanlam Head Office, Hyde Park, Sanlynn, Sanlam Sky, Glacier and Sanlam Investment Management (scope 2 emissions), for the 12 months ended 31 December 2010 as disclosed in the table headed Sanlam RSA's Carbon Footprint on page 96;
- > The current profile (age, demographic, language) of advisors of Sanlam Personal Finance (SPF) and Sanlam Developing Markets (SDM), as at 31 December 2010 as disclosed in the Total

column in the tables headed Current profile of SPF advisors: 2010 on page 64 and Current profile of SDM advisors: 2010 on page 65;

- > The number of total and average monthly complaint interventions for SPF and SDM referred to the Ombudsman for Long-term Insurance for the 12 months ended 31 December 2010 as disclosed on page 73 and page 74 respectively;
- > Number of individual life policies sold to the entry level market in South Africa by SDM for the 12 months ended 31 December 2010 as disclosed in the table headed Sales volumes for SDM on page 63; and
- > Persistency rate (expressed as a percentage) for SPF, being the number of policy lapses, surrenders and fully paid up policies as a percentage of total inforce policies (excluding annuities) for the 12 months ended 31 December 2010 as disclosed on page 32.

The specified KPIs noted above have been highlighted for identification purposes in the Report through shading.

Our responsibility in performing our independent limited assurance engagement is to Sanlam Ltd only and in accordance with the terms of reference for this engagement (including the release letter dated 26 April 2011) as agreed with them. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Sanlam Ltd, for our work, for this report, or for the conclusions we have reached.

Assurance statement continued

Sanlam Ltd has elected to prepare the Report in accordance with the principles of the G3 Guidelines which was published by the Global Reporting Initiative, of which a full copy can be obtained from the Global Reporting Initiative's website.

Directors' responsibility

The directors are responsible for implementing a stakeholder engagement process to identify all relevant stakeholders, to identify key issues, to respond appropriately to key issues identified, to determine those key performance indicators which may be relevant and material to the identified stakeholders, and to design and apply appropriate sustainability reporting policies. The directors are also responsible for the preparation and presentation of the Report and the information and assessments contained in the Report in accordance with the relevant criteria. This responsibility includes: designing, implementing and maintaining appropriate performance management and systems to record, monitor and improve the accuracy, completeness and reliability of the sustainability data and to ensure that the information and data reported to meet the requirements of the relevant criteria, and contains all relevant disclosures that could materially affect any of the conclusions drawn.

Assurance provider's responsibility

Our responsibility is to express our limited assurance conclusions on the Report and the specified KPIs based on our independent limited assurance

engagement. Our independent limited assurance engagement was performed in accordance with the International Federation of Accountants' (IFACs) International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements *Other Than Audits or Reviews of Historical Financial Information*. This standard requires us to comply with ethical requirements and to plan and perform our engagements to obtain limited assurance regarding the Report and the specified KPIs contained in the Report, as expressed in this report.

Basis of work and limitations

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the subject matter and the purpose of our engagement. In making these assessments, we have considered internal control relevant to the entity's preparation and presentation of the Report and the information contained therein, in order to design procedures appropriate for gathering sufficient appropriate assurance evidence to determine that the information in the Report is not materially misstated or misleading as set out in the summary of work performed below. Our assessment of relevant internal control is not for the purpose of expressing a conclusion on the effectiveness of the entity's internal controls.

We planned and performed our work to obtain all the information and explanations that we considered necessary to provide a basis for our limited

Assurance statement continued

assurance conclusions pertaining to the Report and the specified KPIs, expressed below.

Where a limited assurance conclusion is expressed, our evidence gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Our report does not extend to providing assurance on prior period data, and the dti Scorecard as set out on pages 38 and 39.

Our report does not extend to providing assurance on the Integrated Annual Report and the Carbon Footprint Report which have been referred to in the Report.

Summary of work performed

Set out below is a summary of the procedures performed pertaining to the Report and the specified KPIs which were included in the scope of our limited assurance engagement.

- > We obtained an understanding of:
 - > the entity and its environment;
 - > entity-level controls;
 - > the stakeholder dialogue process;
 - > the selection and application of sustainability reporting policies;

- > how management has applied the principle of materiality in preparing the Report and the specified KPIs; and
- > the significant reporting processes including how information is initiated, recorded, processed, reported and incorrect information is corrected, as well as the policies and procedures within the reporting processes.
- > We made such enquiries of management, employees and those responsible for the preparation of the Report and the specified KPIs, as we considered necessary.
- > We inspected relevant supporting documentation and obtained such external confirmations and management representations as we considered necessary for the purposes of our engagement.
- > We performed analytical procedures and limited tests of detail responsive to our risk assessment and the level of assurance required, including comparison of judgementally selected information to the underlying source documentation from which the information has been derived.
- > We considered whether Sanlam Ltd has applied the GRI G3 Guidelines to a level described on page 106.

We believe that the evidence obtained as part of our limited assurance engagement, is sufficient and

Assurance statement continued

appropriate to provide a basis for our findings and our limited assurance conclusions expressed below.

Conclusions

Based on the work performed and subject to the limitations described above, nothing has come to our attention that causes us to believe that:

- > the Report has not been prepared, in all material respects, in accordance with the self-declared GRI G3 Guidelines B+ application level using the principles of materiality, completeness and sustainability context; and
- > the specified KPIs have not been prepared, in all material respects, in accordance with management's sustainability criteria as described in the relevant footnotes for the period ending 31 December 2010.

Other matter

The maintenance and integrity of the Sanlam website is the responsibility of Sanlam management. Our

procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Sanlam Ltd Sustainability Report or our assurance report that may have occurred since the initial date of presentation on the Sanlam website.



Ernst & Young Inc

Director – Alasdair Stewart

Registered Auditor

Chartered Accountant (SA)

Ernst & Young House

35 Lower Long Street

Cape Town

05 May 2011

Alignment with the global reporting initiative (GRI)

Our compliance with the GRI G3 reporting requirements

Based on the GRI G3 reporting requirements, we are self-declared level-B+ compliant. This is based on information contained in this web-based Sustainability Report and its supporting documents, together with other relevant information presented in our 2010 Integrated Annual Report and on the broader Sanlam Group website (www.sanlam.co.za).

In other words, we have reported on all the company profile disclosures listed under Column B below (in blue) and have disclosed our broad approach to managing each of our material sustainability issues. We have reported on at least 20 specific performance indicators relating to stated material issues, with at least one from each of the economic, environment, human rights, labour, society and product responsibility categories.

GRI reporting requirements for application level B (highlighted in dark blue)

Report application level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures	Report on: > 1.1 > 2.1 – 2.10 > 3.1 – 3.8, 3.10 – 3.12 > 4.1 – 4.4, 4.14 – 4.15	Report externally assured	Report on all criteria listed for Level C plus: > 1.2 > 3.9, 3.13 > 4.5 – 4.13, 4.16 – 4.17	Report externally assured	Same as requirement for Level B	Report externally assured
	G3 Management Approach Disclosures	Not required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators and Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic and environment		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labour, society, product responsibility		Respond on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principal by either: a) reporting on the Indicator or b) explaining the reason for its omission	

Alignment with the global reporting initiative (GRI) continued

Sanlam GRI G3 content index

(for the period 1 January – 31 December 2010)

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*
Strategy and analysis			
1.1	Statement from the most senior decision-maker of the organisation	Full	SR – Message from our Group Chief Executive IAR – <i>Chairman's Report</i> IAR – <i>Report by the Group Chief Executive</i>
1.2	Description of key impacts, risks and opportunities	Full	SR – Message from our Group Chief Executive SR – Our material issues and highlights SR – Various sections on material issues
Organisational profile			
2.1	Name of the organisation	Full	SR – About this Sustainability Report SR – A diverse, sustainable business IAR – <i>The Sanlam Group</i> IAR – <i>Sanlam Group at a glance</i> IAR – <i>Business reviews</i>
2.2	Primary brands, products, and/or services	Full	
2.3	Operational structure of the organisation	Full	
2.4	Location of the organisation's headquarters	Full	
2.5	Countries in which the organisation's operations are located	Full	
2.6	Nature of ownership	Full	
2.7	Markets served	Full	
2.8	Scale of the reporting organisation	Full	
2.9	Significant changes during the reporting period in terms of size, structure or ownership	Full	
2.10	Awards received during the reporting period	Full	SR – Our material issues and highlights SR – Corporate accolades and recognition SR – JSE SRI Index SR – Sustainable financial and operational capacity SR – Conducive working environment SR – Client service levels
Report profile			
3.1	Reporting period for information provided	Full	SR – About this Sustainability Report
3.2	Date of most recent previous report	Full	SR – About this Sustainability Report
3.3	Reporting cycle	Full	SR – About this Sustainability Report
3.4	Contact point for questions about the report or its contents	Full	SR – About this Sustainability Report

Alignment with the global reporting initiative (GRI) continued

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*
Report scope and boundary			
3.5	Process for defining report content	Full	SR – About this Sustainability Report SR – Our material issues and highlights
3.6	Boundary of the report	Full	SR – Background and scope
3.7	Any specific limitations on the scope or boundary of the report	Full	SR – Background and scope
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	Full	SR – Background and scope
3.9	Data measurement techniques used	Full	SR – Various sections on material issues
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Full	SR – Background and scope SR – Skills development and career progression SR – Our carbon footprint
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	Full	SR – Background and scope
GRI content index			
3.12	Table identifying the location of the standard disclosures in the report	Full	SR – This GRI table
Report assurance			
3.13	Policy and current practice with regard to seeking external assurance for the report.	Full	SR – About this Sustainability Report SR – Assurance statement

Alignment with the global reporting initiative (GRI) continued

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*
Governance, commitments and engagement			
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Full	SR – How we manage sustainability at Sanlam SR – Sustainability governance and leadership <i>IAR – Executive committee</i> <i>IAR – Corporate Governance Report</i> <i>IAR – Capital and Risk Management Report</i>
4.2	Indicate whether the chair of the highest governance body is also an executive officer	Full	
4.3	For organisations with a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Full	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Full	
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives and the organisation's performance	Full	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Full	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	Full	
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	Full	
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with international agreements	Full	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	Full	
Commitments to external initiatives			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Partial	Not specifically addressed in this Report, however a precautionary approach is taken through risk management which forms part of the Group's centralised function.

Alignment with the global reporting initiative (GRI) continued

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Full	SR – Sustainability work during the year SR – Our commitment to codes and standards SR – JSE SRI Index SR – Commitment to King III SR – Anti-corruption SR – Other leadership initiatives SR – A transforming organisation SR – ESG-based investment decision-making and progress against the UN-PRI SR – Financing empowerment and investing in infrastructure SR – Our carbon footprint
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations	Full	SR – Our key stakeholder groups SR – Regulatory bodies and industry associations with which Sanlam RSA engages SR – Report of the Group Environment committee SR – Resource consumption and efficiency
Stakeholder engagement			
4.14	List of stakeholder groups engaged by the organisation	Full	SR – Our key stakeholder groups
4.15	Basis for identification and selection of stakeholders with whom to engage	Full	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Full	SR – Our key stakeholder groups SR – How we interact with our stakeholders
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Partial	SR – Our material issues and highlights SR – various sections on material issues
Core economic indicators			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Full	SR – Broad-based economic contribution <i>IAR – Business review</i> <i>IAR – Financial review</i>
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Partial	SR – Healthy bio-physical environment
EC3	Coverage of defined benefit plan obligations	Not reported	
EC4	Government assistance	Full	No significant financial assistance received from the government

Alignment with the global reporting initiative (GRI) continued

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Partial	SR – Responsible procurement
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Full	SR – Workplace transformation and diversity Sanlam RSA employs mostly local staff
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Full	SR – Financing empowerment and investing in infrastructure
Additional economic indicators			
EC5	Range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation	Not required	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Not required	
Core environment indicators			
EN1	Materials used by weight or volume	Partial	SR – Healthy bio-physical environment
EN2	Percentage of materials used that are recycled materials	Not reported	
EN3	Direct energy consumption by primary source	Partial	SR – Healthy bio-physical environment Website – Carbon Footprint Report
EN4	Indirect energy consumption by primary source	Partial	SR – Healthy bio-physical environment Website – Carbon Footprint Report
EN8	Total water withdrawal by source	Partial	SR – Healthy bio-physical environment
EN11	Location and size of land owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Not applicable	
EN16	Total Direct and Indirect Greenhouse Gas (GHG) emissions by weight	Partial	SR – Healthy bio-physical environment Website – Carbon Footprint Report
EN17	Other relevant indirect greenhouse gas emissions by weight	Partial	SR – Healthy bio-physical environment Website – Carbon Footprint Report
EN19	Emissions of ozone-depleting substances by weight	Partial	SR – Healthy bio-physical environment Website – Carbon Footprint Report
EN20	NO, SO, and other significant air emissions by type and weight	Partial	SR – Healthy bio-physical environment Website – Carbon Footprint Report

Alignment with the global reporting initiative (GRI) continued

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*
EN21	Total water discharge by quality and destination	Not reported	
EN22	Total weight of waste by type and disposal method	Partial	SR – Healthy bio-physical environment
EN23	Total number and volume of significant spills	Not reported	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Partial	SR – Healthy bio-physical environment
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Not applicable	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Full	No significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations
Additional environment indicators			
EN5	Energy saved due to conservation and efficiency improvements	Partial	SR – Resource consumption and efficiency
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Not required	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Not required	
EN9	Water sources significantly affected by withdrawal of water	Not required	
EN10	Percentage and total volume of water recycled and re-used	Not required	
EN13	Habitats protected or restored	Not required	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Not required	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not required	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Partial	SR – Resource consumption and efficiency
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Not required	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and run-off	Not required	

Alignment with the global reporting initiative (GRI) continued

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Not required	
EN30	Total environmental protection expenditures and investments by type	Not required	
Core labour practices and decent work indicators			
LA1	Total workforce by employment type, employment contract, and region	Partial	SR – Motivated employees
LA2	Total number and rate of employee turnover by age group, gender, and region	Partial	SR – Motivated employees
LA4	Percentage of employees covered by collective bargaining agreements	Not reported	
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Not reported	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Not reported	
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Partial	SR – Employee health and safety
LA10	Average hours of training per year per employee by employee category	Partial	SR – Skills development and career progression
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Partial	SR – Diversifying ownership, management and control SR – Our sustainability governance structures SR – Workplace transformation and diversity IAR – Corporate Governance Report
LA14	Ratio of basic salary of men to women by employee category	Not reported	
Additional labour practices and decent work indicators			
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Not required	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Not required	

Alignment with the global reporting initiative (GRI) continued

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*
LA9	Health and safety topics covered in formal agreements with trade unions	Not required	
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Full	SR – Skills development and career progression
LA12	Percentage of employees receiving regular performance and career development reviews	Not required	
Core human rights indicators			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Not reported	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Not reported	
HR4	Total number of incidents of discrimination and actions taken	Full	SR – Workplace transformation and diversity
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Not reported	
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Full	No operations have been identified for this risk
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	Full	No operations have been identified for this risk
Additional human rights indicators			
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Not required	
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Not required	
HR9	Total number of incidents or violations involving rights of indigenous people and actions taken	Not required	

Alignment with the global reporting initiative (GRI) continued

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*
Core society indicators			
SO1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities	Full	SR – Prosperous society and community SR – Responsible investment
SO2	Percentage and total number of business units analysed for risks related to corruption	Not reported	
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Not reported	
SO4	Actions taken in response to incidents of corruption	Not reported	
SO5	Public policy positions and participation in public policy development and lobbying	Full	SR – Anti-corruption
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Full	No significant fines or non-monetary sanctions for non-compliance with laws and regulations
Additional society indicators			
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Not required	
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	Not required	
Core product responsibility indicators			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Not applicable	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Not reported	
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Not reported	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Full	No significant fines or non-monetary sanctions for non-compliance with laws and regulations

Alignment with the global reporting initiative (GRI) continued

GRI indicator	Description of indicator	Extent of coverage for GRI Level B	Reference/Section*
Additional product responsibility indicators			
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Not applicable	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Not required	
PR5	Practices related to client satisfaction, including results of surveys measuring client satisfaction	Full	SR – Client service levels SR – Dealing with client complaints
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Not required	
PR8	Total number of substantiated complaints regarding breaches of client privacy and losses of client data	Not required	

Key

Full	This indicator was fully addressed by Sanlam in this 2010 Sustainability Report and supporting documents, or in Sanlam's Integrated Annual Report 2010 or on Sanlam's corporate website
Partial	This indicator was partially addressed by Sanlam in this 2010 Sustainability Report and supporting documents, or in Sanlam's Integrated Annual Report 2010 or on Sanlam's corporate website
Not reported	This indicator was not covered by Sanlam in its reporting for 2010
Not applicable	This indicator was not relevant in the context of Sanlam's operations
Not required	This indicator was not required for conformance to GRI Application Level B
SR	This refers readers to coverage of the relevant indicator in the named section of this 2010 Sustainability Report
IAR	This refers readers to coverage of the relevant indicator in the named section of Sanlam's Integrated Annual Report 2010

Glossary

Definition of the operational remits of Sanlam's business entities referenced in this Report	
Global Reporting Initiative (GRI)	Global Reporting Initiative is a network-based organisation that pioneered the world's most widely used sustainability reporting framework. GRI's core goals include the mainstreaming of disclosure on environmental, social and governance performance. GRI's Reporting Framework is developed through a consensus-seeking, multi-stakeholder process, and participants are drawn from global business, civil society, labour, academic and professional institutions.
G3 Guidelines	The G3 Guidelines are the cornerstone of the GRI Sustainability Reporting Framework. GRI recommends that every organisation uses the Guidelines as the basis for their sustainability report. These principles define the report's content, quality and boundary, and references standard disclosure elements required in a sustainability report.
Group Compliance Unit	This unit operates both in South Africa and internationally. The office is responsible for monitoring and advising on all regulatory and legal matters impacting the company.
Group Employment Equity Consultative Forum	This forum functions only in South Africa. It advises the Group Chief Executive on issues relating to the Employment Equity Act.
Group Environment Committee	This entity operates only in South Africa. It comprises individuals representing all business units in South Africa.
Group Ethics Committee	Sanlam's Code of Ethical Conduct applies to businesses both in South Africa and internationally, but representation on this committee is currently restricted to Sanlam RSA.
Group Forensic Services	The unit is mainly active in South Africa but also has an International interest. Its focus is on incidents affecting more than one business unit, and cases where Sanlam executives might be involved.
Group HR Unit	This unit provides strategic advice on human capital to the Group CE for the Sanlam Group. However, its main jurisdiction falls within Sanlam RSA, where it co-ordinates human capital and aligns the business with South African employment legislation.
Group Learning and Development Forum	This forum functions at both a strategic and operational level in the Sanlam Group. It co-ordinates the development and implementation of training solutions across the Group.
Group Market Development Unit	This unit operates only in South Africa. It identifies sales opportunities from strategic potential clients in South Africa.
Group Office	This office's functions are sometimes restricted to South Africa (e.g. CSI) and at other times also include international businesses (e.g. Finance and Investor Relations). The Group Office covers all support functions (e.g. Group Finance, Group Services, Group HR etc.) and a number of these functions are grouped together under Group Services.
Group Orientation Programme	This is applicable only to employees in South African wholly-owned companies. Sanlam has its own orientation.
Group Policy Unit	This unit operates only in South Africa. It analyses all policies, local and global, that may impact the operations of the South African business.
Group Policy on Employment Equity	This policy is only applicable to and binding on the South African business and all its employees.
Group Procurement Policy	This policy is currently applicable to South Africa. It has been developed by the Procurement Unit in order to drive the behaviour necessary to achieve the goals of the Sourcing Unit.
Group Services Division	This division operates only in South Africa. However, some of the functions within it provide consulting services to the businesses outside South Africa. Group Services is responsible for the following functions: Group Marketing, Group Corporate Affairs, Group Policy, Group Compliance Office, Company Secretariat, Shared Services.

Glossary continued

Definition of the operational remits of Sanlam's business entities referenced in this Report <i>(continued)</i>	
Group Sourcing Unit	This unit provides a sourcing function for all Sanlam Group businesses. It advises businesses on their purchasing needs and also implements strategies for the company to reduce its procurement costs by aligning supplier needs.
Group Sustainability Forum	This forum has been reconstituted and is now called the Group Environment Committee.
Group Sustainability Unit	The focus of this unit is restricted to South Africa, but a focus on sustainability extends throughout the Group. It co-ordinates the strategy and implementation of all sustainability initiatives within the company and is also responsible for reporting on all sustainability matters.
Sanlam Life	A wholly-owned Life Assurance subsidiary of the Sanlam Group, consisting of Sanlam Personal Finance (SPF) and Sanlam Developing Markets (SDM), among others.

Acronyms			
AGM	Annual General Meeting	IFA	Independent Financial Advisors
AIDS	Acquired Immune Deficiency Syndrome	IMN	Information Management Network
ALSI	Africa All Share Index	INSETA	Insurance Sector Education Training Authority
ASISA	Association for Savings and Investment in South Africa	IT	Information Technology
BACWG	Business Anti-Corruption Working Group (BUSA)	JD Group	Joshua Doore Group (Mass retailer and financier in South Africa)
BBBEE	Broad-based Black Economic Empowerment	JSE SRI	JSE Limited Socially Responsible Investment Index
BEE	Black Economic Empowerment	KPMG	A global company providing Audit, Tax and Advisory services
BMI	Body Mass Index	kWh	Kilowatt hours
BUSA	Business Unity South Africa	LSM	Living standards measure
CAB	Category Advisory Board	NACF	National Anti-Corruption Forum
CCC	Client Contact Centre	NBI	National Business Initiative
CCMA	Commission for Conciliation, Mediation and Arbitration	NCR	National Credit Regulator
CDP	Carbon Disclosure Project	NEDLAC	National Economic Development and Labour Council
CE	Chief Executive	NGO	Non-governmental Organisation
CEO	Chief Executive Officer	NPAT	Net profit after tax
CoGP	Code of Good Practice	NT	National Treasury
COP	Communication on Progress (Global Compact)	OLTI	Ombudsman for Long-Term Insurance
CRC	Complaints Resolution Committee	PBO	Public Benefit Organisation
CRISA	Code for Responsible Investing	PFA	Pension Funds Adjudicator
CSI	Corporate Social Investment	PHI	Policyholders' Interest committee

Glossary continued

Acronyms <i>(continued)</i>			
dti	Department of Trade and Industry	RSA	Republic of South Africa
DVD	Digital versatile disc	SAQA	South African Qualifications Authority
EAP	Employee Assistance Programme	SARB	South African Reserve Bank
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation	SCM	Sanlam Capital Management
EE	Employment Equity	SDM	Sanlam Developing Markets
ESG	Environmental, social, governance	SEB	Sanlam Employee Benefits
Exco	Executive Committee	SED	Socio-economic development
FAIS	Financial Advisory and Intermediary Association	SIIP	Sanlam International Investment Partners
FCCP	Financial Crime Combating Policy	SIM	Sanlam Investment Management
FIA	Financial Intermediaries Association	SME	Small to medium enterprises
FIC	Financial Intelligence Centre	SOI	Statement of Intent
FICA	Financial Intelligence Centre Act	SPE	Sanlam Private Equity
FS Code	Financial Sector Code	SPF	Sanlam Personal Finance
FSB	Financial Services Board	SPI	Sanlam Private Investments
FSC	Financial Sector Charter	SRI	Socially Responsible Investment
GBCSA	Green Building Council of South Africa	TCF	Treating Customers Fairly legislation (proposed)
GEECF	Group Employment Equity Consultative Forum	UB	Ubuntu-Botho (empowerment partner)
GHG	Greenhouse Gas	UK	United Kingdom
GLP	Graduate Leadership Programme	UN PRI	United Nations Principles for Responsible Investment
GRI	Global Reporting Initiative	UNGC	United Nations Global Compact
HIV	Human Immunodeficiency Virus	USA	United States of America
HR	Human Resources	VoC	Voice of the Customer
IACC	International Anti-Corruption Conference	WWF	World Wide Fund for Nature
IAS	Investment Analysts Society of Southern Africa	WBI	World Bank Institute