

# SUSTAINABILITY REPORT 2015



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Material issues not included in this report, but contained in the Sanlam Group Annual Report, as well as at [www.sanlam.com/investorrelations](http://www.sanlam.com/investorrelations):

- MI – Executive leadership selection and training (Sanlam Group Annual Report and Sustainability Report)
- MI – Risk management (Sanlam Group Annual Report)
- MI – Executive remuneration, incentives and benefits (Sanlam Group Annual Report)

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# About this report

This report represents an overview of Sanlam's sustainability performance for the 2015 calendar year. It addresses a range of stakeholders, including regulators, providers of financial capital, clients, employees, agents and brokers, and the broader society in which we do business. It should be read in conjunction with the 2015 Sanlam Group Annual Report, as well as with relevant information at [www.sanlam.com](http://www.sanlam.com).

## What we do

Sanlam is a leading financial services group based in South Africa, with a growing footprint in developed and developing markets.

Since 1918 Sanlam has added South Africa to take care of their financial needs and currently provide a broad range of financial solutions and products to retail (individual) and institutional clients:

- ① Insurance
- ① Financial planning
- ① Investments
- ① Wealth
- ① Retirement.

Turn to page 9 for more on our operational structure and business strategy.

## Scope and boundary

Business entity	Extent of activities included in reporting
Sanlam Group Office/ Sanlam Personal Finance (SPF)/ Sanlam Investments (SI)	Included Includes only our South African-based operations that represent the bulk of our business activities.
Sanlam Emerging Markets (SEM) cluster	Partially included Our emerging market footprint is growing and we are working to improve our SEM sustainability disclosures.
Santam	Excluded Santam is listed separately on the Johannesburg Stock Exchange (JSE) and therefore reports on its performance separately.

## Sanlam's annual reports and reporting standards

Annually we produce two reports, prepared in accordance with the frameworks shown below. Downloadable and interactive versions of these reports are published on [www.sanlam.com](http://www.sanlam.com).

Sanlam's 2015 Group Annual Report <a href="http://www.sanlam.com/investorrelations">www.sanlam.com/investorrelations</a>	
Contains	Reporting standards applied
Sanlam Integrated Report	① IIRC <IR> Framework ① King III* ① JSE Listings Requirements**
Shareholders' information report	① King III
Corporate governance report	① King III ① Companies Act*** ① JSE Listings Requirements
Remuneration report	① King III ① Companies Act*** ① JSE Listings Requirements
Annual financial statements	① IFRS ① Companies Act***

Sanlam's 2015 Sustainability Report <a href="http://www.sanlam.com/investorrelations">www.sanlam.com/investorrelations</a>	
Contains	Reporting standards applied
Sanlam's sustainability performance	① IIRC <IR> Framework ① Financial Sector Code (FSC) ① JSE's SRI Index Requirements ① Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines

\* King III – King Report on Corporate Governance for South Africa, 2009.

\*\* JSE – Johannesburg Stock Exchange Limited Listings Requirements.

\*\*\* Companies Act – the Companies Act 71 of 2008 (as amended), in South Africa.

## Assurance

### Internal assurance

The Sanlam Board has reviewed the content of this report and is confident that the information presented here is a true reflection of Sanlam's performance.

### Independent assurance

EY Inc has been engaged to provide independent assurance on the following aspects of our annual reporting:

- ① Audit opinion on the shareholders' information
- ① Audit opinion on the annual financial statements
- ① Limited independent assurance on specific elements of the performance information in the Sustainability Report
- ① The audit opinion can be found on page 150 and 250 of the Annual Report and the limited independent assurance conclusion can be found on page 111 of this report.

Information relating to our Financial Sector Code (FSC) scorecard was assured by AQRate.

## Feedback

Contact us with your queries or comments at [sustainabilitymanagement@sanlam.co.za](mailto:sustainabilitymanagement@sanlam.co.za) or +27 21 947 2548.

## ① Navigational icons

### Group strategy pillars

- ① Earnings growth
- ① Operational efficiencies
- ① Optimal capital usage
- ① Diversification
- ① Transformation

### Strategic enablers

- ① Sound governance
- ① People development
- ① Responsible products and services
- ① Prosperous society
- ① Environmental impact

### Supplementary information

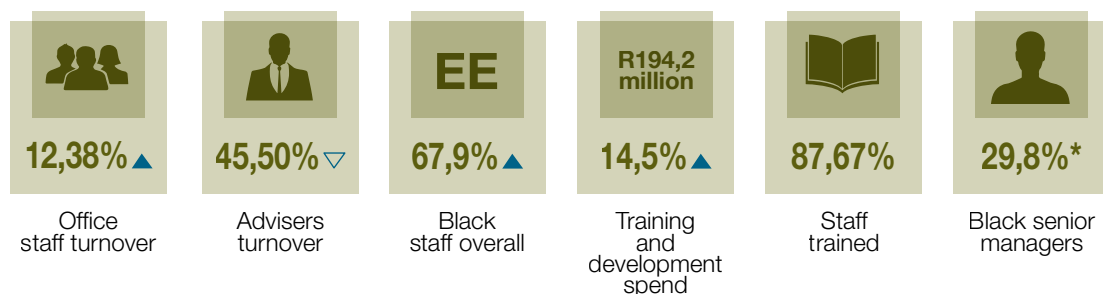
- ① Investment management
- ① Life insurance
- ① General insurance
- ① Administration, health and other
- ① Credit and structuring
- ① Sanlam Group
- ① Page reference
- ① [www.sanlam.com/investorrelations](http://www.sanlam.com/investorrelations)
- ① Case study
- ① Material issues
- ① Limited assurance

## 2015 performance at a glance

### 1 Sound governance

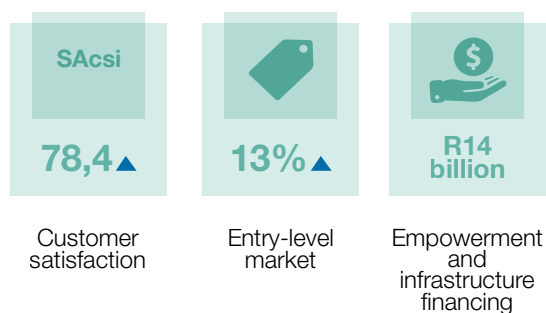


### 2 People development

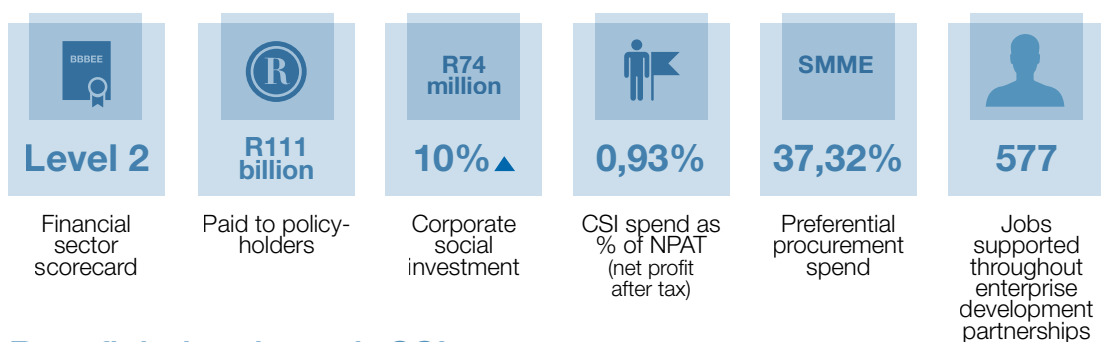


\* Includes African, coloured and Indian total at senior management level.

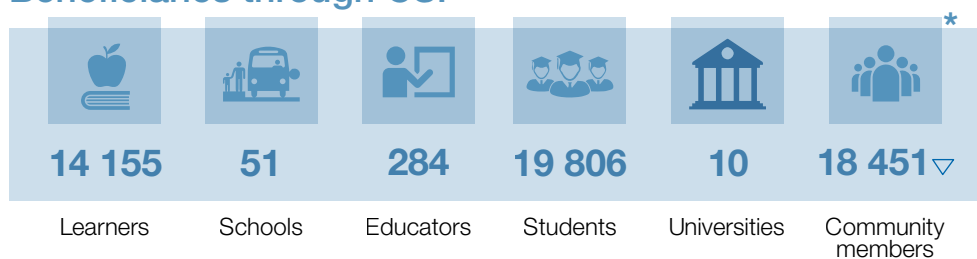
### 3 Responsible products and services



## 4 Prosperous society

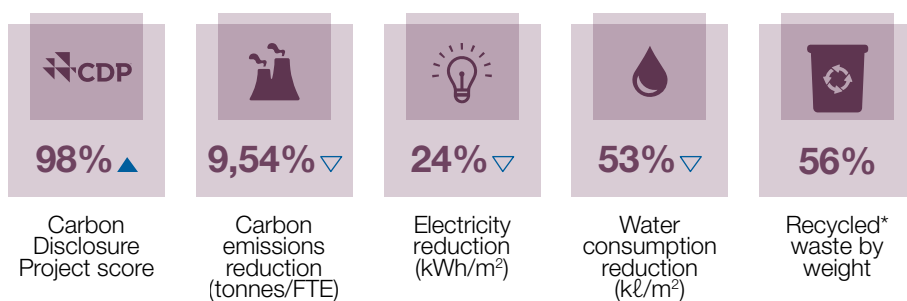


### Beneficiaries through CSI



\* Numbers include direct and indirect beneficiaries.

## 5 Environment



\* Head Office only.

### Key

▲	Increase
▼	Decrease



## Message from the Chairman of the Social, Ethics and Sustainability committee



**Valli Moosa**

*Chairman of the Social, Ethics and Sustainability committee*

Sanlam is deeply committed to the principles of sustainable business. This is embodied in our Wealthsmiths™ philosophy and our vision to be the leader in client-centric wealth creation, management and protection. It is also manifested in our products, our approach to responsible investment, and our internal response to operational sustainability.

We are currently facing challenging market and socio-economic conditions. Economic growth has stalled and business confidence is low. There are social pressures in the form of inequality, unemployment and poverty, and mass calls for change, from unions to students. There is growing concern throughout society about the prevalence of inequality.

At the 2015 year-end in particular, we were encouraged by our interaction with government around our shared responsibility for the South African economy. The fruitful engagements we had about turning around a slipping economy and exchange rate were well received and resulted in positive action on the side of government.

In these circumstances, the financial wellbeing of individuals is a growing concern. Our research shows that too few South Africans retire with sufficient funds to maintain their lifestyle and the gap between the insurance need and premium cover is growing unsustainably. The challenge is partly in affordability and partly the lack of financial education.

Government's response has been to lead the reform of the retirement fund industry. Sanlam is particularly encouraged by and supportive of legislative amendments which better enable South Africans to save for their retirement. We are also encouraged by the fact that clients have a choice between active



investments and passive investments with low-cost structures, a model that Sanlam has anticipated as a key component of our Treating Customers Fairly (TCF) strategy. We are also applying TCF principles to ensure our clients have a better understanding of financial planning, are offered appropriate wealth creation or preservation products, and make informed decisions that suit their needs.

Part of this focus has been to support South Africans in the way they prepare for a comfortable retirement through their ongoing savings in pension and provident funds. The clarion call has been to address financial insecurity and build trust between custodians of retirement funds.

Treating customers fairly is not only morally correct, but critical to ensuring low lapse rates and thus supporting consistent and sustained earnings growth. This is in line with the business strategy we have adopted over the past 10 years and which is set to continue with the new Group Chief Executive, Ian Kirk, at the helm. This strategy to build long-term shared value has not only served the business well in maintaining sound financial performance, but through the pillars of diversification and transformation, it ensures we take cognisance of new market trends and adapt to changes in our business environment.

Sanlam's business strategy is reinforced by our oversight and management of non-financial issues material to the long-term prosperity of the business. Strategy and sustainability of the business are therefore integral to one another.

Sustainability is overseen by the Social, Ethics and Sustainability (SES) committee. The committee consists of both executive and non-executive directors, and is responsible for overseeing the sustainability performance of the business. Feedback to the committee is structured in line with the Sustainability Management Framework. This framework has been informed by a process of identifying issues material to the business. The committee reviews the Group's performance in response to these material issues, debates targets and reports back to the business as to where the focus of effort should be directed.

Crucial to Sanlam's continued prosperity is our engagement with stakeholders and their concerns. Issues raised through this engagement are presented from across the Group to the SES committee for consideration.

I have been pleased by how the business is increasingly integrating sustainability into its operational thinking. At a governance level, we are making good progress to ensuring standards and processes applied in our South African businesses are built into our emerging market businesses.

### A challenging economic environment

Growth in the South African economy has continued to slow and this is putting substantial pressure on the disposable income of our clients. Our economy is experiencing a number of challenges:

- ② A significant drop in the gross domestic product (GDP) rate – from an average of 5% in 2012 to the current 1,3% (Statistics South Africa, 2014)
- ② Worsening household debt ratio to disposable income (now at 74,5%)
- ② Interest on debt edging higher to 7,9% of income (South African Reserve Bank, 2014) making it more difficult for households to repay their debt
- ② Economic pressure from the deteriorating rand exchange rate and rising costs may increase the risk of higher lapse rates and reduce the affordability for financial services.

In the area of transformation, we are now at level 2 in terms of the FSC scorecard. And in the environmental sphere, where we are at the end of our five-year target cycle, we have met or exceeded targets in all areas aside from waste management. New environmental efficiency targets are now being developed for the next five-year period. Sanlam has made a significant contribution to socio-economic and enterprise development. These activities are aligned to our business, with specific attention paid to boosting financial literacy and to supporting businesses that will in turn add value within our supply chain.

It may be a cliché that sustainability is a journey, but the statement is very true for Sanlam. Sanlam is a diverse business and it is at times complex to record progress consistently on material issues across divisions that are fundamentally different. For example, while the TCF framework is now being universally applied and good progress made, high-level reporting of progress across the business requires additional consideration.

Sanlam has a long-standing relationship with the World Wide Fund for Nature (WWF) which has worked with us as a partner to advance our thinking and our response to environmental challenges. As a financial services business, our direct impacts may not be fundamentally material. However, as a company with controlling interests in leading general insurer Santam, and significant investments in JSE-listed enterprises, our indirect influence on the environment remains relevant.

## Message from the Chairman of the Social, Ethics and Sustainability committee *continued*

“Sanlam business strategy is reinforced by oversight and management of non-financial issues material to the long-term prosperity of the business. Strategy and sustainability of the business are therefore integral to one another.”

By refining our approach to underwriting, initiating interventions within municipalities where risk to life and property resulting from floods and droughts is high, and allocating capital in our investment businesses, we exert our influence for the benefit of society. Given our responsibility as providers of capital, we are continuously striving towards improving our operational efficiencies and thus our direct environmental impact.

By striving for continued improvement, we will anticipate challenges and gain from opportunities to lead the development of the financial services industry, for the benefit of our stakeholders as well as society.

**Valli Moosa**

*Chairman of the Social, Ethics and Sustainability committee*

## Statement from the Board of directors of the Sanlam Group

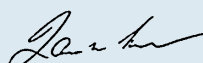
The Board acknowledges its responsibility to ensure the integrity of Sanlam's annual reporting, including this Sustainability Report.

The Board is confident that this report provides a fair and balanced account of the Group's performance across all dimensions and believes it has a material bearing on its capacity to create value over the short, medium and long term. The report has been prepared in line with internationally recognised best practice. The Board is satisfied the Companies Act and King III principles are well entrenched in the Group's internal controls, policies and procedures governing corporate conduct within all the major operations and at a Group level. Details of the Group's application of each King III principle are available on its website ([www.sanlam.com/investorrelations](http://www.sanlam.com/investorrelations)).

This report was approved by the Sanlam Board of directors on 9 March 2016 and signed on its behalf by:



**Desmond Smith**  
*Chairman of the Board*



**Ian Kirk**  
*Group Chief Executive*



**Valli Moosa**  
*Chairman of the Social, Ethics and Sustainability committee*

# About the Sanlam Group

## ④ Operational structure

The Group Office of the Sanlam Group is responsible for a set of centralised functions, as shown below.

Our financial products and services are provided through four operating business clusters, each containing a set of entrepreneurial business units. Each cluster has its own board of directors with delegated authority levels governing the execution of the principles and standards set by the Sanlam Board.



We are a leading financial services group, originally established as a life insurance company in 1918. We demutualised and listed on the JSE Limited and Namibian Stock Exchange in 1998. Our head office is in Bellville, Cape Town in South Africa.

Net result from financial services R7 269 million ▲  
(2014: R6 879 million).

### Sanlam Group Office

..... Responsible for Group strategy, capital management and capital allocation to clusters. The following Group functions provide Group-wide support and coordination: Finance || Actuarial and Risk Management || Information Technology || Human Resources || Market Development || Brand Services.

Net result from financial services -R109 million ▼ (2014: -R107 million).

### Sanlam Personal Finance

Contribution to Group net result  
from financial services

**53%**

Responsible for Sanlam's retail business in South Africa. It provides clients across all market segments (entry-level, middle-income and affluent) with a comprehensive range of appropriate and competitive financial solutions. Designed to facilitate long-term wealth creation, protection and niche financing, these solutions are engineered around client needs.

Net result from financial  
services R3 831 million ▲  
(2014: R3 476 million).

### Sanlam Emerging Markets

Contribution to Group net result  
from financial services

**16%**

Responsible for Sanlam's financial services offering in emerging markets outside South Africa with the aim of ensuring sustainable delivery and growth across the various businesses that make up this cluster.

Net result from financial  
services R1 197 million ▼  
(2014: R1 241 million).

### Sanlam Investments

Contribution to Group net result  
from financial services

**19%**

Provides retail and institutional clients in South Africa, the UK and elsewhere in the developed world (Europe, USA, Australia) access to a comprehensive range of specialised investment management and risk management expertise.

Net result from financial  
services R1 417 million ▼  
(2014: R1 468 million).

### Santam

Contribution to Group net result  
from financial services

**13%**

Specialises in general insurance products for a diversified market in South Africa. These include personal, commercial, agricultural and specialised insurance products. Santam's international diversification strategy focuses on reinsurance business, specialised insurance products and its role as technical partner and co-investor in Sanlam Emerging Markets' expansion into Africa, India and South-East Asia.

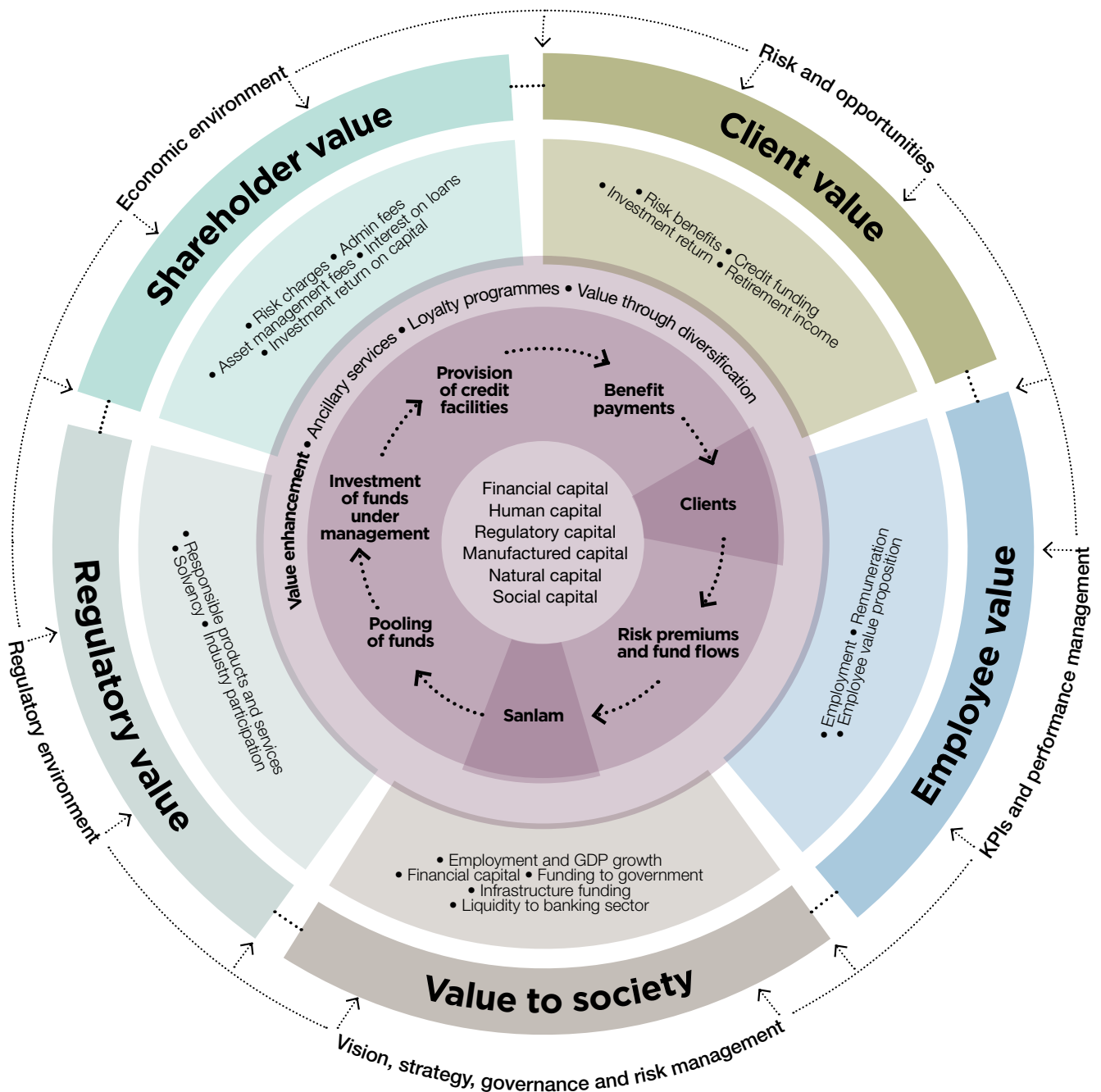
Net result from financial  
services R933 million ▲  
(2014: R801 million).

A fifth cluster will be established in 2016 to support and enhance our service to corporate clients.

## About the Sanlam Group continued

### Our business model

We provide financial solutions to retail and institutional clients across a number of market segments and geographies. In line with our philosophy of client-centricity and treating customers fairly, we provide appropriate advice and products to our clients, at a fair price, tailored to their specific needs and circumstances. This we achieve through the application of a number of resources, the most important of which are our people (financial, actuarial, risk management and other skills) and the financial capital that we hold as a safeguard against the risk of potential life events.



## ④ Wealthsmiths™ – our business philosophy

### Our vision

Sanlam's vision is to be the leader in wealth creation and protection in South Africa, leading that process in emerging markets and playing a niche role in developed markets.

### The Sanlam Way

It is our resolve and diligent approach to creating and protecting wealth that sets us apart. We call it The Sanlam Way:

#### **We are determined and resolute**

Our South African heritage is rooted in creating value for individuals, communities and for our nation. For over 97 years we have been doing business with a roll-up-your-sleeves readiness and determination.

#### **We are solid and sensible**

We take pride in our stability, our stature and our reputation as 'safe hands' to be in. We deliberately choose function over fancy, and believe that doing the sensible thing is the right thing.

#### **We do it very, very well**

Above and beyond expertise, insight or intelligence, we steward and manage our clients' wealth, knowing what it took to earn it. We are dedicated to doing what we do exceptionally well. Our approach is methodical and thorough. This means that we don't buy into short-cuts.

#### **We do it for good**

We have a sincere desire to make a real and positive difference – and create lasting value. We see it as both an opportunity and our responsibility to build a world worth living in. This is what inspires us. What drives us is that we do it for good.

# About the Sanlam Group continued

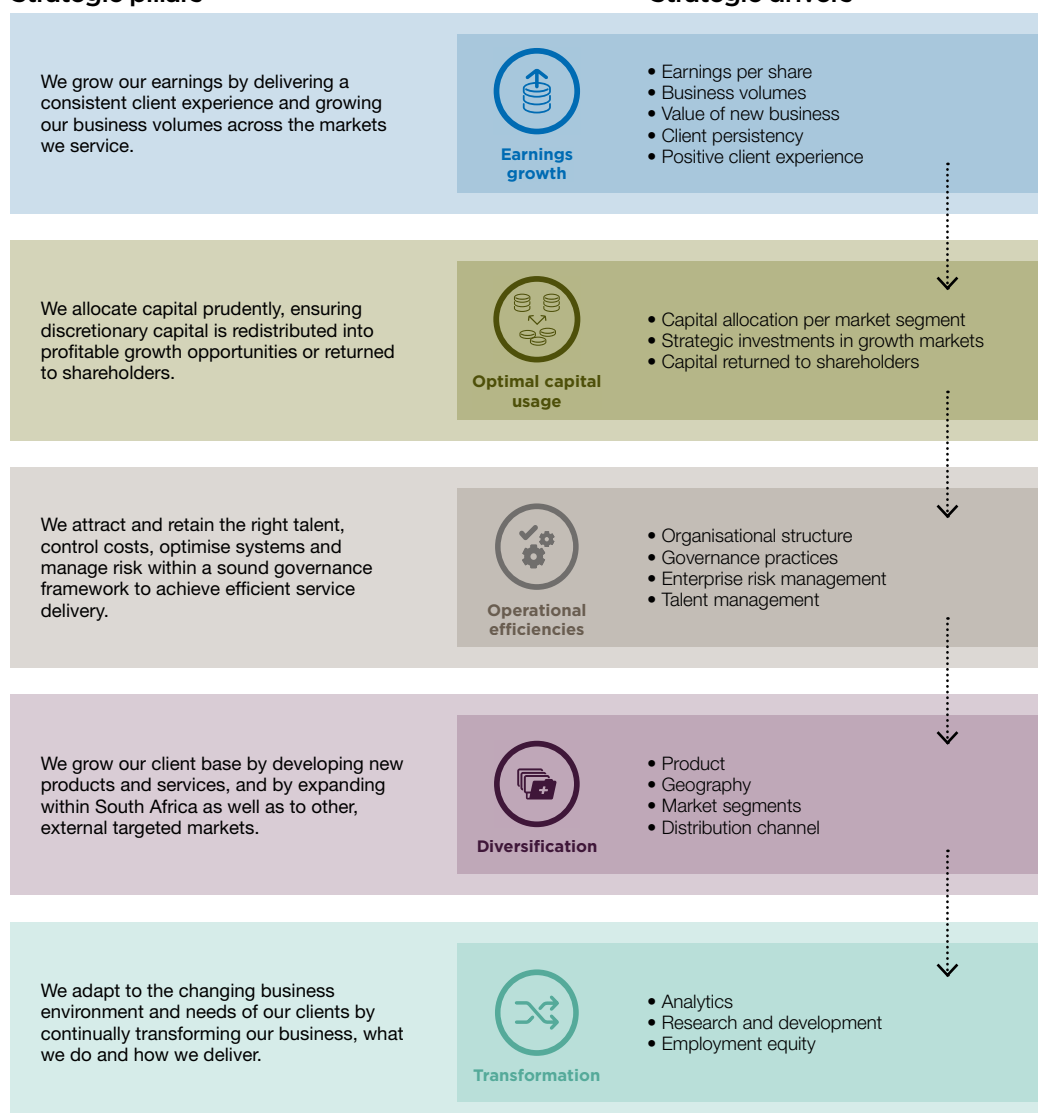
## ④ Our business strategy

From the drivers of sustainability to Return on Group Equity Value.

Sanlam's business strategy has been in place for over 10 years – a period in which the Group has transformed itself from a mainly life insurance business to a diversified financial services group with a global footprint. The strategy continues to serve Sanlam as we accelerate our organic growth and expand into new markets and will be driven by the Group's leadership. The diagram below shows the key pillars of the business strategy and how these link to strategic drivers.

### Strategic pillars

### Strategic drivers



**Return on Group Equity Value (RoGEV)**

Sanlam's business strategy is aimed at achieving adequate Return on Group Equity Value. This is dependent on building relationships and resources that support the long-term sustainability of the business. Our Sustainability Management Framework (SMF) described on page 25 outlines the five sustainability themes and the related material issues that we manage. The SMF provides the foundation on which the business strategy can be affected.

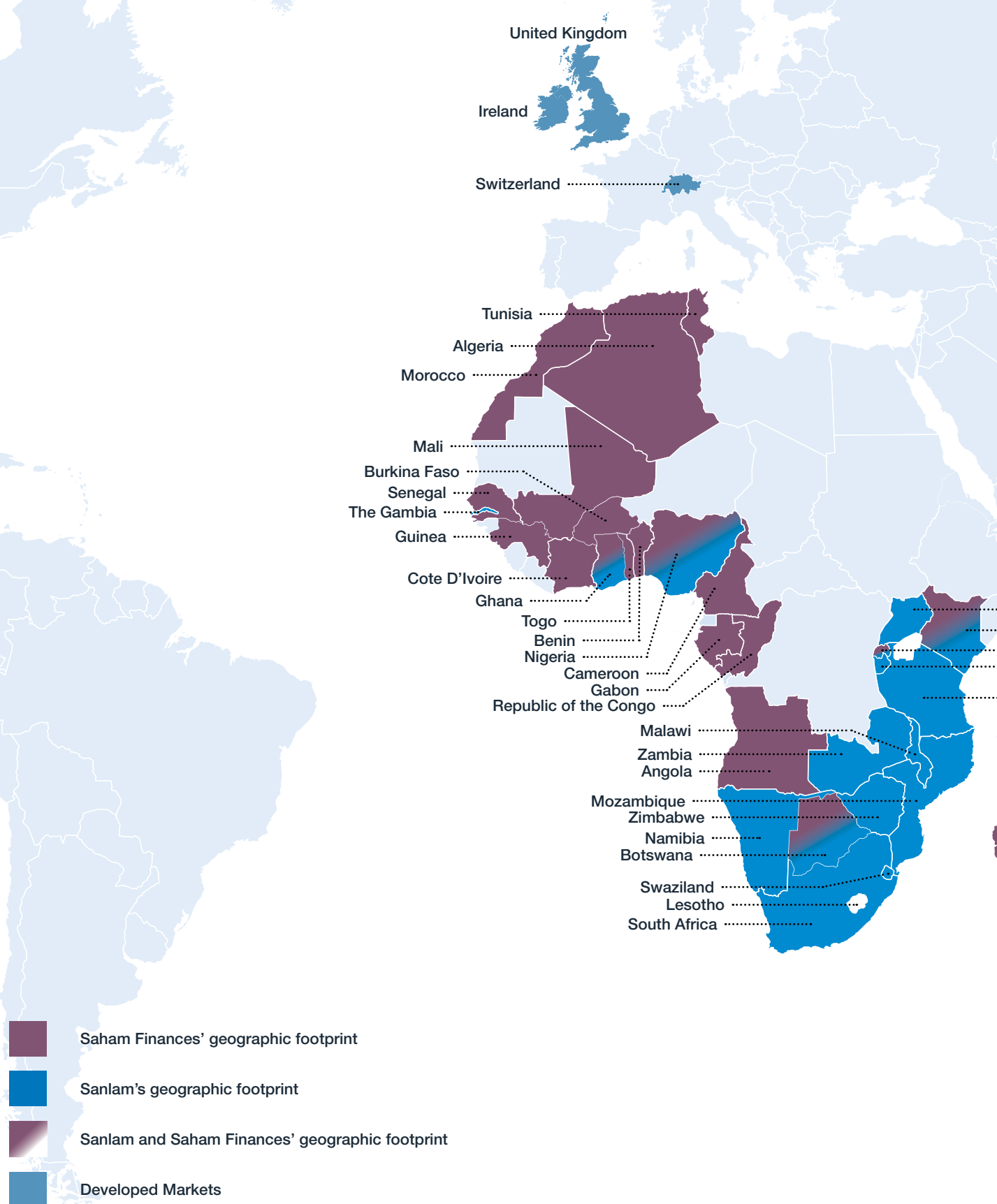
### Sustainability Management Framework (SMF) strategic enablers

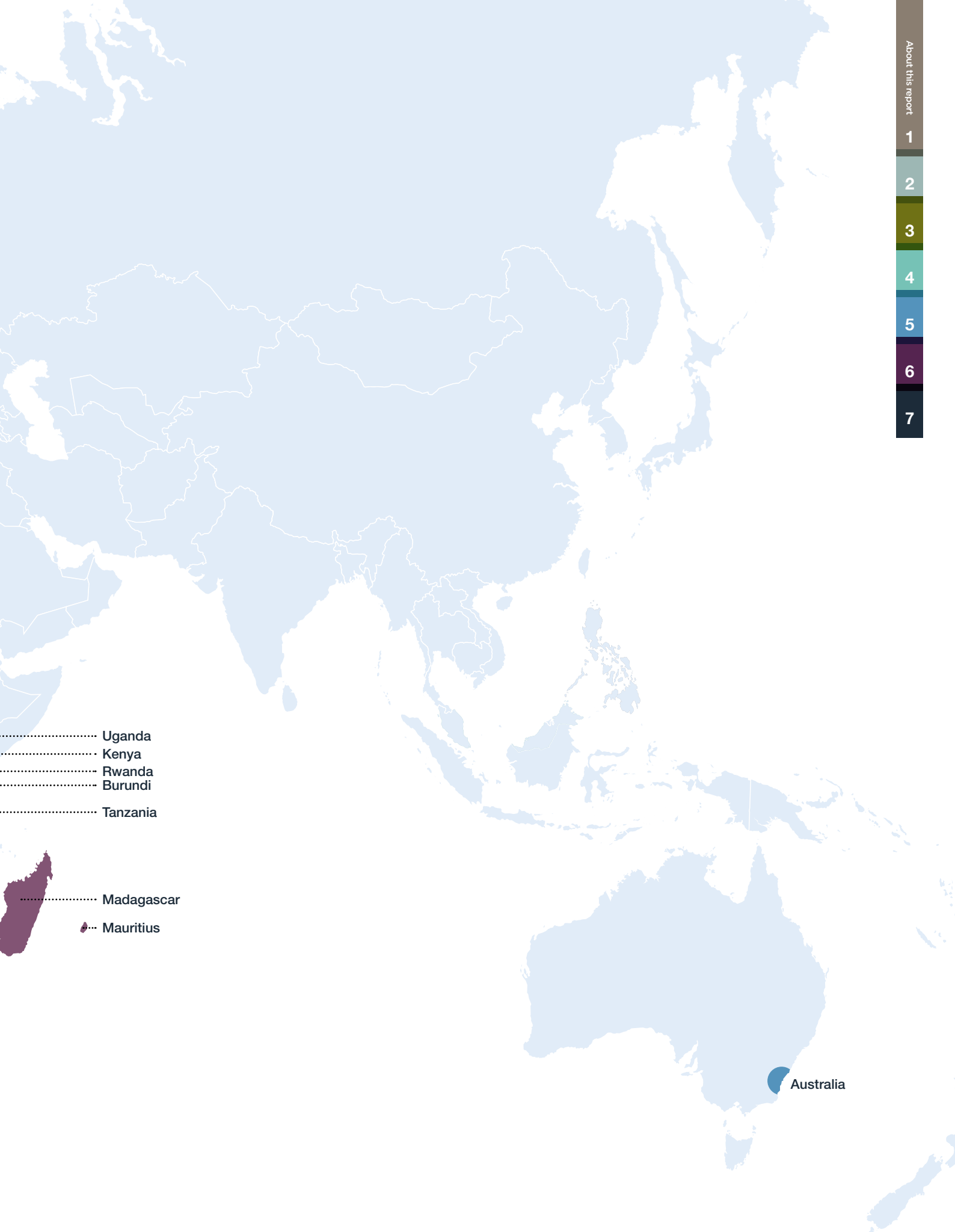
To ensure sustainable value creation over the long term, we manage the following:





## Area of operations





Uganda

Kenya

Rwanda

Burundi

Tanzania

Madagascar

Mauritius

Australia







## Sound governance

We are committed to doing things right and doing the right thing. We follow a timeless approach rooted in doing good business, treating people fairly and working together to deliver on our promise. As a team, we hold each other accountable and foster a culture of ethical behaviour. As Wealthsmiths™ we believe that anything worthwhile is worth doing in a manner that makes us proud. In this way we are able to transform people's lives while safeguarding the values that we stand for.



# Why sound governance is important

We focus on the following material issues

	Material issues	Page
Business strategy	 Stakeholder engagement	 Page 23 to 26.
Earnings growth	 Business ethics	 Page 26 to 30.
Operational efficiencies	 Consumer protection and data privacy	 Page 30 and 31.
Optimal capital utilisation	 Executive leadership selection and training	 Page 215 to 243.  See Annual Report.
Diversification	 Executive remuneration, incentives and benefits	 Page 114 to 147.  See Annual Report.
Transformation	 Risk management	 Page 251 to 297.  See Annual Report.

## ④ Governance of sustainability

**Sanlam's Board takes ultimate accountability for the long-term sustainability of the business. Sustainability is central to the way we do business and forms an integral part of regular business reporting. Our Social, Ethics and Sustainability (SES) committee guides sustainability within the various business units, and monitors the progress of Sanlam's sustainability journey through the sustainability reporting process.**

### Commentary on performance

Stakeholder concerns mapped and prioritised by the SES committee and driven by Sanlam's Sustainability Management Framework (SMF).

No material breaches of business ethics. Focus in 2016 on applying Sanlam's ethical culture in the work context. Building ethics with regional partners ongoing.

Sanlam is well prepared for implementation of the Protection of Personal Information (POPI) Act. Party due diligence (PDD) legislation as yet uncertain.

Leadership programmes are driven at both Group and cluster levels to ensure that current and future leaders demonstrate the capabilities to drive accelerated strategy execution in a relevant and distinctive way. In 2015, 34 executives completed the executive leadership programme.

Sanlam's remuneration philosophy and policy support the Group strategy by aligning predetermined strategic goals with the organisational behaviour required to meet and exceed these goals.

The Group is proactive in understanding and managing the risks it is exposed to and ensures that capital is allocated where most value can be added for the risks assured.

## Sound governance material issues

### Key performance indicators

	2012	2013	2014	2015
Sanlam Ethical Climate Study: Effectiveness* (%)	n/a	76,03	n/a	<b>75,5%</b>
Incidence of disciplinary action**	173	110	177	<b>137</b>
Cumulative number of calls to the ethics hotline***	190	227	254	<b>275</b>

\* Sanlam Ethical Climate Study is conducted biennially, with the first one in 2003.

\*\* South African businesses; office staff only.

\*\*\* Total number since 2001.

**“As Wealthsmiths™ we are committed to building wealth for our clients over the long term. This means we are committed to building legacies to embed the right ethical climate, governance systems and practices in our business, and to transform our business to be representative of the communities around us.”**

**– Valli Moosa**

*Chairperson*

*Social, Ethics and Sustainability Committee*



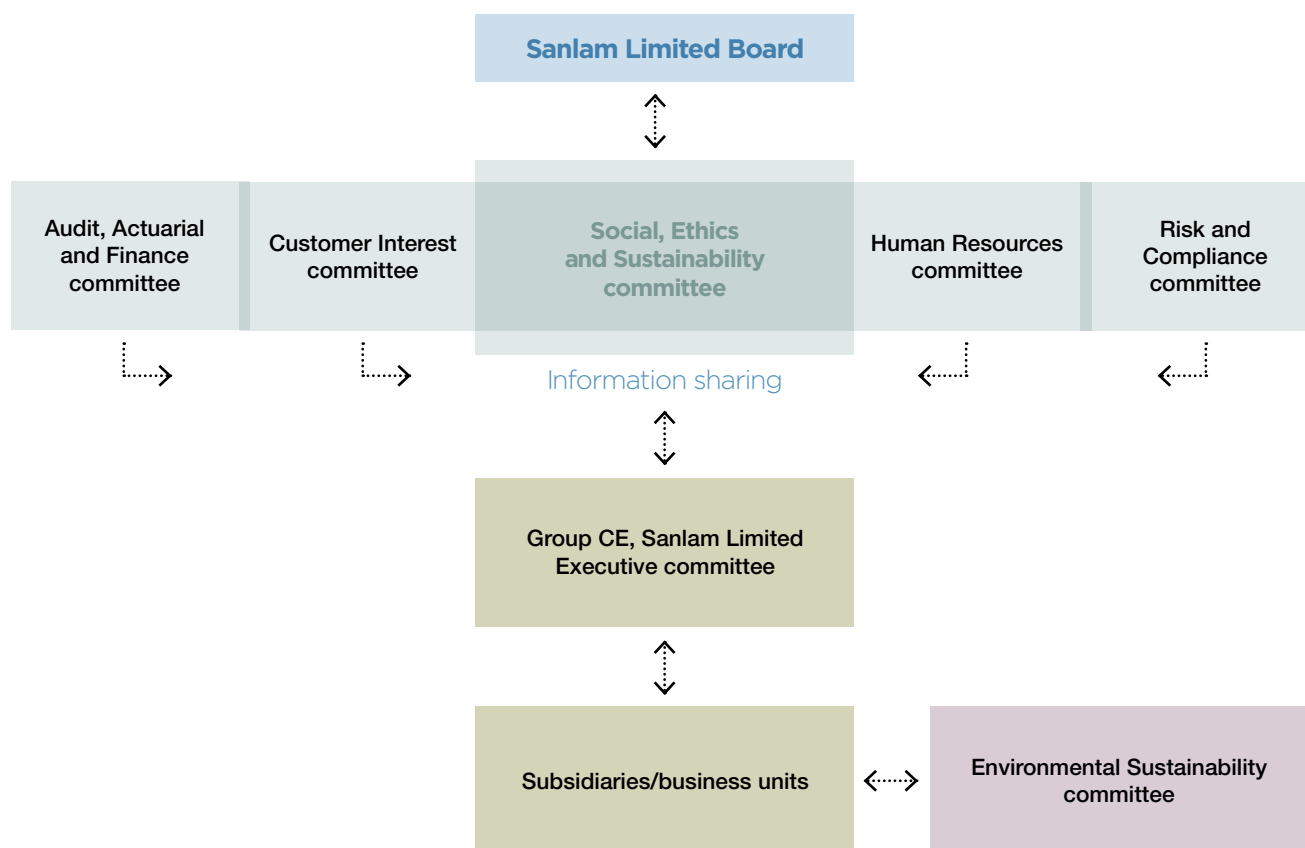
## ② Structure of sustainability management at Group and cluster levels

The Board, through its relevant committees, establishes 'tight' management principles for the entire Group and provides oversight and strategic guidance for each cluster. The Group maintains, monitors and enforces internal compliance with Sanlam's Code of Ethical Conduct and external compliance with applicable laws and industry regulations. The Group establishes and enforces its policy for combating financial crime through the Group Forensic Services unit, together with the forensic services departments of the business clusters. Grievance and disciplinary procedures are also maintained at Group level.

At cluster level, a chief executive, supported by an executive committee, is responsible for managing the cluster and executing the strategy approved by the cluster board and supported by the Sanlam Board. Compliance with the Group-wide 'tight' management principles and Sanlam's Code of Ethical Conduct is monitored by quarterly reporting to the Group on ethics and compliance.

Business units have their own boards and executive committees that structure their activities within appropriately delegated authority levels.

### Sustainability governance structure



## Sound governance material issues continued

### ➤ Summary of the Social, Ethics and Sustainability (SES) committee charter

#### Charter

The Social, Ethics and Sustainability (SES) committee is a committee of the Sanlam Board, established in terms of Section 72 and Regulation 43 of the Companies Act. The committee has an independent role with accountability to the Board and does not assume any management role. Its purpose is to assist the Board with:

- Managing sustainability
- Broadening access to financial services through product development and financial education
- Ensuring the competence of intermediaries
- Responsible investment
- Responsible procurement and enterprise development
- Social and community development
- Ethical conduct.

The SES committee accounts to the Board for the application of the Group governance policy across Sanlam Group companies. This also covers 'tight' governance aspects such as branding, people management, risk management, culture and ethics, the latter via the internal control environment, and its reporting and disclosures.

The SES committee assists the Board with its sustainability, and social and ethical responsibilities.

#### Activities

The SES committee undertakes a quarterly review of all sustainability-related material, including reports on legal, regulatory and ethics compliance, transformation, environmental management, sustainability risks, Sanlam Foundation activity and stakeholder engagement.

Three mandated criteria form the basis of our fiduciary requirement as described in the Companies Act and King III. We use these to measure the effectiveness of the SES committee and ensure its accountability. We:

- Monitor whether Sanlam complies with relevant social, ethical and legal requirements and best practice codes
- Bring to the attention of Sanlam's Board any relevant matters within the scope of its mandate
- Report to Sanlam's shareholders on matters that fall within the scope of this mandate.

#### Sanlam acquires stake in Saham

Sanlam, along with its short-term insurance subsidiary, Santam, has acquired a 30% stake in Morocco-based Saham Finances, which operates in 26 countries, predominantly across Africa and the Middle East. The transaction, valued at about R5,3 billion, is one of the Group's biggest to date and is set to expand Sanlam's footprint in attractive new markets in North and West Africa. Saham Finances, one of Africa's largest insurers, is the market leader in most of the countries in which it operates, writing mostly non-life with some life business. The continent's growing population, improved political landscape, and evolving financial markets and regulatory environment support Sanlam's vision of being a leading pan-African financial services company. The transaction was completed in the first quarter of 2016.

## MI Stakeholder engagement

### ➤ Oversight of Group-wide engagement

Each cluster is tasked with managing stakeholder engagement in accordance with their business operations. This includes understanding the needs and demands of clients, engaging with the regulatory framework impacting on each business, developing employees and suppliers, as well as responding to the concerns of broader society impacted by the business unit operations.

Following the adoption of a stakeholder communication policy in 2013, we developed a strategy to guide how we engage with stakeholders in line with King III principles. Every quarter, each business cluster is required to report back on all stakeholder engagement activities, noting concerns raised and the current status of issue management. Feedback from all the clusters is consolidated with the most important issues highlighted and reported to the SES committee. Critical concerns requiring resolution at an executive level can then be incorporated within the SES committee feedback to the Board. Examples of issues that have emerged from our stakeholder engagement process include:

- ① Sensitivities and challenges within organised labour where we manage significant assets
- ① The impact of transformation issues on institutional investment
- ① Engagement with the Association for Savings and Investment South Africa (ASISA) on the Retail Distribution Review (RDR) legislation
- ① The release of draft regulations on retirement defaults, process of engaging with stakeholders, such as National Treasury, for feedback
- ① Implementation of the Solvency Assessment and Management (SAM) framework, dependent on the enactment of the Financial Sector Regulation Bill, the Insurance Bill and subordinate legislation
- ① Informing clients about developments relating to a merger between SIM Global (SIMG) and SIM Unconstrained Capital Partners (SUCP) to form a new entity under Sanlam Investment Holdings called Denker Capital

- ① Offering active and former clients of Sanlam Private Wealth UK a full review of business affected by unclear disclosure of fees associated with the transfer of their funds to a Discretionary Fund Management (DFM) service.

At present the process of gathering and reporting on stakeholder issues is controlled centrally. In future the plan is to contain issues in a stakeholder hub where the status of engagement can be logged and retrieved. The process and protocols for treating confidential information still need to be resolved before the change will be effected.

### ➤ Stakeholder engagement road shows

The Sanlam leadership holds annual forums in each of the nine provinces where Group strategy, economic transformation and financial results are discussed with clients, shareholders and key societal stakeholders in each geographic region. These events are often co-hosted with the local university to reach a wider and more engaging audience.

### ➤ Industry advocacy and representation through industry bodies

To ensure that we play a constructive role in the development of national policy and regulation, we engage actively with government, primarily as a collective through industry associations such as ASISA, the South African Insurance Association (SAIA), Business Unity South Africa (BUSA), Business Leadership South Africa (BLSA), the Black Management Forum (BMF), the National Economic Development and Labour Council (Nedlac), the National Business Initiative (NBI) and various business chambers. We have been particularly active in the work of ASISA, with the outgoing Sanlam Group Chief Executive being an ASISA board member and other executives and senior managers represented on all the ASISA standing committees and working groups.

Our industry representation also serves to connect us to the views of key stakeholder groups and provides a valuable two-way communication opportunity to share experiences and to influence views, behaviours and actions.

## Sound governance material issues continued

### ② Management oversight of material issues

Sanlam's commitment to its sustainability journey and culture is encapsulated in the Wealthsmiths™ brand and The Sanlam Way. Our Sustainability Management Framework (SMF) provides the structure for identification, management and reporting on issues that collectively support our value system.

The SMF is the outcome of a process designed to prioritise the most material issues that require a strategic response from the Group in order to build sustainable value. This initially served as a reporting framework, but in 2014 it was repositioned as an internal management tool.

In developing the SMF, we took into account:

- ② Key reporting standards, including the JSE SRI, the Dow Jones SRI, the GRI G4, the FSC scorecard, the UNGC, the CRISA (UNPRI) and the IIRC <IR>
- ② Industry practice, based on a benchmark of local and international peers
- ② Existing and pending regulatory requirements
- ② Our business strategy and strategic drivers
- ② The business risk matrix
- ② The outcome of an internal engagement process
- ② Our brand promise to our clients and other stakeholders.



Official opening of the new Alice Lane building on 1 September 2015 by Honourable David Makhura, Premier of Gauteng, and Ian Kirk, CEO of the Sanlam Group.

## Sanlam's Sustainability Management Framework

### Material themes

### Material issues

#### Sound governance

Deliver on our promises and principles through sound practices and processes.

- ① Stakeholder engagement
- ① Business ethics
- ① Consumer protection and data privacy
- ① Executive leadership selection and training\*
- ① Executive remuneration, incentives and benefits\*
- ① Risk management\*

#### People development

Find, engage and motivate the best talent, our most important resource.

- ① Attraction and retention of key skills
- ① Training and skills development
- ① Employment equity and diversity
- ① Organisational culture and employee commitment

#### Responsible products and services

Grow and preserve the wealth of our clients and broader society. Engender a long-term focus that drives and promotes a savings ethos.

- ① Client-centricity, satisfaction and retention
- ① Product development
- ① Distribution network
- ① Providing access to financial services
- ① Embracing technology
- ① Responsible investment
- ① Empowerment financing and infrastructure development

#### Prosperous society

Contribute towards a healthy, growing and equitable economy.

- ① Impact of products and services
- ① Transformation and empowerment
- ① Financial literacy and education

#### Environmental impact

Bring environmental factors into our investment decisions and commit to responsible environmental stewardship.

- ① Carbon footprint and energy
- ① Environmental resource consumption

\* See Sanlam Annual Report 2015.

## Sound governance material issues continued

The SMF is refined continually, based on input from the business, and subjected to the scrutiny of the SES committee for review and approval. SES committee reports are structured to ensure holistic oversight of the Group's material issues.

The SMF has thus far provided an effective structure for oversight of and reporting on sustainable practices. However, management of sustainability is necessarily owned and driven by the business functions within the various clusters. We have made good progress in some areas in ensuring alignment between how the business manages and reports internally on issues incorporated within the SMF. For other issues, there is still work to be done in agreeing on common measurement protocols and describing performance consistently across different business clusters.

Through ongoing engagement with issue 'owners', we hope to improve the integration between the framework and existing internal structures. In particular we aim to resolve challenges in standardising metrics across business clusters, geographies and peers within the industry.

### **MI Business ethics**

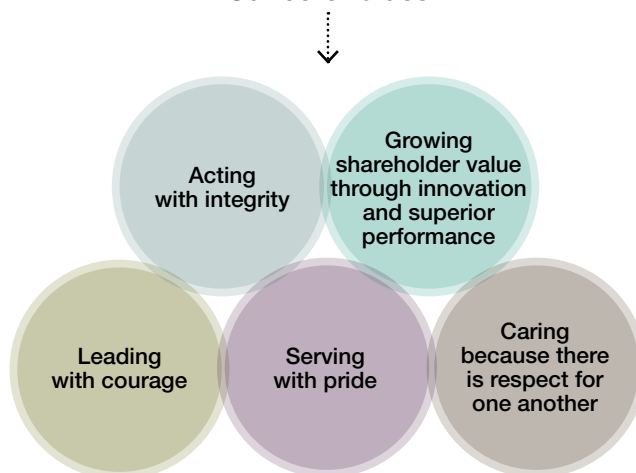
#### **> Fostering a culture of compliance and ethical behaviour**

An ethical organisation cannot focus on regulation alone. Our directors, executives and senior managers take responsibility for creating, fostering and promoting a positive organisational culture of integrity. We broadcast Sanlam's core values and ethical principles through all our internal communication channels and publications.

Embedding the right culture and values requires that we educate and instil the importance of integrity, ethics and professionalism into all our employees.

The Sanlam Group strives for high ethical standards and has a long history of professional and ethical behaviour, which we entrench throughout our organisation, including subsidiaries, via our core values and our Code of Ethical Conduct (the code).

#### **Our core values**



#### **Key principles underlying our code**

- 
- A dashed arrow points from the title 'Key principles underlying our code' down to the top of a light blue box containing a list of six principles, each preceded by a circled number 1.
- Ensuring that our conduct at all times conforms to Sanlam's values
  - Complying with all applicable legislation and regulations
  - Fostering and maintaining an equitable and sustainable employer/employee relationship, including the provision of a safe, healthy and productive working environment
  - Protecting and maintaining the property and information of Sanlam, its employees and its clients
  - Managing and mitigating all conflicts or perceived conflicts of interest
  - Protecting any person who reports violations of the code

All employees are provided with a copy of the code at induction and the text of the code is available on our internet and intranet sites. It is also visibly displayed at key locations across our offices and is included in our Group-wide compliance training and sign-off processes. In addition, employees are kept informed of matters related to the practical application of the code by regular publication of ethics-related content via Sanlam's various internal communication channels.

A revised version of the Sanlam Group Financial Crime Combating Policy (SGFCCP) – introducing a risk-based approach to combating financial crime – was approved by the Board in September 2014. The SGFCCP supports the code and outlines Sanlam's zero-tolerance approach to unlawful conduct, in addition to prescribing default and predefined sanctions for specified offences.

### Governance and accountability structures

The Sanlam Board has overall responsibility for the establishment of a corporate culture that will ensure good corporate governance, ethical business practices and adherence to all compliance requirements. In adopting the Group's Compliance Charter and Policy, the Board has formally acknowledged this responsibility. Apart from the formal Group-wide structures described below, all levels of management and employees also have a responsibility to ensure good corporate governance, ethical business practices and compliance with all mandated requirements.

At the beginning of 2014, the Financial Services Board (FSB) issued Board Notice 158 of 2014 (BN 158/2014) to prescribe a governance and risk management framework for insurers. BN 158/2014 prescribes specific requirements in respect of the composition of the board of an insurer and its board sub-committees to be formed, as well as risk management policies and internal controls to be adopted. Sanlam performed an internal assessment to confirm that the Group's governance structures meet the requirements of BN 158/2014.

The Sanlam Group Ethics committee, a sub-committee of the Sanlam Group Executive committee, monitors and reports on ethical matters across the Group. The Chief Actuary and Group Risk Officer of Sanlam, a member of the Group Executive committee, chairs the Group Ethics committee.

Sanlam's Group Compliance Office (GCO) was established in 2009 to facilitate and coordinate the work of the compliance functions across the Group. A compliance control function for Sanlam Life was established in the GCO to coordinate the work of the existing compliance functions in the entity. The control function was established pursuant to the requirements of the FSB's BN 158/2014 in respect of compliance-related internal controls.

Regulatory compliance is reported on in more detail in the 2015 Sanlam Group Annual Report.

### Culture of compliance training

Individual business operations are responsible for ethics training, supported by the Group Compliance Office (GCO). Periodic (usually annual) and mandatory electronic ethics and compliance training programmes are facilitated through our SAP human resources system. This process is also used as a platform to ensure that employees are familiarised with the most relevant regulatory developments.

During 2015, 63% (2014: 66%) of all Sanlam Personal Finance (SPF) employees took part in one or more of the following Culture of Compliance programmes: Treating Customers Fairly (TCF), Compliance Policy, Conflict of Interest (COI), Operational Health and Safety (OHS), Code of Ethical Conduct (the code), Competitions Act, Know Your Business exams and FICA, Substance Abuse Policy among others.



## Sound governance material issues continued

### ➤ Reporting ethical breaches

Any of Sanlam's stakeholders can report perceived incidents of misconduct and ethical breaches to Sanlam. The channels set out in the table below are highlighted in our Code of Ethical Conduct and can be used to report instances of undesirable conduct or ethical breaches.

Reporting channel	Focus area
<b>Business unit, HR departments and line management</b>	Primarily handle employer/employee concerns. Management regularly reviews internal reports concerning ethical and fraud-related concerns.
<b>Business unit and Group-level compliance and legal departments</b>	Manage Sanlam's compliance-related matters and occasionally receive reports of potential ethical breaches. This channel also receives reports related to any form of non-adherence with compliance requirements.
<b>Sanlam's internal ombudsman and complaints departments</b>	Deal with clients' service-related complaints, including reports on potential ethical issues and allegations of fraud impacting or involving clients.
<b>Forensic departments</b>	Well positioned to receive reports on fraud-related matters linked to both clients and employees from both internal and external reporters.
<b>Sanlam's fraud and ethics hotline (the hotline)</b>	Managed through KPMG's ethics line, the hotline allows individuals to anonymously report potential ethical breaches and fraud.

Since the introduction of the hotline in 2001, we have logged a total of 275 calls. Of these, less than 10% of all callers felt the need to remain anonymous.

The number of reports on incidents of undesirable conduct or ethical breaches received via the hotline represents a small fraction of the total number of reports received via the other specified channels over the period. We believe that Sanlam's efforts to create a transparent and fair reporting environment free of victimisation have contributed to the very low number of anonymous reports received over the years.

All instances of undesirable conduct or ethical breaches reported to Sanlam are investigated and a process is in place to track, report and close out all reports received. Disciplinary actions taken against employees, suppliers and contractors, as a consequence of resulting investigations, include termination of employment and cancellation of contracts.

The Group Compliance Office (GCO) serves as the entry point for all reports received via the hotline. The GCO assigns hotline reports to the appropriate officers in Sanlam for investigation and remedial action, but continues to track reports up to the stage of final resolution.

Group HR monitors the number and type of disciplinary measures, hearings, dismissals and CCMA cases as a measure of the ability of the business to instil a value-based culture that adheres to Sanlam's ethical and operating standards.

No confirmed material breaches of ethics were reported for the Sanlam Group in 2015.

#### Disciplinary actions taken

During 2015, we recorded 137 (2014: 177) incidents of disciplinary action. Most of the cases were immaterial and considered to be low risk incidences.

Nine (2014: five) employees were dismissed for reasons ranging from poor performance to ethical breaches.

The various disciplinary actions resulted in a total financial impact on the Group of R249 512 (2014: R350 446).

*Note: These results are for office staff only, and exclude advisers.*

## Benchmarking our ethical performance

Based on an ethical culture assessment conducted by EthicsSA in 2015, ethics interventions in 2016 will focus on increased interaction between management and staff on the practical aspects of applying Sanlam's ethical culture in the work context, and further encouraging the reporting of all concerns of perceived misconduct or ethical breaches.

## Financial crime and forensics

Sanlam's Group Forensic Services unit oversees the implementation of Sanlam's strategy for the prevention, detection and investigation of incidents of financial crime and unlawful conduct.

Quarterly reports are submitted by Group Forensic Services to the Sanlam Risk and Compliance committee on trends, if any, observed in the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct. The reports also keep the Risk and Compliance committee informed of regulatory or other developments in respect of financial crime that may impact on Sanlam.

## ➤ Emerging markets ethics and compliance

Sanlam Emerging Markets (SEM) is responsible for growing our business in selected emerging markets. Our strategy is to gain access to markets through a trusted implementation partner, capitalising on its distribution footprint and understanding of local market conditions. Sound ethics and compliance with local regulations are at the top of our priority list. In countries where we do not have a controlling stake, we are in a position to influence behaviour – but not dictate procedures.

Our SEM governance framework policy, which we apply in our emerging markets businesses, was developed and adopted by the Sanlam Board in 2014. Initially, this governance framework policy comprised four elements:

- ① Internal audit and compliance
- ① Reporting
- ① Risk and capital management
- ① Information technology.

During the reporting year, we added three additional elements to the governance framework policy:

- ① Brand
- ① Human resources.

## Branding

Following the Sanlam brand refresh and the launch of our new brand in South Africa during 2014, we rolled out our new brand strategy to SEM countries in 2015 in line with the Sanlam Group's brand strategy. Initially, the roll-out covered businesses trading under the Sanlam brand in Namibia, Tanzania and Uganda (life business). In addition, a number of other businesses have been rebranded to Sanlam. Niko Uganda, Niko Tanzania, Niko Vida Mozambique and Aflife Tanzania. The rebranding of Aflife Zambia and Aflife Kenya is planned for 2016. We also rolled out our endorsed brand to affiliates and subsidiaries, but restricted this roll-out to business units where Sanlam is a technical partner.

SEM aims to ensure regulatory compliance in emerging market businesses in line with the rest of the Group, which operates under the guidance and authority of King III and South Africa's Companies Act. These world-class standards for ethics and corporate governance are the benchmark we aim to achieve for all our operations. When it comes to ethics programmes and training, our level of influence varies depending on the strength and maturity of the target investments in the different emerging markets.

Our objective is to implement the required level of ethics training while creating an appropriate channel for raising any concerns relating to ethics and compliance. The extent to which we monitor compliance, and require businesses to adopt Sanlam's frameworks and policies, differs from business to business. Largely, it depends on the current structures that each business already has in place. We assess the quality of those structures against our standards and principles and assist with developing relevant material, such as due diligence ethics and compliance questionnaires, in order to develop relevant governance frameworks applicable to each entity.

## Sound governance material issues continued

Compliance with the Sanlam Group's governance framework is compulsory for all our SEM subsidiaries and we expect subsidiary boards to adopt the Sanlam Group Code of Ethical Conduct and establish appropriate channels to raise concerns and to report incidents, which we respond to. Most of the businesses have a whistle-blowing mechanism and where this is not available, the KPMG whistle-blowing mechanism used in South Africa is made available to subsidiaries for implementation.

We require subsidiaries to comply with SEM's governance standards. We have a rolling programme of governance review that ensures the full cluster is assessed over a three- to four-year period. Most of our significant associates have been evaluated against these standards and there were no material concerns. This process continues. In May and June 2015, we completed a governance review for Pacific and Orient Insurance Company Berhad (P&O) in Malaysia. The governance review process was rolled out to Nico Holdings (Malawi), Enterprise Insurance Company Limited (EIC) and Santam Namibia during the second half of the year. In terms of new acquisitions, governance is an integral component of due diligence.

No ethics training was conducted in 2015 as the results of the ethics survey will inform the appropriate ethics interventions required at board, executive and staff levels.

*For more information, refer to the 2015 Sanlam Group Annual Report.*

### Consumer protection and data privacy

We are responsible for protecting the personal information of our clients, employees and other stakeholders against loss or misuse. Measures we employ include controlling access to all personal information processed, providing for explicit consent for certain processing functions, and ensuring that adequate security measures are in place for all backed-up, stored and retained information.

### Changing approach of regulators

Regulators in jurisdictions where Sanlam operates are increasingly moving away from rules-based regulation in favour of principle- or outcome-based regulation. Adapting to this changing approach can be challenging, but it also allows an organisation with a strong ethical culture more freedom to decide how it will deliver the desired outcomes.

Sanlam understands that the two approaches have different characteristics and implications, but also that regulation in any form aims to protect stakeholder interests, be it those of shareholders, clients, employees or society at large. We therefore make a concerted effort to ensure that we will be able to meet the expectations of regulators in this changing environment.

We appreciate that principle-based regulations focus on the intended outcome of the regulation, rather than on expected or disallowed practices which the regulator deems will achieve or deter the intended outcome. The principle-based approach allows us to respond to regulation in the context of the situation by setting our own control objectives sympathetic to the regulation and to implement suitable and relevant controls to achieve the intended outcome.

Establishing a strong culture of integrity and ethical business practices forms the basis of Sanlam's approach to implementing principle-based regulation. This is complemented by an assessment and analysis of the risks that the regulation seeks to address to enable us to formulate an appropriate response.

## ⑤ Party due diligence (PDD)

The party due diligence (PDD) project is aimed at improving Sanlam's ability to combat money laundering, the financing of terrorism, corruption and bribery, and tax evasion. International regulatory measures aimed at combating money laundering and corruption and bribery respectively are examples of increasingly principle-based regulation.

Our main obstacle to finalising the PDD project remains the uncertainty around local regulatory reforms. National Treasury has tabled a draft amendment bill in Parliament aimed at the alignment of South African anti-money laundering regulations with international standards. It remains uncertain how these proposed amendments will become effective and how regulators will expect financial institutions to implement these.

## ⑤ Privacy protection project

The privacy protection project is aimed at ensuring Sanlam's compliance with data protection regulations – specifically the Protection of Personal Information (POPI) Act of 2013. Although POPI was enacted in 2014, no indication has been given as to when the legislation will come into effect. Sanlam's final response to POPI is dependent on the regulations to be issued in terms of the Act as well as the industry codes of conduct provided for in POPI.

A final draft of the POPI Code of Conduct for the non-banking financial services sector was approved by the Regulatory Affairs Board Committee (RABC) of the Association for Savings and Investments South Africa (ASISA) in November 2014. This draft code will be presented to the regulatory authority (Information Regulator) to be established under the POPI Act for approval as soon as the Information Regulator has been appointed.

In the interim, Sanlam has prepared for implementation of the POPI Act while we wait for the promulgation of the effective date of the Act. Draft versions of relevant documentation were prepared to align with the POPI Act principles and the draft ASISA code. These documents include a Sanlam Group privacy policy, privacy statements for use by Sanlam, disclaimers for use in contracts and electronic communications, as well as consent statements to be used in respect of customers, employees and service providers. None of the Sanlam internal policies and procedures can however be finalised before the primary and subordinate legislation has become effective.

The prepared documents have been discussed with all stakeholders in the Group. The Group Compliance Office has also assisted Sanlam's business clusters in their response to queries from external stakeholders regarding our approach to meeting the requirements of this legislation.

Once the detailed compliance requirements under the POPI Act are issued, these documents will be finalised and submitted for approval.







## People development

As Wealthsmiths™ we have respect for the worth of our people and an appreciation for what they can become. We embrace our differences, firmly believing that diversity allows us to build on our collective strengths. For this reason we promote equal opportunities, because our success depends on the skill and dedication of every person working on our team.

# Why people development is important

We focus on the following material issues

	Material issues	Page
<b>Business strategy</b> <b>Earnings growth</b>  <b>Operational efficiencies</b>  <b>Optimal capital utilisation</b>  <b>Diversification</b>  <b>Transformation</b> 	 <b>Attraction and retention of key talent</b>  <b>Training and skills development</b>  <b>Employment equity and diversity</b>  <b>Organisational culture and employee commitment</b>  <b>Employee wellness</b>	 Page 37 to 42.  Page 43 to 48.  Page 48 to 50.  Page 51 and 52.  Page 52 to 55.



**Sanlam is successful because of its people. People drive the strategy, they represent our brand. This is why we do everything we can to engage, motivate and retain them, investing heavily in talent attraction and in the delivery of an employee experience which is compelling and differentiated.**

Our culture and way of doing things provide our competitive edge. We drive a high-performance culture, but we temper this with care and respect. Our 97-year-old legacy of empowerment and leadership has seen us through both the good and the challenging times. This legacy serves as the foundation of our core values and The Sanlam Way, and we believe it positions us well for the rapidly changing world of work.

Our emphasis on transformational practices is embedded in a belief that diverse work teams and an inclusive culture are good for business. Our appreciation for diversity and the transformation targets we set for Sanlam are driven within this context.

As our reach into Africa and Asia deepens, the competitive edge provided by our people becomes ever more important. Our talent extends beyond South Africa's borders and the mobility and motivation of staff across all boundaries is critical.

Group HR provides strategic direction in terms of Sanlam's human intellectual capital across the Group, driving synergies between the clusters, fostering collaboration and seeking out opportunities for alignment. It implements initiatives aimed at driving talent mobility and development across the Group, both in South Africa and globally. Group companies identify and address their own commercial and strategic needs.

#### Commentary on performance

Turnover **26,6%** ▲.  
Strong emphasis on attracting young professionals and graduates.

Training spend up three-fold in five years, to **R17 171** ▲ per employee.

FSC score up from 7,71 in 2014 to **8,15** ▲ in 2015.  
New EE plan developed for 2016 – 2018.

Business clusters developing their own KPIs. For example, SEB conducts an employee engagement survey, achieving **4,81** out of 6,00.

Number of employees screened for wellness increased to **37,8%** ▲.

#### 2015 KPIs

**12 988** ▲ Number of employees  
**26,6%** ▲ Turnover (overall)

**R194,9** million ▲ Skills development spend

**8,15** ▲ FSC score for employment equity

## People development material issues

### Key performance indicators

	2011	2012	2013	2014	2015
Number of employees <sup>1</sup>	11 557	11 550	12 031	12 781	<b>12 988</b>
Black employees (%) <sup>2</sup>	60,9	63,3	65,4	67,3	<b>67,9</b>
Female employees (%)	58,7	59,1	59,7	59,8	<b>59,9</b>
Turnover (overall) (%) <sup>3</sup>	23,27	25,24	23,75	24,43	<b>26,59</b>
Turnover (office employees) (%) <sup>3</sup>	11,12	15,51	10,93	11,68	<b>12,38</b>
Turnover (advisers in the field) (%) <sup>3</sup>	42,62	40,09	42,05	41,43	<b>45,50</b>
Skills development spend (R million) <sup>4</sup>	58,2	115,4	144,4	170,2	<b>194,9</b>
Employees participating in skills development training	9 626	10 546	10 461	11 994	<b>11 354</b>
Absenteeism (%)	1,76	1,88	1,91	1,96	<b>1,95</b>

<sup>1</sup> Employee figures include all South Africa-based employees, but exclude Santam.

<sup>2</sup> Black employees refer to African, coloured and Indian employees.

<sup>3</sup> Turnover is calculated by dividing the total number of exits by the average employee headcount.

<sup>4</sup> Skills development spend includes management overhead expenditure as well as expenditure for learning programmes.



Sanlam Future Leaders Conference brought together 247 future leaders around the theme of “Building a Sustainable Future”.

## MI Attraction and retention of key talent

### > Our Employee Value Proposition

Our attraction and retention strategies are closely aligned with Sanlam's business strategy and are built on the premise of a differentiated Employee Value Proposition (EVP) for key talent segments. Sanlam is a company built on respect for what people are worth and an appreciation for what they can become. This is why we give everyone who works for Sanlam the opportunity to make the most of who they are, and to be recognised, respected and rewarded for what they're worth. We inspire people to realise their worth. This is our commitment to employees. And this is what makes us Wealthsmiths™.

Internally, our commitment to our employees is explicit – *Realise Your Worth*. We encourage all employees to take advantage of the rich array of opportunities available to them and, through this, to raise their level of contribution to the business. The campaigns to embed our EVP continue to gain traction and it is evident that our employees have internalised what it means to be a Wealthsmith™.

Externally, our efforts to position Sanlam as an employer of choice are starting to yield dividends. Both our corporate brand positioning and the marketing of our EVP externally help us showcase the company in the marketplace.

Our employer brand message is clear: Sanlam is the company where Wealthsmiths™ are groomed. We are particularly conscious of the importance of developing young black talent into key skills areas, such as asset and portfolio management, actuarial and chartered accounting.



**We inspire people to realise their worth.**

**This is our commitment to employees.**

**This is what makes us Wealthsmiths™.**

We deliver on this promise through the six pillars of our Employee Value Proposition:

Reputation

Leadership

Reward

Growth

Balance

Connectivity

## People development material issues continued

	<b>Reputation</b>	<ul style="list-style-type: none"> <li>① Transformation and empowerment</li> <li>① A market leader in financial services, with global footprint</li> <li>① Invest in our people, communities and environment</li> </ul>
	<b>Leadership</b>	<ul style="list-style-type: none"> <li>① Execute strategy, deliver on targets, drive innovation, inspire industry firsts</li> <li>① Nurture and grow leaders through development and succession</li> </ul>
	<b>Reward</b>	<ul style="list-style-type: none"> <li>① Globally benchmarked total reward approach</li> <li>① Reward and recognise exceptional performance</li> <li>① An environment where excellence can flourish</li> </ul>
	<b>Growth</b>	<ul style="list-style-type: none"> <li>① Culture of continual learning and growth</li> <li>① Stimulating work and development opportunities</li> </ul>
	<b>Balance</b>	<ul style="list-style-type: none"> <li>① Fair and flexible expectations of employees</li> <li>① Holistic employee health</li> <li>① Wellness programme a core offering</li> </ul>
	<b>Connectivity</b>	<ul style="list-style-type: none"> <li>① Culture rooted in: <ul style="list-style-type: none"> <li>• vision, purpose, strategy and values</li> <li>• sincerity, respect and care for one another</li> </ul> </li> <li>① Build collective strength while celebrating differences</li> </ul>

## KPI table for attraction and retention of key talent

	2012	2013	2014	2015
<b>Recruitment</b>				
Career website: unique visitors			150 000	<b>206 000</b>
Applications received on graduate microsite/employed	1 500	2 000	5 000	<b>2 200*</b>
Number of followers on LinkedIn home and careers pages		6 500	10 500	<b>25 000</b>
<b>Employee turnover</b>				
Number of employees	11 550	12 031	12 781	<b>12 988</b>
Office staff turnover (%)	15,51	10,93	11,68	<b>12,38</b>
Advisers turnover (field) (%)	40,09	42,05	41,43	<b>45,50</b>
Overall turnover (%)	25,24	23,75	24,43	<b>26,59</b>

\* Reduced applications as a result of a more targeted recruitment approach.

### ➤ Recruitment platforms

We use three key recruitment platforms: online recruitment on our career website (our main talent attraction platform), LinkedIn for strategic sourcing, and our face-to-face and online graduate recruitment channels.

Our careers page is one of the most visited pages on [www.sanlam.co.za](http://www.sanlam.co.za). In addition to aligning this page to the new brand positioning, ease of use has improved since it was adapted for mobile users, and applicants are now also able to apply with their LinkedIn profiles. The LinkedIn recruiter contract has allowed us to create a dedicated careers page on this platform. Our campaign to target key talent segments has resulted in follower growth from 10 000 at the end of 2014 to just over 25 000 followers to date. More than 6 500 Sanlam employees are on LinkedIn and their professional networks are leveraged to position the Sanlam employer brand.

### ➤ Attracting graduates and young professionals

Sanlam continues to increase awareness of its employer brand among young professionals and graduates. The objectives are threefold: to recruit high potential future leaders who will help us craft the Sanlam of tomorrow; to position Sanlam as a preferred employer; and to create brand awareness in the young professional and graduate market.

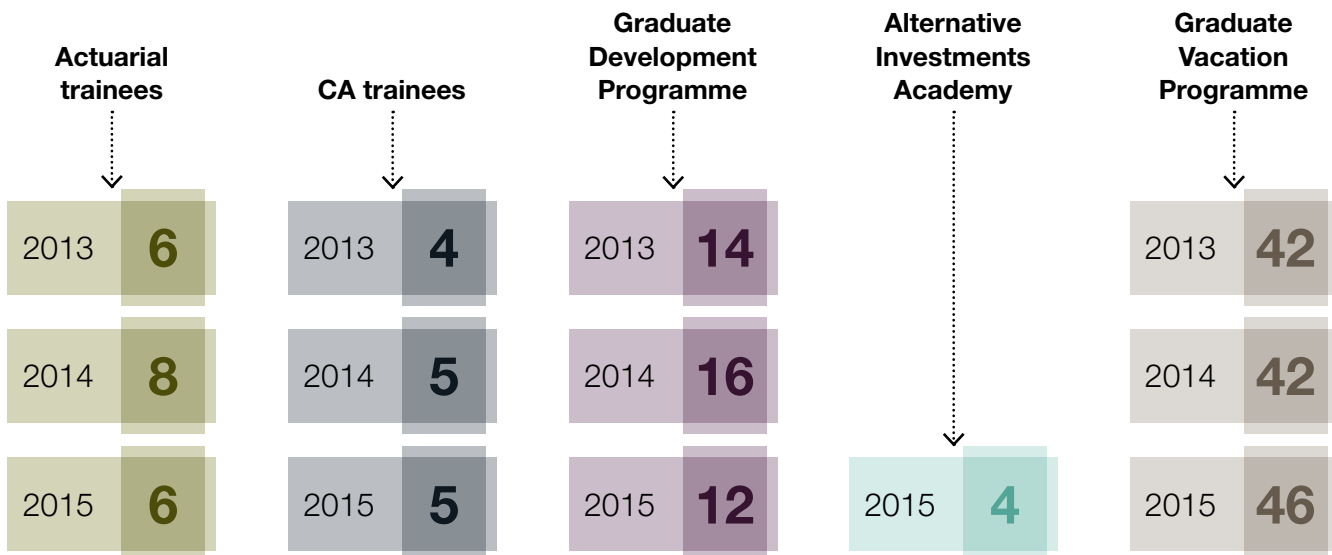
The graduate recruitment campaign includes activations and presentations at universities, and advertising in university career magazines. The campaign has continued to deliver high quality graduates for the Group and is aligned with our key talent segments and the Group's transformation strategy, both of which aim to ensure that we have the leadership strength to meet future business needs. There are currently more than 40 graduates placed in various positions across the Group. Sanlam has also participated in several talent engagement events, the most noteworthy being the Black Management Conference, where delegates were exposed to the Wealthsmiths™ experience.

## People development material issues continued

### Participation in Sanlam's graduate development programmes

Programme	Description	Duration
<b>Graduate Development Programme</b>	A development programme which offers permanent and contract placements for key skills and focuses on the personal and professional development of graduates with no prior work experience.	18 months
<b>Actuarial Graduate Programme</b>	A comprehensive programme that focuses on invaluable industry knowledge, knowledge of Sanlam's products and systems as well as hands-on experience.	12 months
<b>CA Trainee Programme</b>	A SAICA-accredited chartered accountant training programme. Trainees also have the chance to develop leadership skills through the Graduate Development Programme.	3 years
<b>Alternative Investments Academy</b>	A unique opportunity offered by Sanlam Investments for graduates to develop and hone their investment skills.	36 months
<b>Graduate Vacation Programme</b>	A programme for final year students to develop self-reliance and an understanding of careers in the investment industry.	3 weeks

### Graduates appointed into internal development programmes between 2013 to 2015



Leadership is one of our EVP pillars. We take leadership seriously and are committed to continuously nurturing and growing our leaders at all levels of the business. Our graduate recruitment programme is one of the primary ways we do this.

### We asked our graduates what makes them Wealthsmiths™



"I am a Wealthsmith™ because I am committed to pursuing success in every aspect: in my personal development and career, in ensuring I am continuously learning and engaging, in the pride I take in my work produced, and in building and strengthening collegiality within my professional network. As a Wealthsmith™ every moment is an opportunity to build on, learn, grow and ensure that together we pursue success at Sanlam."

**Wajdah Fataar**

*LL.B University of Cape Town  
Glacier by Sanlam – Assistant Compliance Officer*



"Sanlam Wealthsmiths™ encourage their clients to protect and nurture their greatest assets, being their wealth. So as a young Wealthsmith™ myself, I pay careful attention to nurturing my skills and talents in order to become a master at my craft."

As a young professional within the Sanlam Group, I do things with excellence so as to deliver work that I am proud of."

**Thato Shole**

*BA Hons Labour Relations, North West University (Potchefstroom Campus)  
Sanlam Sky Solutions – Trainee: Compliance Officer*



"As Wealthsmiths™ we strive to be the best, to put our clients at the centre and meet their needs through exceptional performance."

Sanlam is a dynamic and diverse company and it is a privilege being part of a company making a difference in South Africa and the world."

**Barend le Grange**

*BHons Actuarial Science, North West University  
Sanlam Group Risk – Actuarial Specialist*

## People development material issues continued

### ➤ Employee retention

To attract and retain key skills, Sanlam provides competitive remuneration, bonus and benefit packages, aligned to global benchmarks. All Sanlam employees have access to a range of Group benefits. We acknowledge that there are employees whom the company identifies as key contributors to business performance, or with the potential to become a key contributor. For people who create disproportionate value to the business, a differentiated EVP may be offered which includes, in addition to the universal benefits, the following:

- ① Access to the long-term incentive share scheme
- ① A suite of structured, functional and/or technical group-wide exposure opportunities depending on individual development needs and areas of interest
- ① International exposure
- ① Networking opportunities with senior leaders and executives.

### Succession planning

Group HR has defined the core principles and philosophy underlying talent management and succession planning for key leadership roles across the Group. The Group Chief Executive, in consultation with Group HR and each cluster's executive committee, oversees succession planning for key executive and senior roles. This process not only assists us in driving talent mobility and transformation at the highest levels but also serves to improve the depth of leadership across the broader Group.

Each business cluster conducts an annual review of the primary leadership and technical positions within their businesses. Succession decisions and processes to drive succession are centred on high value-creators and the key roles they occupy or will occupy. Pools of young professionals are identified to feed the succession pipeline. Through regular assessments and targeted training initiatives, these individuals are given special attention to develop the required competencies to lead the business into the future.

A remaining challenge is the positioning of Sanlam's employer brand to certain external markets where we are not yet making sufficient talent inroads. Efforts in this regard will be stepped up in 2016. Time to fill key vacancies and ensuring business continuity is a critical outcome of this focus area.



Sanlam Limited, represented by Sanlam Personal Finance and the Group Office, has participated in the Top Employer Survey for the first time, and is delighted to be accredited as a Top Employer for 2016. Organisations that carry the Top Employer seal are acknowledged to have demonstrated the highest standards of employee offerings and a forward-thinking human resources environment which leads the way in the development of their people.



## MI Training and skills development

Growth is a key pillar of our Employee Value Proposition (EVP). We strive for greater growth – growth that touches more lives and makes a bigger difference in the world. We strive to provide challenging, stimulating work and development opportunities to help our people grow and realise their potential.

Wealthsmiths™ are differentiated by the rigour, commitment and dedication they bring to their work. This way of working has its roots in our approach to learning and development. We build confidence and competence through continual development and individualised training and career plans. Training and development is integral to our high-performance culture and we provide a range of opportunities to employees to ensure our future business requirements are properly aligned to the competencies required.

### KPI table for skills development

	2012	2013	2014	2015
<b>Training and skills development spend*</b>				
Total (R million)	115,4	144,4	170,2	<b>194,9</b>
Average spend per employee (R)	10 941	13 810	14 199	<b>17 171</b>
<b>Training and skills development beneficiaries</b>				
Number of employees	10 546	10 461	11 994	<b>11 354</b>
– of which are black (%)	65,76	61,4	65,4	<b>65,8</b>
– of which are female (%)	60,6	60,9	59,8	<b>61</b>
FSC score for skills development/10		9,13	9,16	<b>9,21</b>
Percentage spend to black employees			62,7%	<b>66,3</b>
<b>Learnerships beneficiaries</b>				
Total number of learners	38	145	87	<b>124**</b>
Number with disabilities	30	34	34	<b>53</b>
Number of black learners	33	132	87	<b>117</b>
Total number employed	29	37	10	<b>19</b>

\* Spend includes management overhead expenditure as well as expenditure on learning programmes.

\*\* Only learners completing studies in 2016.

## People development material issues continued

### Cost summary – January to December 2015

Cost type	Black male	Black female	White male	White female	Foreign	Grand total	Total black
Direct spend (R)	12 048 775	15 814 846	8 107 146	7 263 017	222 099	43 455 883	27 863 620
Indirect cost (R)	31 388 647	70 032 878	17 237 393	32 614 257	234 812	151 507 988	101 421 525
<b>Grand total (R)</b>	<b>43 437 422</b>	<b>85 847 723</b>	<b>25 344 540</b>	<b>39 877 274</b>	<b>456 912</b>	<b>194 963 871</b>	<b>129 285 145</b>
Spent by race (%)	22,28	44,03	13,00	20,45	0,23		66,31
Recipients of training (%)	24,53	41,24	14,22	19,61	0,41		
Number of staff trained	2 785	4 682	1 614	2 227	46	11 354	7 467
<b>Average cost per person (R)</b>	<b>15 596,92</b>	<b>18 335,69</b>	<b>15 702,94</b>	<b>17 906,28</b>	<b>9 932,86</b>	<b>17 171,38</b>	<b>17 314</b>

### Recipients of training – January to December 2015

Occupational level	Black male	Black female	White male	White female	Foreign	Grand total	Total black
Top and senior management	70	37	207	63	1	378	107
Middle management	373	289	517	495	20	1 694	662
Junior management	1 320	2 042	866	1 498	12	5 738	3 362
Unskilled	1 022	2 314	24	171	13	3 544	3 336
<b>Grand total</b>	<b>2 785</b>	<b>4 682</b>	<b>1 614</b>	<b>2 227</b>	<b>46</b>	<b>11 354</b>	<b>7 467</b>
Average number of staff in 2015	3 267	5 494	1 878	2 260	50	12 950	8 762
Staff trained as % of all staff in 2015	85,24	85,22	85,94	98,53	91,24	87,67	85,23



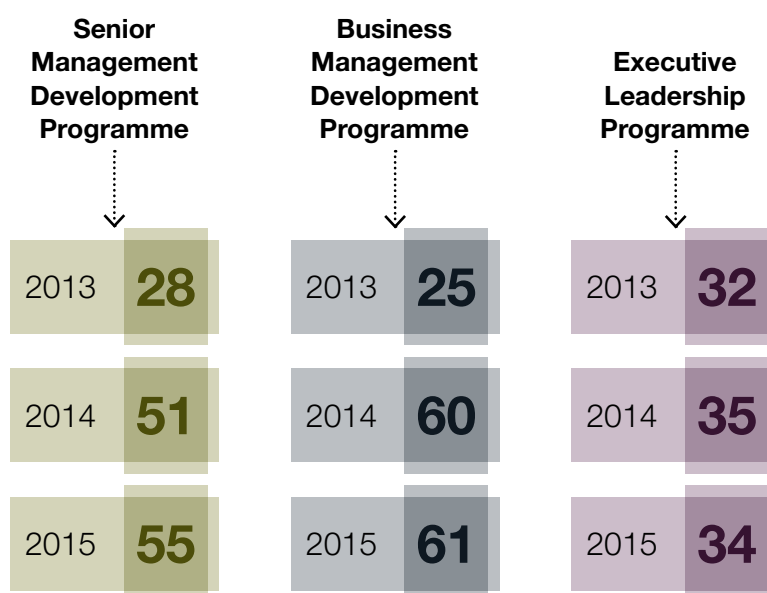
Sanlam's Top and Senior Management from across the globe connect once a year at the Senior Management Conference to ensure a shared vision.

## ➤ Leadership development

Leadership programmes are driven at both Group and cluster levels to ensure that current and future leaders demonstrate the capabilities to drive accelerated strategy execution in a relevant and distinctive way. Action learning is often used to integrate the learning acquired.

From a personal development perspective, action learning enhances vital interpersonal leadership skills such as questioning, creativity, collaboration, problem-solving and systems thinking. The action learning projects provide the platform for cross-cluster exposure which stretches and challenges participants, who grow in confidence and feel more able to work constructively within a team.

10-month programme	Description
<b>Senior Management Development Programme</b>	A partnership with the University of Stellenbosch Business School (USB) Executive Development that aims to equip senior managers with the change management skills to function effectively within a corporate environment.
<b>Business Management Development Programme</b>	A partnership with the USB supporting managers in the implementation of strategic objectives, by providing a broader understanding of the different fields of management and leadership.
<b>Executive Leadership Programme</b>	A partnership with the Gordon Institute of Business Science (GIBS), developed to enable current high-performing senior management, across global business clusters, to further refine their leadership and management skills.



The intake reflects Group figures.



## Customer Services @ your doorstep

**Action learning is an approach to identifying challenges and potential solutions across all Group businesses.**

During 2012, a group who had completed the Senior Management Development Programme identified as a challenge the weak penetration of insurance in emerging markets. The group included participants from Enterprise Group in Ghana, Santam AGRI, Santam Associated Marine and Sanlam Sky Solutions, and the project sponsor was Margaret Dawes, Executive Director of Sanlam Emerging Markets Africa.

The group's research revealed an opportunity to achieve growth with existing products in current market segments, but also to increase market share by differentiating Sanlam from its competitors. Their proposed solution was a 'Sanlam mobile office', a minivan which could visit pay points and malls to service the insurance policies of policyholders as well as sign on new policies.

This  
is the  
Sanlam  
mobile  
office



During 2015, the mobile office was piloted in South Africa, and proved highly effective in positioning the Wealthsmiths™ brand. In Ghana, a similar concept, called the 'life centre', was implemented – it operated from a mobile office. The initiative has improved client service delivery remarkably.

## People development material issues continued

### Sanlam Investments People Management Development Programme

In conjunction with the University of Stellenbosch Business School, Sanlam Investments runs a programme to enable managers to execute on strategy through building their managerial and leadership competencies. The programme helps managers to develop a core understanding of the different fields of people management in an integrated manner. During 2015, 20 managers successfully completed the programme.

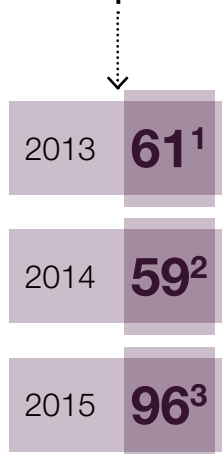
### Learnerships and internships

We remain focused on offering learnership and internship programmes across the Group. Once learners successfully complete their learnership, they are placed on an internship which allows them to continue their development. The programme is often used to create a pipeline for persons with disabilities.

#### Unemployed learnership (people with disabilities)



#### Graduate internships intake



<sup>1</sup> 21 of the interns completed a learnership, the balance are graduate interns.

<sup>2</sup> 23 of the interns completed a learnership, the balance are graduate interns.

<sup>3</sup> 20 of the interns completed a learnership, the balance are graduate interns.

### Training of our distribution network

We offer our distribution network a range of training initiatives including sales; skills development; legal and technical training; management and leadership; entrepreneurial and business management; technical product support; and business processes.

### Sanlam Personal Finance (SPF) Distribution Academy

The Sanlam Personal Finance Distribution Academy plays a pivotal role in ensuring that our tied agents are able to service clients effectively. The academy is accredited by the Insurance Sector Training Authority (INSETA) for the NQF level 4 and 5 programme in wealth management. This curriculum supports our tied agents to become Certified Professional Planners, endorsing our Sanlam Financial Advisers (SFA) strategy of professionalism and ongoing upskilling.

### Sanlam Sky Solutions trains intermediaries

Sanlam Sky Solutions trains intermediaries focused on the entry-level market. The aim is to attract intermediaries with the right profile and invest in their development to ensure that we build a network that can offer appropriate financial advice and products to our entry-level clients.

## People development material issues continued



### Sanlam Sky Solutions Project Re a Gola

#### Instrumental in repositioning our people development strategy.

Project Re a Gola (we are growing) has been instrumental in repositioning our people development strategy in Sky. Employees are now fully aware of which drivers are important, how they need to develop in their roles and what to do to help the business realise its strategic objectives. The Sky training curriculum was developed to ensure that each role's development requirements are documented in order to facilitate individual development. Management has been equipped with a talent planning tool which enables managers to develop each employee to his or her full potential within the business.

A highlight of the project has been the roll out of e-learning for representatives in Agency Distribution through providing technology infrastructure in each branch. This access to technology has been well received by all representatives in the business and has changed perceptions about their ability to work with it. The Re a Gola project has laid a solid foundation for further technology roll-out which will enable the business to manage all sales staff more effectively.



## MI Employment equity and diversity

Embracing and accelerating transformation is an ongoing priority and is one of Sanlam's key strategic pillars. Sanlam remains steadfast in its approach to drive activities designed to foster an inclusive workplace that is rich in all forms of diversity. Diversity enables creativity and innovation, both of which are fundamental to ensuring success in the fast-paced and complex world of work.

During 2015, we worked on the development of the employment equity (EE) plan for the 2016 – 2018 period.

### KPI table for employment equity

	2013	2014	2015
FSC score for employment equity/15*	7,07	7,71	8,15

\* FSC score includes Santam.

## Sanlam employment equity plan

The legislatively mandated employment equity (EE) barrier analysis, which forms the basis of our EE plan, started during June 2015. Forty-two percent of our staff participated in the initial survey and we followed this up with focus group sessions which served to validate survey results. Between 10% and 12% of respondents indicated a variety of concerns ranging from the fairness of the recruitment process within Sanlam, the determination of remuneration, and the application of the

language policy in Sanlam, to the issue of sub-optimal communication in some of the EE forums.

Significant consultation then took place within each business cluster, resulting in the development of cluster EE plans, incorporating revised three-year targets and affirmative action measures, both quantitative and qualitative. Measures are specifically designed to address concerns raised by employees in

the survey. An overarching EE plan for the Sanlam Group was then finalised, approved and submitted to the National Department of Labour.

Accelerated transformation initiatives have been identified within each cluster to ensure we are able to positively affect the demographics at management levels and ultimately have a positive impact on the Financial Sector Code (FSC) scorecard. Challenges within each business are different, hence the need to drive unique initiatives in different clusters. Some of the initiatives include job shadowing, targeted recruitment, creation of

additional roles and, importantly, making funds available to implement these business-specific initiatives.

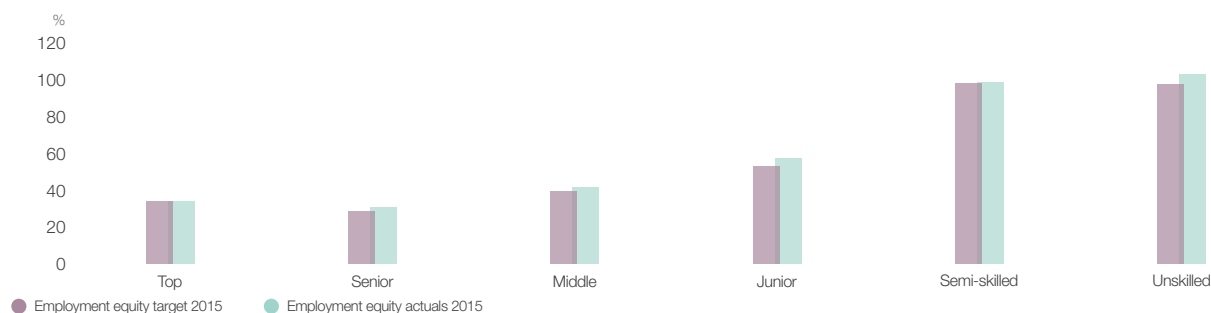
Sanlam's commitment to increasing its diversity, while at the same time embedding an inclusive and embracing culture, is evident in the initiatives being driven in the revised EE plan and the accelerated transformation initiatives. We have targeted plans to ensure progress is made in less transformed areas of the business. We are encouraged by the pipeline of talent evident in the more junior leadership and specialist ranks of the business and look forward to these employees making their mark in the years ahead.

## Employment equity demographics and progress

Black:white ratios: 2005 – 2015



## Employment equity targets versus actuals



\* Excludes Santam.



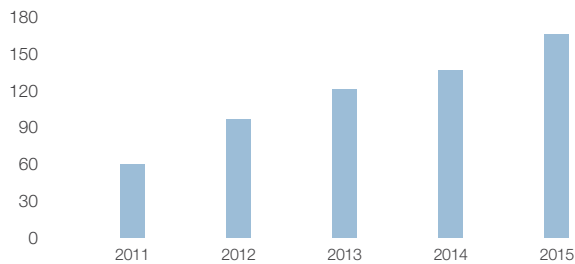
## People development material issues continued

Sanlam's South African workforce profile per the Department of Labour's occupational levels based on the Employment Equity Act as at 31 December 2015\*

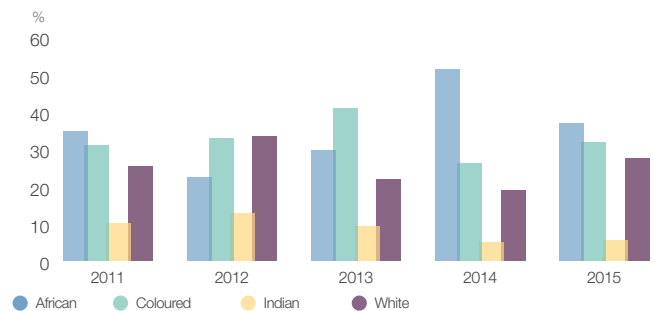
Occupational level	Male				Female				Foreign		Grand total			Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female		Male	Female	
Top management	2	0	0	6	0	0	1	0	0	0	9	8	1	9
Senior management	30	23	22	205	16	14	8	60	1	0	379	281	98	379
Middle management	130	165	93	492	94	124	70	493	12	2	1 675	892	783	1 675
Junior management	697	531	176	1 147	851	954	228	1 553	11	5	6 153	2 562	3 591	6 153
Semi-skilled	1 273	139	13	20	2 752	344	38	140	13	5	4 737	1 458	3 279	4 737
Unskilled	5	0	0	0	21	9	0	0	0	0	35	5	30	35
<b>Grand total</b>	<b>2 137</b>	<b>858</b>	<b>304</b>	<b>1 870</b>	<b>3 734</b>	<b>1 445</b>	<b>345</b>	<b>2 246</b>	<b>37</b>	<b>12</b>	<b>12 988</b>	<b>5 206</b>	<b>7 782</b>	<b>12 988</b>

\* Excludes Santam.

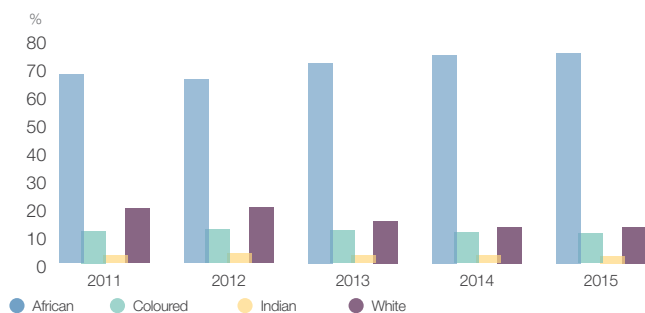
Staff with disabilities



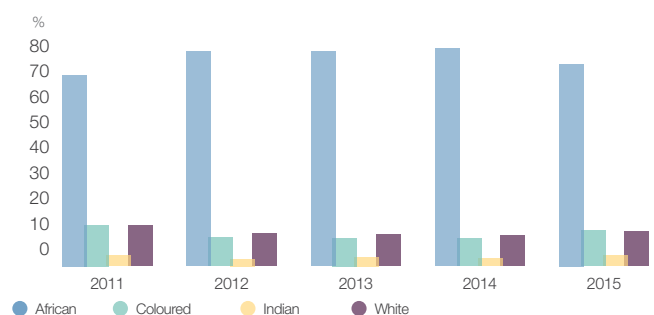
Promotions



Terminations



Appointments



## MI Organisational culture and employee commitment

Our purpose, brand and values form the foundation on which our culture is based. We approach everything we do with determination, with common sense and with a commitment to always doing things for good and doing them well. Each and every Wealthsmith™ understands that this is what makes us distinctive in the wealth-creation industry.

There are a number of different ways in which the clusters embed and work with their culture. Some look at engagement levels, while others embed key behaviours which support the values and The Sanlam Way. All clusters work with the pillars of the EVP and strive to embed our focus on connectivity through encouraging networking, teamwork and volunteering.

### KPI table for organisational culture and employee commitment

	2014	2015
<sup>1</sup> Employees completed wellness risk assessment	5 805	<b>5 819</b>
<sup>2</sup> Unionisation (%)	1,37	<b>1,19</b>
SEB engagement survey score		<b>4,81/6,00</b>

<sup>1</sup> These numbers include wellness screening conducted across the Sanlam Group.

<sup>2</sup> Unionisation is not a material issue in the financial services industry.

### Employee engagement initiatives



## Sanlam Employee Benefits (SEB) employee engagement survey

The Sanlam Employee Benefits (SEB) employee engagement survey is aimed at assisting SEB in reaching the next level of business growth.

An overall engagement score of 4,81 out of 6 was achieved. Areas for improvement highlighted in the survey include a better understanding of employee engagement, psychological safety, driving change and personal initiative. Skill sets we need to improve on include innovation, constructive debate, execution, internal service and delivery. Thought leadership,

internal brand confidence, corporate service brand and client-centricity were perceived to be business strengths we should communicate.

In response to the results, SEB has embarked on a programme for all employees to address the identified shortcomings. In addition, managers have been trained on leadership practices, thus fostering a culture where innovation and constructive debate can take place in a more conducive environment.

## People development material issues continued

### Recognition

We offer a number of recognition programmes across the Group, the most notable of which include the Chief Executive Awards, the Group Office Kudos Awards, the Personal Finance Activator Awards and the Investments – Living the Values programmes. All of these programmes aim to recognise employees for living the company values and for making a contribution to the strategic objectives of the business.

### Fair labour practices

Through our Code of Ethical Conduct, we subscribe to the principles of the International Labour Organisation (ILO) and to the United Nations Global Compact (UNGC). While all employees have the freedom to associate and to bargain collectively, Sanlam is not a highly unionised environment. Currently only 154 employees (2014: 175) are members of a union, less than 1,19% of our staff complement.

### Connectivity opportunities

The EVP connectivity pillar aims to unite employees as Wealthsmiths™, encouraging them to get involved in opportunities and experience collaboration. An exciting new platform has been designed for Wealthsmiths™ to connect with one of our connectivity opportunities. Employees can choose a networking opportunity through the Women's Network and the Young Professionals Network, get involved in a Sanlam Foundation project or make a sustainability pledge. They have also been encouraged to share their goals as part of our '100 days to 100 years' campaign, which aims to connect all Wealthsmiths™ around a common goal – to make South Africa a better place.

## MI Employee wellness

While we are driven to excel because we are Wealthsmiths™, we know that balance is crucial to the wellbeing of our employees. But it is about more than flexible working hours and convenience at work – it's about enabling our employees to discover their passion and letting that passion inspire them. We provide employees with a number of avenues to improve their physical and emotional health.

### KPI table for employee wellness

	2015
Employees screened for wellness (%)*	37,8

\* Includes wellness screens for the Sanlam Group.

The Sanlam bWELL programme is our key offering in response to this commitment and an important component of the Employee Value Proposition (EVP) balance pillar. Lifestyle issues such as smoking, physical inactivity, weight gain and stress have a significant impact on the development and progression of illness and chronic diseases. In addition to health issues there is also a clear and measurable workplace productivity impact.

The programme focuses on three main modules:

① **bAWARE** – This module offers wellness screenings through a hybrid model of on-site, pharmacy-based and self-report screenings; personalised weekly wellness emails based on an individual's wellness profile; and a wellness website at [www.sanlambewell.co.za](http://www.sanlambewell.co.za) which provides access to hundreds of articles, calculators, trackers and personalised advice from a range of practitioners. More than 100 000 articles were read in 2015.

② **bACTIVE** – Based on health risk screenings conducted over the past three years, physical inactivity was identified as one of the Group's key health risks. The bACTIVE campaign was designed to encourage employees to take steps towards a healthier lifestyle. The call to action was clear: a healthy, balanced lifestyle is the key to a healthy body and mind. More than 1 200 staff members participated. Activity monitors that employees could use to track their steps and calories were made available.

③ **bHEALTHY** – Building on an 'all inclusive' approach to wellness, partnerships have been formed with all relevant Group-wide service providers to extract maximum value for all Sanlam employees. These include employee assistance programme (EAP) providers (Careway's and Icas), staff canteens (Fedics) and medical schemes. Success has been achieved in incorporating healthier food options at the head office canteen and this will be extended to the regions in 2016.



## Sanlam Cape Town Marathon

More than 1 100 employees participated in the Sanlam Cape Town Marathon.

More than 1 100 employees participated in the Sanlam Cape Town Marathon during September 2015. This was part of a campaign to encourage greater employee involvement in Sanlam-sponsored events, but also to address one of our major health risks – a sedentary lifestyle. In 2016, continued efforts will be made to increase staff participation, with a strong focus on adopting healthy lifestyles.



## Cape Town Corporate Games

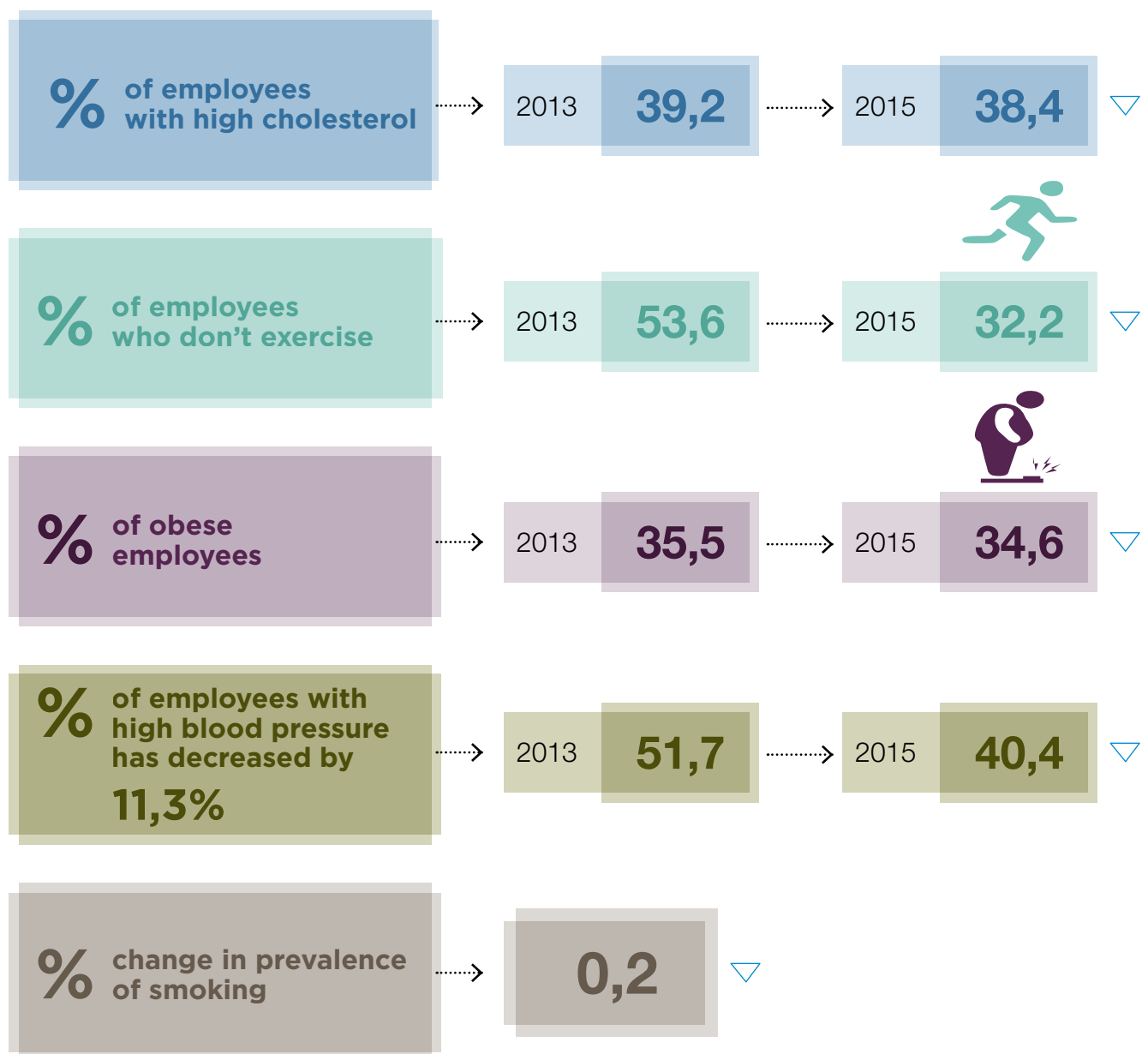
The Sanlam United team represented Sanlam for the fourth time at the 2015 Cape Town Corporate Games.

This is a multi-sport festival held annually around the world. Athletes represent their company in various sporting codes. The Sanlam team, consisting of 202 Wealthsmiths™, won six of the 10 sporting codes, 79 medals and three prestigious awards.

## People development material issues continued

### 1 963 employees with a wellness assessment tracked over a three-year period

Since 2012, more than 5 000 employees have completed a wellness screening. Of the 37,8% staff members with a wellness profile, we now have a sample of 1 963 that we have been able to track over a three-year period. We are pleased that our statistics reveal a positive trend in wellness data, but acknowledge that more needs to be done to encourage employees to change behaviour and adopt healthier lifestyles.



Staff involvement in company-sponsored events is encouraged. These events contribute significantly to the employee value proposition in terms of connectivity and balance.



## Sanlam Rugby World Cup

20 Sanlam tag rugby teams from Personal Finance and Group Office represented the 20 nations that played in the 2015 IRB Rugby World Cup.

Each team consisted of **10** players of both genders, thus involving **200** participants in **52** games.









## Responsible products and services

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Wealth is a journey. As Wealthsmiths™ we have a deep respect for that journey and the different needs that arise along the way. It's why we are committed to truly understanding our clients' ever-changing needs, so we can treat them fairly and provide affordable solutions that deliver on their expectations. In this way, we are able to offer a highly considered and diverse portfolio of responsible financial products and services designed to build wealth and transform lives.



# Why responsible products and services are important

We focus on the following material issues

	Material issues	Page
<b>Business strategy</b> <b>Earnings growth</b>  <b>Operational efficiencies</b>  <b>Optimal capital utilisation</b>  <b>Diversification</b>  <b>Transformation</b> 	 <b>Client-centricity, satisfaction and retention (including Treating Customers Fairly (TCF))</b>	 Page 61 to 63.
	 <b>Product development</b>	 Page 63 to 65.
	 <b>Distribution network</b>	 Page 66 to 69.
	 <b>Providing access to financial services</b>	 Page 70 and 71.
	 <b>Embracing technology</b>	 Page 72.
	 <b>Responsible investment</b>	 Page 73 to 74.
	 <b>Empowerment financing and infrastructure development</b>	 Page 74 and 75.

**Saving and investing for the future are an essential requirement for a prosperous society. Sanlam is committed to creating and distributing savings products that build and grow wealth for more South Africans, and in the process, securing our future as the financial services industry and in turn our country.**

The global financial services industry is continually striving for higher ethical standards and business behaviour. Similarly, in South Africa, the transition to an increasingly strict regulatory environment is placing pressure on our industry to lower costs while maintaining standards and continuing to treat customers fairly.

Delivering on these demands requires innovative products and services to drive client-centricity and efficient delivery, which in turn are important in driving the development of our business model. As Wealthsmiths™, we are committed to understanding the different needs of our various client segments, treating them fairly and constantly working to provide affordable solutions that address their financial needs.

In addition, as a large institutional investor, Sanlam Investments has sizeable interests in most of South Africa's companies, and corresponding influence over governance and sustainable business behaviour. Our aim is to use our influence to encourage good governance, not only as responsible investors, but because it makes long-term investment sense.

#### Commentary on performance

Rated a leading insurer for overall customer satisfaction in SAcSi survey. No significant TCF risks or compliance issues. Complaints under control.

Underwriting models simplified, with clearer value proposition for clients. Sales growing in affluent, growth and entry-level markets.

Retail Distribution Review (RDR) legislation and retirement industry reform proposals increasing the level of uncertainty in the industry. Initiatives aimed at improving value and efficiencies within the broker model.

Strong emphasis on growth in funeral policy market. Over 3 400 tied agents in 62 sales branches, 280 independent brokers and 29 Ubuntu service points within communities across the country.

In 2015, we launched our mobile app for intermediaries, InterAct.

Improved quality of environmental, social and governance (ESG) research.

In 2015 Sanlam enabled UB to pay a special dividend of R830 million to its shareholders. UB has acquired 51% of Indwe (a leading black-controlled insurance brokerage firm in South Africa), with Sanlam at 24% and Santam at 25%.

## Responsible products and services material issues

### Key performance indicators

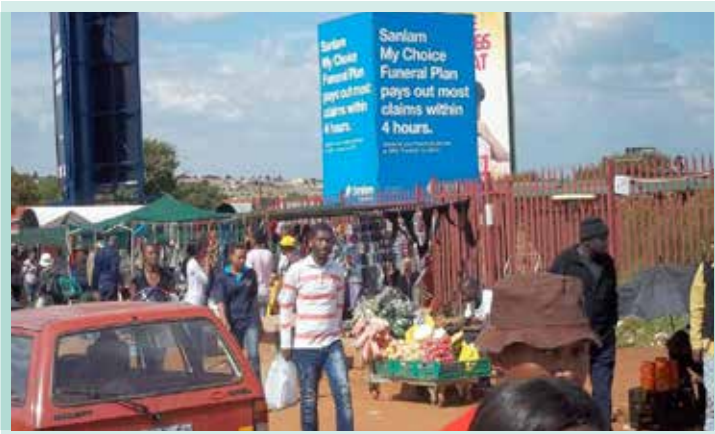
	2012	2013	2014	2015
Customer satisfaction index score (SAcsi)*	—	79,3	77,8	<b>78,4</b>
Ombudsman complaint handling – percentage in favour of Sanlam**	76%	75%	76%	<b>88%</b>
Research and development spend*** (R million)	57	69	68	<b>53</b>
Percentage growth in new business sales in the entry-level market****	6%	17,4%	(2,4)%	<b>13%</b>
Number of resolutions voted on	1 942	1 708	3 028	<b>3 347</b>

\*SAcsi is an independent national benchmark of customer satisfaction of the quality of products and services available to households. According to the SAcsi study, Sanlam is one of two large insurers who are leading in this sector.

\*\* Unverified.

\*\*\* Excludes Santam.

\*\*\*\* Refer to the 2015 Sanlam Group Annual Report for more detail.



Sanlam re-engineered its processes in order to respond to our clients need to receive payment as quickly as possible.

## MI Client-centricity, satisfaction and retention

Sanlam embeds client-centricity firmly within its business practices, an approach fully aligned with Treating Customers Fairly (TCF), which mandates a formal approach to treating customers fairly and improving client confidence in the financial services industry.

The six fairness outcomes of the TCF framework are:

1	<b>Fair treatment</b>	Customers are confident that they are dealing with firms where the fair treatment of customers is central to the firm culture.
2	<b>Meet the needs of identified customer groups</b>	Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.
3	<b>Clear information</b>	Customers are given clear information and are kept appropriately informed before, during and after the time of contracting.
4	<b>Suitable advice</b>	Where customers receive advice, the advice is suitable and takes account of their circumstances.
5	<b>Products that perform</b>	Customers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect.
6	<b>No unreasonable post-sale barriers</b>	Customers do not face unreasonable post-sale barriers to change product, switch provider, submit a claim or make a complaint.

Our reporting structure for client-centricity, product development and distribution follows the TCF framework.

### What client-centricity means for Sanlam



- ① Understanding our clients and their financial service needs.
- ② Providing the right tailored solutions to fulfil clients' needs and their desires by designing business models and solution sets that are appropriate for each market segment.
- ③ Taking necessary steps to ensure that our client expectations relating to quality of service and any guarantees or promises in products and marketing are met.
- ④ Service standard requirements are in place to support the delivery of quality service and fair treatment.
- ⑤ We subscribe to providing our clients with information that is clear, fair and does not mislead.
- ⑥ Clients are encouraged to provide feedback through various channels on whether the quality of service, advice and performance meet their standards.

### Types of research

All research is conducted by independent research houses and Sanlam has no influence on outcomes.

Some research is commissioned by Sanlam, while other surveys are external initiatives that may or may not include Sanlam's involvement. Examples of research commissioned by Sanlam include: Consumer Tracking Study and the annual Sanlam BENCHMARK Survey.

Examples of external research include: SA Customer Satisfaction Index (SAcsi) and the Orange Index report.



# Responsible products and services material issues

## continued

### ④ Developing client insights

We use a number of ways to gain insight into client needs and to keep abreast of changing market trends. Market insight teams within each business cluster conduct market research throughout the year. Our annual Consumer Tracking Study, involving 1 200 participants, helps us understand the financial needs, behaviour and engagement preferences of consumers in markets we target. It also benchmarks consumer perceptions of Sanlam against key competitors.

Engagement with Sanlam clients is measured through client experience research in the course of client transaction processes throughout all stages of the product life cycle.

We interact with our institutional clients and the intermediaries serving our retail clients. We hold a number of annual regional forums and conferences to engage our intermediaries.

We interact with the TCF framework and we review government discussion documents, assisting the Association for Savings and Investment South Africa (ASISA) in formulating coherent responses to the Financial Services Board (FSB). Once new regulations are gazetted, we develop formal policies and management frameworks to ensure compliance. Further engagement takes place through complaints management, see section in page 63.

### ④ Performance

According to the 2015 South African Customer Satisfaction Index (SAcsi) study, Sanlam and one other insurer were sector leaders while the other four large insurers were statistically on par with the industry average in terms of overall customer satisfaction.

The international life insurance industry benchmark is set by the United States of America, and South Africa scored second internationally. Sanlam scores well in terms of customer satisfaction compared to the leading international insurers – we are in the top five internationally.

The 2015 client experience survey involved more than 6 000 clients and intermediaries across our different business units and market segments. Overall, we are satisfied with the results of the surveys, as we have met standards across all elements and consistently perform in the top quartile across the various areas, the business and market segments.

From 2015 we have included an evaluation of our clients' experience when transacting on new products with Sanlam in order to meet their financial needs. The results of this research reveal that overall, a large percentage of clients are delighted (score of 9 or 10 out of 10) with their experience.

Not only did the client survey reveal that we continue to offer our clients and intermediaries an excellent experience, but also that independent brokers (intermediaries who also support other financial services providers) declare a better service experience at Sanlam with regard to new business process compared to our competitors. However, we are cognisant of the increased pressure from competitors, and the constantly raised service levels within our industry.

TCF reports are presented to the Sanlam Customer Interest committee every quarter. The consolidated summary for 2015 is as follows:

#### Sanlam Individual Life and Segment Solutions (SILSS)

While some TCF issues were identified, these were not serious and are being addressed, which is good news for SILSS as we have very few cases coming back from the Ombudsman that need to be resolved.

#### Sanlam Sky Solutions

No significant TCF risks or compliance issues were reported for 2015. The number of complaints, an important indicator of TCF compliance, is low relative to the number of transactions processed. We have proactively put measures in place to reduce the number of clients going to external forums to resolve complaints.

In general, issues are addressed quickly, but we realise that more focus is required to finalise the significant number of calls logged through the legacy product review.

Group Benefits have aligned their TCF report to be in the same format as that of the Individual Life TCF information.

### Safrican

No significant TCF risks or compliance issues were reported for 2015. We are taking steps to address concerns regarding our sourcing agreements with our administrators. Management has undertaken to improve the internal process and ensure that all approved claims are paid. Ensuring that the proper diligence is exercised during the assessment phase remains an important focus.

In addition, two sets of client surveys on products and services were distributed to our administrators. The business remains committed to respond to these learnings.

Reducing the number of complaints generally, and the number of complaints found in favour of complainants, remains our key area of focus. Safrican continues with interventions to decrease our number of adverse findings to below the industry average.

### Glacier by Sanlam

No significant TCF risks or compliance issues were reported for 2015. The number of complaints has been reasonably stable during the year under review, and we are looking into why there has not been an improvement.

### Sanlam Personal Loans

The implementation of the TCF framework will continue at business cluster level in 2016, with a special focus on the roll-out of product training and the amendment of all client-facing communication. While it is not yet officially a requirement in any of the African countries in which we do business, we are nonetheless improving complaints management in these countries.

Business clusters have started quarterly reporting against our TCF framework and we are steadily improving the public disclosure of our TCF performance.

We expect that the TCF regulatory framework will evolve over time as both the industry and the Financial Services Board (FSB) grapple with its consequences. As developments around TCF and regulatory requirements relating to market conduct unfold, such as the recent publication of the complaints management discussion document and the Retail Distribution Review (RDR), we will initiate new projects or working groups to incorporate these new requirements.

### Sanlam Investments

Sanlam Investments (SI) implements all the elements of TCF in accordance with the Sanlam TCF Framework. The SI business culture and TCF practices are subject to continuous improvement to minimise conduct risk.

A key area of progress in 2015 is that the product evaluation group (PEG) is well established and meetings are held on a monthly basis. PEG is tasked with coordinating and approving products within SI, while ensuring that the requirements of TCF Outcome 2 are adhered to.

The SI Compliance department has a TCF monitoring programme whereby evidence is collected and evaluated for each of the six TCF outcomes throughout the year. Any findings are addressed either by specific intervention or by embedding the required TCF activities into operational processes.

The content and structured measurement of the TCF outcomes within SI is at an acceptable level. The awareness of TCF and the processes within the business to supply the required information continue to improve. We continue to align our development of TCF management information to our strategic imperative of creating a client-centric business.

## Resolving complaints

We have a strong internal complaints management process. This is governed by a Group complaints policy and the internal complaints processes provide Sanlam clients with the opportunity to lodge complaints with the Sanlam arbitrator. We further subscribe to the Long Term Ombudsman Scheme (OLTI). Any of our long-term insurance policyholders can lodge a complaint at the independent ombudsman of long-term insurance to have their complaint resolved. The OLTI publishes industry complaints data for all subscribers with the publication of their annual report. This information is available on their website [www.ombud.co.za](http://www.ombud.co.za)

## Product development

Our goal is to develop solutions that promote financial wellbeing within the communities we serve, by promoting a savings culture and providing protection. We design products that clients can easily understand and we build on our strong product legacy to foster trust and confidence in our solutions.

The Sanlam Group provides tailor-made financial solutions to meet a broad range of needs in different market segments, from entry-level to high net worth clients. We are committed to promoting access to financial services to all South Africans, especially in rural areas.

## Responsible products and services material issues continued

Our actuarial team has access to the database of Sanlam Personal Finance (SPF) of over six million clients, enabling them to develop more accurate models of future trends, and better understand the changing client profile. Using a value-mapping tool, we check the accuracy of this predictive modelling against the amount of new business signed against our client profiles.

### ➤ Key insights informing product development

The following key insights have informed our product development activities:

- Tough economic conditions and low economic growth are eroding particularly low- and middle-income clients' wealth and their ability to spend.
- There is a growing trend of affluent clients taking their money offshore, driven by the depreciation of the rand and the sluggish performance of the South African economy.
- Products are increasingly at risk of being commoditised, particularly in the savings and investment sector. Brand and service differentiation continue to be key to avoid margin erosion.
- Market and regulatory pressure continues to drive down fees, exerting further pressure on margins. We need to provide clients with bespoke value and improve business efficiencies.
- Technology (robo-advice) is enabling clients to obtain more advice online and is changing the nature of the intermediary engagement.
- The entry-level market is a growing segment with tough competition in the funeral space.
- There is growing appetite for simple savings in the entry-level market.

#### KPI table for product development

	2014	2015
Growth in new business sales in entry-level market (%)	(2,4)%	13%
Growth in new business sales in growth market (%)	9,8%	3%
Growth in new business sales in affluent market (%)	29,9%	27%
Research and development spend (R million)	68	53

Please refer to the 2015 Annual Report for more detail.

### ➤ Product development activities in 2015

#### Retail Distribution Review

In November 2014, the Financial Services Board (FSB) released the Retail Distribution Review (RDR) discussion paper, which could have far-reaching effects on our industry and clients. It proposes a set of structural changes to incentives, relationships and business models in an effort to support fair client experience. The RDR covers 55 proposals to improve client confidence in the retail financial services market. Through the Association for Savings and Investment South Africa (ASISA), Sanlam has provided feedback on each of the proposals relevant to the business. We will continue to engage with and support efforts by the FSB to improve the financial service sector's conduct, which will ultimately improve client confidence.

In April 2015, Sanlam launched a tax-free savings account product in line with National Treasury's guidelines on simple savings.

#### The Sanlam Emerging Markets client and product team

Sanlam Emerging Markets (SEM) has established a new team dedicated to driving and supporting growth through appropriate client distribution and product strategies across the cluster. The team spans across SEM's four core product lines of life insurance, general insurance, asset management and retail credit. It aims to provide innovative solutions and support for addressing gaps in our client and product offerings and in the models supporting them, and promotes the sharing of concepts and the re-use of product models across the cluster.

In January, the SEM board was informed of the approach that is being followed with regards to Treating Customers Fairly (TCF) and client interest. While SEM embraces the principles of the Sanlam Group TCF framework, it also recognises that the format of TCF within SEM will be influenced by local market practices

and the maturity of the markets in which the businesses operate. Accordingly, SEM will follow a risk-based approach to ensure that customers are treated fairly.

The SEM minimum governance standards that were developed in 2014 have been expanded to include a separate section on TCF and each of our businesses will be assessed against these standards. Meanwhile, a client interest statement and policy, and a client interest risk escalation process are minimum TCF standards for all SEM entities.

### Sanlam Sky Solutions

Sanlam Sky Solutions has developed solutions aimed specifically at meeting the demand for funeral policies. Our flagship products allow the flexibility to pay either a premium per life covered or a single premium covering the immediate family. Benefits include increasing cover and premium at the same rate, rewarding clients for keeping their policies active while also allowing premium holidays in the case of unemployment or pregnancy, and paying premiums on clients' behalf when they reach a certain age and have paid premiums for at least 15 years.

#### Funeral policy payout turnaround time

	2014	2015	Target
Payout percentage in 24 hours	92%	98%	95%
Payout percentage in four hours	67%	80%	80%

After extensive market research, the Sanlam My Choice Family Funeral Plans were launched in October 2015. This range of funeral plans was designed to offer an affordable funeral cover package for the whole family.

### Sanlam Glacier

Sanlam Glacier has over the last two years rewritten its online client and intermediary interface. The final switch-over to the new interface will take place during the first quarter of 2016. At the same time Glacier is rewriting a new business acquisition portal, enabling intermediaries and clients to interface with Glacier without having to use either verbal communication or paper documentation. This initiative is due for launch during the first quarter of 2017. The aim is to improve the efficiencies within the intermediaries' practice and to make it easier to do business with Sanlam Glacier.

### Sanlam Individual Life Segment Solutions

Risk products offer quality benefits and certainty of benefit payments at good value for money. This is what Sanlam is known for in the industry and this is the philosophy we continue to portray and protect. Ultimately, the aim is to increase value for our shareholders, and we therefore measure our performance against our targets in terms of the value of new business for each specific product line.

At the end of the first quarter of 2016 we will enhance our product range further with the following additions and changes:

① **A competitive cash back structure** to risk products

① **Integration with Reality** to offer members premium discounts on savings and risk business

① **A simplified underwriting model**, which will not only give us better entry into part of the lower income market, but potentially also revolutionise the ease of doing business in some of the upper segments looking for far larger cover sizes on a wider product set

① **A comprehensive rate review** to reflect changes to the tax dispensation of risk business, while ensuring that we remain as competitive as possible in the market.

The recent income protection review showed the results which can be achieved through a comprehensive review and re-packaging of product benefits. We have identified the need for a similar review to ensure our dread disease benefits remain best of breed. We are working towards the possible implementation of new dread disease benefits in the third quarter of 2016.

# Responsible products and services material issues

continued

## MI Distribution network

Sanlam's distribution channels can be broadly classified into three general categories that align with our three market segments: entry-level, growth and affluent. The largest of these are Sanlam Financial Advisers (SFA) and Sanlam Broker Distribution.

### Sanlam's three distribution channels

Sanlam's distribution channels can be broadly classified into three general categories:

1	Advisers/tied agents	<ul style="list-style-type: none"> <li>① Sanlam Financial Advisers (SFA) services the growth and affluent markets via two adviser categories: those who are only accredited to sell Sanlam products, and those accredited to sell a wider product range.</li> <li>② The Sanlam Sky agency distribution channel services the entry-level market, as well as the lower part of the growth market, via advisers who sell Sanlam products exclusively.</li> <li>③ Sanlam affiliated intermediaries also service the entry-level market, selling Sanlam products exclusively, but operate with a greater degree of autonomy.</li> </ul>
2	Brokers/independent intermediaries	Independent brokers service individual clients across the market segments and are supported by dedicated broker service units in Sanlam Sky, Glacier and Sanlam Broker Distribution.
3	Direct	The Sanlam Direct unit markets Sanlam products directly to clients using an outbound call centre. The various market segments also have a direct client offering for certain products, via an online platform.

Sanlam makes use of an intermediated distribution model to generate around 90% of all new business. Our prosperity is therefore dependent on a sustainable and growing flow of new business revenue from a professionally accredited sales force, with client-centricity and treating customers fairly at the core of our business philosophy and practice.

While new distribution structures such as dealership models, franchise models and direct-to-market models are on the rise, our consumer tracking study revealed that the vast majority of clients still prefer to receive financial advice from financial advisers and independent brokers. Aggregated industry statistics provided by the Association for Savings and Investment South Africa (ASISA) support this.

The intermediary channel is therefore crucial to our business model. Nonetheless, there are significant challenges:

① The cost of supporting an intermediated distribution network, and especially a tied agency network, has increased over the past five years

② Increased regulatory requirements have added considerable cost and complexity

③ There is uncertainty about the effect of the Retail Distribution Review (RDR) proposals, particularly on the low-income segment, as well as in the independent financial adviser market.

Furthermore, South Africa is known to have a poor savings culture, which is under further pressure from a stagnating economy. However, we are confident that with the right support and a long-term value creation approach, we can continue to assist intermediaries in creating and maintaining sustainable and economically viable businesses.

We support the development of a network of intermediaries across multiple distribution channels that are aligned with the needs of our clients for different market segments. We strive to ensure that our intermediaries are professional, well-informed and up-to-date regarding all legislative and regulatory compliance aspects. We are also committed to supporting intermediaries in terms of administration, value-adding and competitive financial solutions, leading-edge tools of trade, leadership and advice.

## ➤ Financial advisers

The growth in new clients and retention of existing clients is very much dependent on the success of our intermediated distribution and sales strategy. Sanlam Personal Finance (SPF) distribution consists of two main channels: Sanlam Financial Advisers (SFA) and Sanlam Broker Distribution (SBD – Independent Financial Advisers (IFAs) or brokers). It is important that, given changes in the market place and regulatory reform interventions, intermediaries have businesses that operate in a sustainable way.

To achieve this, SPF has conducted thought leadership engagements with various industry stakeholders, informing new design and implementation changes. In particular, we have invested significantly in providing comprehensive financial advice to our clients, training advisers to communicate knowledgeably, and providing transparent statements quickly and efficiently.

Looking forward, we will have to simplify business processes and bring costs down through improvements in technology. The aim is to continue retaining clients in 20 years' time and to continue being able to provide outstanding service at competitive cost.

## New legislation driving change

We take full legislative ownership and responsibility for our tied agents operating under Sanlam's multiple financial services provider (FSP) licences. Independent brokerages, which operate under their own FSP licences, can consult our support staff about Sanlam solutions and service offerings. We provide various levels of support to our intermediaries to help them adapt to this changing legislative environment, supporting them in adapting to new distribution models such as Sanlam BlueStar Succession and the Sanlam Affiliated Intermediary (SAI) network.

Furthermore, Sanlam participates in the RDR consultative process of the Financial Services Board (FSB) via ASISA, with the objective of providing a balanced view of implications not only to clients, but especially to intermediaries and other industry stakeholders.

## Engagement in the distribution channel

We regularly engage with our intermediaries. Our distribution leaders participate in regular workshops, unit meetings and many other formal and informal sessions.

The general manager of SFA and senior managers in the channel hold quarterly Sanlam Adviser Forum (SAF) meetings with the national committee, which consists of elected representatives from specific regional adviser constituencies. Matters discussed include client relationships, intermediary contracts, remuneration, compliance issues, incentives and training.

This year, SFA also held workshops with the national committee around the RDR proposals.

In Sanlam Broker Distribution, we have created a digital forum called The Broker Voice, engaging with brokers around topical issues in the independent intermediated space.

We provide our advisers and brokers with up-to-date information through our monthly *Inside Sanlam Personal Finance* (Inside SPF) magazine, an initiative that earns intermediaries 0,5 continuous professional development (CPD) points per edition from the Financial Planning Institute of South Africa (FPI).



## Responsible products and services material issues

continued

### KPI table for distribution network

	2013	2014	2015
<b>Number of:</b>			
Growth in total advisers	1 918	1 940	<b>1 992</b>
Growth in BlueStar businesses	159	181	<b>209</b>
Growth in supporting brokers	1 980	1 990	<b>2 000</b>
Recruitment into Succession	50	75	<b>135</b>
Increase in entry-level market footprint			
Proportion of black advisers	30%	32%	<b>31%</b>
Proportion of female advisers	32%	31%	<b>32%</b>

### ➤ Growth in the distribution network

While adviser numbers in the growth and affluent markets have increased modestly, the number of BlueStar businesses has grown significantly, with close to 50% of the middle and affluent tied agents now being part of a BlueStar business. Sanlam BlueStar aims to convert tied agents with small practices into professional, entrepreneurial businesses.

Specialised BlueStar businesses focusing on specialised solutions and services are also being established. This aligns with our vision to provide professional advice and services, as well as to focus more on profitability and sustainability and not only on generating sales for the sake of business volumes.

In Sanlam Broker Distribution, we have operated a broker network known as Succession Financial Planning for some time, currently with more than 150 broker partners. Recently we have added conversion of broker practices to agency alternatives to the proposition, focusing on practice building, new intermediary development, and capital extraction and retirement, known as Sanlam Aligned Financial Planning.

In the entry-level market, the prohibitive costs associated with regulatory compliance for independent brokers prompted us to endorse a new model – the affiliated intermediary model. This model provides sole proprietors and other one-person brokerages whose licences have lapsed the opportunity to operate under Sanlam's licence through a contractual agreement. Sanlam brings its experience to the partnership to ensure that these independent brokers meet regulatory requirements.

In support of our transformation agenda, we have maintained a 99% black adviser staff complement, with 67% female, in the

entry-level intermediary network. This performance reflects our continued focus on improving the Group's geographic footprint in the entry-level market, and ensures our ability to build trusting relationships across South Africa's diverse client base.

#### Strategy to improve performance



- Adapt to legislative requirements
- Grow our footprint
- Improve efficiencies to achieve profitable growth
- Diversify our offering in a sensible way
- Find synergies, for example with SFA, to collectively increase growth and market share
- Provide competitive products (see page 63 under Product development)
- Support intermediaries with efficient IT systems (see page 72 under Embracing technology)
- Secure and train the right people (see page 43 under Training and skills development)
- Enhance systems to improve agility and flexibility.

### Key initiatives for the middle and affluent markets

A big focus in SPF Distribution is on client retention, advice and, from a product perspective, recurring risk business. We committed to high targets in 2015, and exceeded them. Plans to ensure this is being achieved sustainably have been drawn up for 2016.

Ongoing client relationships are secured through the BlueStar and Succession models of delivering services and advice by the business and not by individual advisers, as in traditional distribution models. We take cognisance of client preference and employ direct marketing principles to actively target certain segments of our client base. During 2015 we launched an online offering aimed at the self-directed consumer. This capability is also available on BlueStar websites as part of a larger digital strategy.

Sanlam BlueStar and Succession enable advisers to adopt new-generation business principles, where the primary objective is to deliver the Sanlam value proposition to clients in an independent business setting, while still having the security and protection of Sanlam as the licence provider. The intention is to build and run profitable and compliant financial advisory businesses with predefined rules and processes, subject to strict governance and discipline.

Two new variants of BlueStar models are currently being rolled out. These provide further aspirational focus for existing BlueStar businesses while also expanding the SFA offering to intermediaries and groups of intermediaries still not part of Sanlam.

Within Sanlam Broker Distribution, there is significant emphasis on preparing broker businesses for the advent of RDR. Support is offered through both thought leadership and tools.

### Key strategic initiatives for the entry-level market

Sanlam Sky Solutions is our business vehicle for expanding into previously under-represented income segments, geographies and industries. Its goals are to:



We are also focusing on empowering our distribution force to meet client needs by creating a pool of advisers who can provide a wider range of products, by putting referral arrangements within the Sanlam Affiliated Intermediary (SAI) network and between Sanlam Sky Solutions and SFA in place, and by seeking other mechanisms for cross- and up-sell with the Group.

Other initiatives include:

- ① Driving TCF and the development of long-term client relationships in our sales forces
- ① Improving access to technology for our sales force to enable them to better service customers and increase their productivity and earnings
- ① Improving our training and development to provide world-class skills development to our people, focusing on the use of technology to expand reach, reduce costs and improve sustainability for our employees and the business.

### ① Sanlam Direct

As we are faced with more demanding and empowered clients, we need to ensure that we provide relevant mechanisms in order for them to engage with us. Our clients are 'always on' and this makes them 'channel agnostic'.

The channel derives value from four distinct sources:

- ① Traditional direct marketing aimed at clients in the Sanlam Life database. These promotions mostly involve up-sell and cross-sell invitations across the long and short-term insurance spectrums.
- ① The acquisition of brand-new clients with the help of external databases. These promotions involve invitations to clients that echo those of Sanlam Life.
- ① Online sales via [www.sanlam.co.za](http://www.sanlam.co.za): This initiative launched in 2015 with the self-directed client in mind.
- ① Collaboration with Sanlam's advisers with the view to act as an extension of their selling capacity.

# Responsible products and services material issues

## continued

### MI Providing access to financial services

Low-income consumers face a number of barriers restricting their access to the financial system: poor physical access, onerous requirements for identification, unaffordable service fees, and a lack of products that align with their needs.

Sanlam Sky has strong distribution channels to make sure these solutions reach the different market segments. Sanlam Sky conducts business through:

- ① 90 client care offices
- ① More than 280 independent brokers and over 360 Sanlam affiliated intermediaries
- ① Over 3 400 tied agents in 62 sales branches across the country
- ① 29 Ubuntu service points within communities
- ① Affinity groups: churches, burial societies, retailers, unions and funeral parlours.

Market research has suggested a number of avenues to improve this situation. These include a better understanding of the needs of these consumers and creating products that fit these needs, engaging consumers in their communities rather than through the existing branch network, working with trusted partners that already serve low-income consumers, providing incentives for participation in the mainstream financial system, and crafting technology solutions that work for low-income consumers.

There is an increasing number of initiatives being pioneered in this regard by the banking industry. However, there is as yet no national strategy that addresses the unique needs of low-income and economically vulnerable consumers. The challenge for the industry is to provide financial access, while eradicating exploitative lending practices. In line with our brand promise, Sanlam focuses on offering wealth-building products that offer sustained value.

### Sanlam Sky Solutions

Sanlam Sky Solutions, a business unit within the Sanlam Personal Finance (SPF) cluster, is responsible for growing our footprint in this market. Sanlam Sky focuses on individual and group solutions that efficiently meet the needs of the entry-level market.

To keep products affordable, we offer affordable risk solutions to members of affinity groups. Two of our funeral products adhere to three of the Financial Sector Code (FSC) access product standards. In addition, our funeral product sold to state grant recipients has been awarded partial recognition in terms of the

FSC standards. These funeral products have been instrumental in meeting our FSC targets for access to financial services. In addition, our credit life product, offered through Sanlam Personal Loans (SPL), meets the FSC credit life standard.

The SPF cluster has combined expertise and capabilities from Sanlam Individual Life Segment Solutions (SILSS), SPF Distribution and Sanlam Sky Solutions to develop smart financial products for our market segments. The aim is to offer a wider range of simple financial solutions to the various market segments while delivering a consistent client experience.

### Expanding our footprint through funeral policies

Increasing our distribution footprint is key to expanding into the lower income market. Funeral policies remain a priority for this market and also serve as a savings tool. The SPF cluster has been active in developing appropriate products and expanding our distribution footprint in the communities where our clients live.

A significant development in 2015 was the expansion of Sanlam funeral parlours in KwaZulu-Natal to 12 parlours in Durban, Pietermaritzburg, Eshowe, Kokstad, Ulundi, Vryheid, Port Shepstone, Newcastle, Matatiele, Mount Fletcher, Manguzi and Greytown.

The Sanlam client service centres were renamed client care offices. Over the last 12 years, the client care offices have grown tremendously, both in terms of numbers and the quality of service they provide. Today, there are over 90 offices with a total of 191 staff members.

### Sanlam roadshow

The Sanlam roadshow, a partnership between Sanlam and SABC Education's Takalani Sesame, travelled to seven towns in five provinces, including Northam in Limpopo, Manguzi and Stanger in KwaZulu-Natal, Soweto in Gauteng, Queenstown in the Eastern Cape, and George and Worcester in the Western Cape, to host free events for children and adults filled with fun, festivities and lots of prizes. The aim of the 2015 roadshow was to help South African families 'make every rand count' and educate adults on the importance of saving.

### Financial education

Sanlam again partnered with leading skills training provider Avocado Vision to empower communities, state-owned entities and corporates countrywide with basic financial skills. In 2015, the Money fo Sho! financial education programme reached more than 15 551 people in six provinces.

## ④ Measuring performance against the Financial Sector Code

We subscribe to the Financial Sector Code (FSC), which measures the extent to which we provide access to financial services to the entry-level market. We view this market as an opportunity for Sanlam to expand our business and deliver on our promise to improve people's lives. By the end of 2015, we had close to 730 000 low-income market policies in force over a wide geographical area, around 62% higher than our FSC target of 452 000. Included in this number, was around 149 000 state pensioner policies, which count 75% towards market penetration.

This enabled us to achieve all nine available points for transactional access and market penetration under the FSC codes. In total, we maintained our score of 12,14 (2014: 12,05) out of 14 on the FSC scorecard for access to financial services.

### Access to financial services indicators

	2013	2014	2015	FSC 2015 target
Number of in-force low-income market policies	650 000	656 000*	<b>730 000*</b>	452 000
FSC access to financial services score (score out of 14)	11,59	12,05	<b>12,14</b>	14,00
FSC access to financial services product standards (score out of 3)	1,50	2,00	<b>2,00</b>	3,00

Also see Transformation on page 84.

\* Approximate figures.

We have been working closely with the independent agency that audits Sanlam's FSC compliance in order to improve our understanding of the 'access to financial services' element of the FSC. This includes a review of all our entry-level market products against FSC requirements. Our products meet four of the FSC's 'access to financial services' product standards (funeral member only, member and family, parent and extended family, and credit life), leading to a total FSC score of two out of a possible three for our products.

We have developed products that comply with the life product standard.

We obtained approval from the FSC Council in 2015 for the state pensioner product to be awarded 75% recognition in terms of market penetration points. The product does not fully comply with the product standard.

We will continue working towards closing the gap between our products and the FSC's product standards, while looking for new distribution channels and opportunities to develop product solutions that address the needs of the entry-level market.

### Enterprise and supplier development

Sanlam's enterprise and supplier development (ESD) programme run by the Association for Savings and Investment South Africa (ASISA) was initiated in July 2013. The focus includes supporting the strategic growth and development of Sanlam's distribution networks. The programme supports transformation imperatives and shifting levels of professional, comprehensive advice services. During the year under review, a cohort of predominantly black-owned BlueStar businesses received specialist business development support to link them to accounting firms in value-adding ways. The focus was also on providing practice management support to a group of financial planners to complete their BlueStar accreditation and empower their businesses with practical practice management toolkits, and skills and knowledge to build and transform Sanlam's distribution capability.

For more details, see page 86.

# Responsible products and services material issues

## continued

### MI Embracing technology

Sanlam continues to harness the power of increasingly powerful digital technology to make our products and services more accessible to the market. Our approach to embracing technology – which is closely aligned with the principles of Treating Customers Fairly (TCF) – focuses on four key areas:

- 1 Improving strategic planning through data analytics
- 2 Operational efficiency solutions
- 3 Intermediary software support systems
- 4 Mobile and online technology solutions.

In the intermediary space we are putting quotation functionality for SILSS products on our website. This will allow people in different roles, such as a Sanlam sales support assistant (SSA) and a broker, to work on the same quote, and for the broker to submit an electronic proposal based on a quote prepared by a SSA. We are currently piloting with risk products and will do a full roll-out to intermediaries and support staff in 2016. Thereafter we will add retirement annuities and savings products.

Glacier has also started a project to provide an integrated online system for quotes, applications and submission of new business, aimed at making it easier for intermediaries to do business.

### Intermediary software support systems

#### SanFin

SanFin, an online financial planning, client management and practice management system, is a notable example of how we exploit technology to the benefit of our intermediaries. Launched in 2013, this system helps intermediaries to provide appropriate advice and run their practices more efficiently. The roll-out of SanFin was staggered throughout 2014 and 2015. In 2015, 898 advisers had been trained on SanFin.

#### KPI table for embracing technology

	2013	2014	2015	FSC target
Number of advisers trained on SanFin	19	1 711	898	2 100
Number of brokers trained on SanFin	—	—	1 174	800

#### InterAct

In December 2015, we launched our mobile app for intermediaries, InterAct. Its principal benefit is to improve the efficiency and productivity of face-to-face meetings between intermediaries, brokers as well as advisers, and their clients.

Among other functions, InterAct allows clients to sign application forms and other paperwork without actually having to use paper. Not only does this make the client's life easier, but it also helps intermediaries to cut their paper and printing costs. InterAct also provides access to the latest product brochures and forms; makes it simple to download and update client information on SanFin; and helps to determine the client's risk tolerance when planning investments.

InterAct was designed in-house and developed with the support of external suppliers. Early feedback indicates that the app is already achieving its objectives and over 500 intermediaries have downloaded it. Drawing on their feedback, we will improve and fine-tune InterAct during 2016.

### Mobile and online technology solutions

We continue to expand the range of products and services that clients can browse and buy through our main website, [www.sanlam.co.za](http://www.sanlam.co.za).

## MI Responsible investment

### ➤ Our investment philosophy

As value investors, we make use of the opportunities created when prices differ from their fair value. Generally, we invest in assets that are trading below our fair value estimate and disinvest from assets that are trading above our fair value estimate. This means that our team of analysts conducts in-depth research to gain insights into what an asset is truly worth, as opposed to what investors are willing to pay because of greed or fear. We are convinced that by applying this approach over the long term and riding out volatile and uncertain periods, we will be able to deliver consistent, long-term investment performance for our clients.

Given this investment philosophy, we look to embed sustainability as a core process that can result in more insightful research and a better understanding of the potential for companies to deliver sustainable cash flows into the future. By taking the long-term view, non-financial issues may play a greater role in our valuations. These issues are typically related to the quality of companies' relationships with their broader stakeholders and their responsible stewardship of natural resources, as well as their own governance.

#### Principles of the Code for Responsible Investing in South Africa (CRISA):

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

### ➤ Responsible investment policy

Sanlam Investments became a signatory to the United Nations Principles for Responsible Investments (UNPRI) and in addition subscribes to the Code for Responsible Investing in South Africa (CRISA). In doing so, we aim to comply with international best governance practice, in particular to promote a relationship of trust between all relevant stakeholders and to contribute to the ongoing and long-term sustainability of listed companies.

SIM's responsible investment policies can be found at [www.sanlaminvestments.com](http://www.sanlaminvestments.com).

Each year, Sanlam's policy framework and implementation is assessed by the UNPRI against its six principles. By comparing our performance against that of international peers, we are able to continuously improve our approach to responsible investing.



# Responsible products and services material issues

continued

## ① Membership of/listings with international frameworks

①	United Nations Principles for Responsible Investments (UNPRI)
①	Carbon Disclosure Project (CDP)
①	Water Disclosure Project (WDP)
①	RobecoSAM Dow Jones Responsible Investing Emerging Markets Index
①	United Nations Principles for Sustainable Insurance (UNPSI)
①	United National Global Compact (UNGC)
①	JSE FTSE Socially Responsible Investing (SRI) Index

In compliance with CRISA principles we continue to incorporate environmental, social and governance (ESG) principles and data into our investment processes.

- ① In May 2012, the Sanlam Investments management board approved a policy document which guides our approach to environmental sustainability.
- ① In June 2015, the Sanlam Investments management board approved a policy document which guides our approach to social sustainability.
- ① In December 2015, the Sanlam Investments management fixed interest team obtained approval from the Sanlam Central Credit committee to incorporate ESG factors into the credit approval process.

To increase transparency further, SIM's progress in implementing the responsible investing principles is regularly updated on the Sanlam website (SIM corporate governance website). We posted our first 'apply or explain' report on the CRISA principles after SIM's 2012 December year-end, and have reported annually since then.

The SIM business has itself established compliance, risk management and internal audit functions to identify and manage potential conflicts of interest (as required in CRISA principle 4). The SIM conflict of interest management policy provides a framework to promote transparency and fairness, while other Group policies provide guidelines for ethical conduct, combating financial crime, and gratifications. Compliance monitors the SIM insider information and personal account trading policies. In addition, Sanlam Investments is structured into discrete clusters, and the flow of information between clusters is limited.

## ① Reporting

Every quarter we report to clients and update the implementation portion of our website (see [www.sanlaminvestments.com](http://www.sanlaminvestments.com)). We produce an annual responsible investment report in terms of our CRISA requirements.

## MI Empowerment financing and infrastructure development

Empowering the people of South Africa is embedded in the history of Sanlam – our first black empowerment transaction saw the sale of the then Metropolitan Holdings to a majority black consortium in 1994. Our Ubuntu-Botho broad-based black economic empowerment (BBBEE) transaction matured in December 2013, and remains one of South Africa's most successful empowerment transactions to date. It continues to add value to both its shareholders and Sanlam.

## ① Financing BEE transactions

We provide empowerment finance to both unlisted and JSE-listed entities. All empowerment and infrastructure transactions are subject to a detailed risk and credit assessment and transactions are concluded only once the relevant risk committees have approved the transaction.

Our investments in BBBEE transactions allow black South Africans to either gain direct ownership in existing or new entities, or to facilitate joint ventures and equity investments in BBBEE companies.

## ➤ Targeted investments

In the course of our normal business we invest in infrastructure investments either directly, by financing specific projects in underdeveloped sectors such as transport, telecommunications, energy, health and education-related facilities, or indirectly, by investing in government bonds. Through government bonds we are able to finance specific infrastructure projects earmarked in various municipalities within South Africa. The guarantee that these investment instruments hold, as well as the social impact, creates a mutually beneficial return for both parties.

All transactions must meet our investment criteria and our credit analyst team reviews all investment decisions before seeking approval from our Board's Credit committee. Beyond social sustainability, we are currently funding three environmental sustainability projects, which form part of the Department of Energy's Renewable Energy Independent Power Producer Procurement (REIPPP) programme as well as the Department of Energy's Independent Power Producer Peaking Generation Project.

The financial services industry has identified the opportunity for a dual approach to empowerment financing, which goes beyond shareholding-only status, by promoting empowerment through targeted investments. This is the unique advantage that the Financial Sector Code (FSC) offers, and a view that Sanlam wholly supports.

	2013	2014	2015
Total empowerment finance and targeted investment assets* (R billion)	13,8	15,9	14,2

\* Includes government bonds after applying FSC weightings.

More information regarding our BBBEE transformation scorecard can be found on page 86.

At the end of December 2015 we had a total of R14,2 billion (2013: R15,9 billion) in empowerment finance and targeted investment assets. This includes government bonds and is arrived at after applying FSC weightings.

## ➤ Ubuntu-Botho BBBEE transaction

Sanlam's Ubuntu-Botho (UB) transaction, which matured in December 2013, was one of the first significant BBBEE transactions in the financial services sector. Ubuntu-Botho, our empowerment partner led by Patrice Motsepe, initially acquired 226 million Sanlam shares at the beginning of 2004. The transaction was funded through R1,148 billion debt and a capital investment by Mr Motsepe of R200 million. Of the capital investment, R62,5 million was used to enable the participation of broad-based empowerment groupings.

The UB empowerment consortium encompasses broader society through BEE entities and local communities. These include Abafazi Basadi Ubuntu-Botho Investments Limited, the Ubuntu-Botho Women's Upliftment Trust, and trade unions such as the South African Democratic Teachers Union (SADTU), representing around 250 000 teachers countrywide, and the National Education Health and Allied Workers' Union (NEHAWU), which has a membership of more than 180 000.

The Sanlam dividends received over the following 10 years were enough to repay all the debt of R1,2 billion, cover costs and in 2007 enabled UB to pay a R50 million once-off dividend to its shareholders and, in 2008, invest R110 million in Ubuntu-Botho Investments Holdings (Pty) Limited, a targeted investment company jointly owned by Sanlam and UB. In 2015 Sanlam enabled UB to pay a special dividend of R830 million to its shareholders.

At the end of December 2013, UB held around 292 million Sanlam shares, worth R15,2 billion. After deducting the initial R200 million capital investment, the total value created was about R15 billion.

The Sanlam Group continues to align with Ubuntu-Botho Investments as part of its sustainability strategy and the two parties concluded an agreement in terms of which:

- Ubuntu-Botho Investments has agreed to retain a core shareholding in Sanlam for a further 10 years, thereby ensuring a sustained empowerment shareholding for the Group. Sanlam will also retain the valued involvement of the Ubuntu-Botho representatives on the Sanlam Board.
- Both parties will jointly explore and pursue opportunities of common interest, while Sanlam will assist Ubuntu-Botho in its strategy to establish an independent financial services business.
- The Sanlam Ubuntu-Botho Community Development Trust, having benefited from the value created in the transaction over the past 10 years, will now actively contribute to the initiatives of both Sanlam and Ubuntu-Botho Investments, aimed at supporting poor and disadvantaged communities.

### Ubuntu-Botho and Indwe Risk Services

In a bid to bolster independent brokerage firm Indwe Risk Services' distribution and expansion opportunities in the future, Santam agreed to sell its controlling stake in the company to Ubuntu-Botho Investments and Sanlam. The transaction will see Ubuntu-Botho Investments acquire 51% of the Indwe shareholding through its wholly owned subsidiary African Rainbow Capital, while Sanlam will acquire 25%. Santam will retain 24% of Indwe.

This transaction establishes Indwe as a leading black-controlled insurance brokerage firm in South Africa with direct ties to Sanlam, thus further improving the distribution and expansion opportunities for its business both in South Africa and Africa.









## Prosperous society

Sanlam is in the business of building legacies. As a Group we are dedicated to the never-ending pursuit of meticulously crafting people's futures. It's a tireless approach that's rooted in our founding purpose of helping everyone to live their best lives possible. We do good business, for the good of the countries we operate in and the people who live there.

# Why a prosperous society is important

## We focus on the following material issues

### Business strategy

Earnings growth



Operational efficiencies



Optimal capital utilisation



Diversification



Transformation



### Material issues

### Page



Impact of products and services

Page 81 to 83.



Transformation and empowerment

Page 84 to 90.



Financial literacy and education

Page 91 to 97.



**Our business is about planning for tomorrow. This means helping our customers to build a more secure, prosperous future for themselves, their families and communities. It's a role that is rooted in our founding purpose: to help all South Africans lead their best lives possible.**

Sanlam recognises that it has a responsibility to create and preserve wealth for its clients. At the same time, we understand our responsibility to ensure that previously disadvantaged South Africans and their communities are given the skills and support to participate equally in the national economy. As Wealthsmiths™, we are in the business of building legacies. Accordingly, we have a profound desire to make a real and positive difference when it comes to creating lasting value for all.

Not only are our products and services designed to benefit individuals, but they also help to lighten the burden on the state. Social benefits (employment and security) in South Africa cost taxpayers R57 billion annually (2014 National Budget Review). In addition, corporate South Africa contributed R8,1 billion (2014: R8,2 billion) to social development initiatives (Triologue 2015 *CSI Handbook*).

Through its products and services, Sanlam aims to redistribute wealth more equitably over time. The business itself is also transforming and making progress in the transformation of its distribution channels.

Finally, we recognise our obligation to involve all citizens in creating and preserving wealth through financial literacy and education programmes. Here, the Sanlam Foundation plays a critical role in building a prosperous society.

#### Commentary on performance

**R145 399 million**  
wealth distributed

The Sanlam Annual Benchmark survey revealed that people are not saving enough for their future. For this reason Sanlam fully supports the government's efforts at industry reform and consolidation, which include improved cost efficiencies and the value proposition of savings products

Sanlam maintained its level 2 rating against the FSC.  
We improved our score to 89,69 in 2015 compared to a score of 89,14 from 2014.

**R9,4 million** spent on financial literacy – **14 155** learners, **51** schools, **19 806** students,  
**10** universities and **18 451** community members benefited from Sanlam Foundation during 2015



## Prosperous society material issues

### Key performance indicators

	2012	2013	2014	2015
Wealth accumulated (R million)*	117 516	145 467	140 204	<b>145 399</b>
Wealth distributed (R million)	117 516	145 467	140 204	<b>145 399</b>
– Policyholders	96 987	119 652	112 106	<b>111 269</b>
– Employees and directors	6 123	7 027	7 889	<b>8 456</b>
– Shareholders	3 491	5 284	5 090	<b>6 494</b>
– Suppliers	3 608	4 735	5 637	<b>6 378</b>
– Government	4 003	3 856	3 934	<b>4 295</b>
– Communities	67	98	84	<b>71</b>
– Retained for future growth	3 239	4 815	5 464	<b>8 436</b>
CSI spend (R million)	34	64	67	<b>74</b>
CSI spend as % of NPAT	0,84	1,18	1,20	<b>0,93</b>
BBBEE scorecard	80,92	87,54	89,14	<b>89,69</b>

\* Wealth accumulated refers to investment return and financial services income; remuneration commission paid to agency and brokers.



Takalani Sesame Muppets at schools promoting literacy, numeracy and basic life skills.

## MI Impact of products and services

### ⤵ People are saving less for their retirement

**“According to the 2015 Sanlam Benchmark Survey, only a quarter of South African retirees are expected to have the financial resources to maintain their standard of living once they retire.”**

The long-term insurance and investment industry's role is to create wealth and enable a prosperous society for South Africa's citizens. Retirement scheme members should be financially self-sufficient, secure against uncontrolled events, able to retire with dignity at an acceptable standard of living, and able to progressively improve the economic position of their families through generations.

The challenge of under-insurance is of concern since it could result in life events leaving people destitute and reliant on the state. The socio-economic impact and the role of insurance are often underestimated.

The general picture of the savings industry in South Africa continues to deteriorate. People are not saving enough for their future, resulting in an increased burden on the state as they grow older. There are many reasons for this, including the increased cost of living and rising levels of indebtedness.

Aggregate assets of retirement funds in South Africa grew from R171 million at the end of 1994 to R3,2 billion at the end of 2013. In parallel, active members increased from 7,8 million at the end of 1994 to 10,4 million\* at the end of 2013.

*\*This is the active membership figure in the Registrar of Pension Funds annual report published in March 2015.*

A study conducted by the Association for Savings and Investment South Africa (ASISA) in 2014 shows that the difference between insurance need and insurance cover, referred to as the 'insurance gap', has increased from R18,4 trillion in 2010 to R24,0 trillion in 2013 (R9,3 trillion in respect of death and R14,7 trillion in respect of disability cover). This represents an increase of between 9% and 10% per annum, exceeding annual inflation by at least 3%.

In response to these challenges, the government is taking active steps to reform South Africa's retirement industry. The ultimate aim of these reforms is to reduce pressure on the national fiscus by ensuring that citizens make sufficient provision for their retirement rather than relying on social grants once they stop working.

Among other reforms, the government is making it more attractive for members to make contributions to retirement savings and to preserve their retirement funds, improving the disclosure of reporting to members, simplifying retirement savings products, applying stricter controls to the retirement and savings industry, and improving transparency of intermediary remuneration. In addition, the reforms are designed to make industry players more responsive and more connected to the people they serve.

In other emerging markets in Africa, provision for retirement is at an even lower level than in South Africa and represents a strong investment case for Sanlam Emerging Markets (SEM) to provide much-needed retirement funding services to these markets.

### ⤵ Sanlam's response

The result of reform in the retirement fund industry has been a sharp decrease in the number of retirement funds in South Africa from 13 500 in 2005 to around 3 500 today. As this process of consolidation continues, the number of retirement funds is expected to fall even further. Sanlam fully supports the government's efforts to reform the industry and welcomes the consequences of consolidation which include improved cost efficiencies and the value proposition of savings products.

## Prosperous society material issues continued

Sanlam's strategy remains unchanged. It continues to do everything in its power to build trust with its clients in line with the principles of Treating Customers Fairly (TCF). This strategy comprises three main components:

- ① Identify what clients need in relation to what they can afford
- ② Ensure clients understand what savings/insurance product they are committing to
- ③ Follow through on our commitment to create wealth for our clients in accordance with what they have purchased.

Sanlam is also playing an instrumental role in shaping the reform agenda. For example, we continue to place a strong emphasis on

encouraging employers to take a more proactive role in safeguarding their employees' future wellbeing by cultivating a stronger savings culture in the workplace. With this in mind, we have produced a software tool that tells employees how much they should be saving towards retirement from the day they start in a new job.

We have also anticipated the government's imperative to reduce fees by developing our own fee model for umbrella funds that is both consistent and transparent. In addition, we support initiatives that will make it more difficult for people to cash in their pension funds when they change jobs.



## Leading the savings debate through education

### We believe that education is fundamental to improving South Africa's savings culture

In recent years, the launch of our annual Benchmark Survey has become an increasingly important event on the retirement industry's calendar.

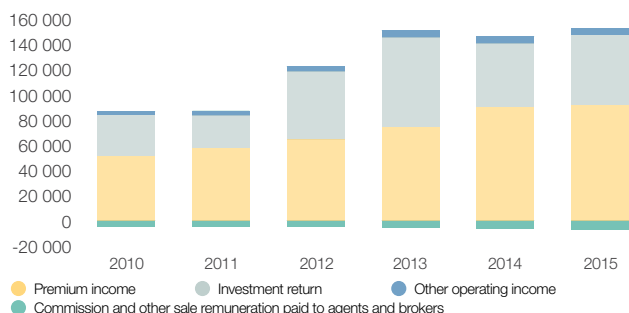
Through the Benchmark Survey, we take on a leadership role in the retirement fund research space by encouraging industry stakeholders to improve their business practices. All information is made freely available to the public, and provides key insights for various stakeholders, including retirement fund providers and the government.

### A future worth saving...

In 2015, we presented the survey at a series of roadshows in Johannesburg, Cape Town and Durban under the theme '*A future worth saving...*'. Among other issues, the study explored the all-pervasive issue of debt and the impact that it has on the financial and emotional wellbeing of employees. It also looked at how indebtedness causes people to prematurely withdraw from their employer-sponsored funds. One of the survey's key findings was that employees are not fully aware of the impact their financial decisions will have on their future.

For the full report on the Benchmark Survey, visit [www.sanlambenchmark.co.za](http://www.sanlambenchmark.co.za).

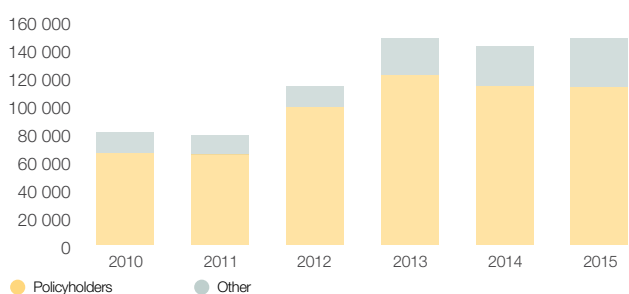
Wealth accumulated  
(R'million)



Of the wealth we accumulate annually, approximately 80% is distributed to policyholders. In 2015, we distributed R111,3 billion (2014: R112,1 billion) to our policyholders by way of insurance claims and reserves for future payouts to clients when their investments mature.

The graphic below illustrates how we have added value to our other stakeholders:

Wealth distributed  
(R'million)



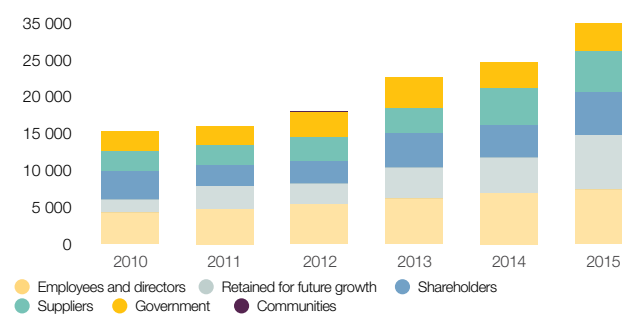
Most of the wealth we accumulate every year comprises the premiums paid by our policyholders and the money earned from the investments we manage. In 2015, our annual accumulated wealth increased by 4%.

Investment returns totalled R55,2 billion, or 38% of the total wealth we accumulated in 2015.

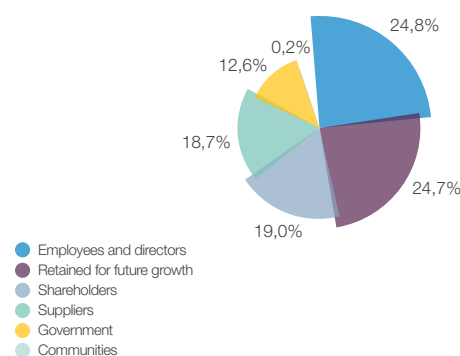
Premium payments stood at R90,0 billion, or 63% of the total wealth we accumulated in 2015.

 For further information refer to the Sanlam 2015 Group Annual Report.

Wealth distributed  
(R'million)



Wealth distributed  
2015



## Prosperous society material issues continued

### MI Transformation and empowerment

#### Why this is important

For Sanlam, transformation and empowerment are social and business imperatives. Given our position in society, we recognise that we have a crucial part to play in transforming South Africa's economic landscape to include all South Africans, while giving everyone the chance to participate meaningfully in the mainstream economy. Transformation is one of the five key strategic pillars underpinning our business strategy and will continue to shape our approach to sustainable development.

The aspects of transformation and empowerment that impact our business are defined by the dti's Codes of Good Practice (CoGP) and take into account the specific challenges facing the financial services industry.

#### Sanlam's verified FSC scorecard

	Weighting	2013	2014	2015
Ownership	14 + 3	15,90	15,97	15,76
Management control	8 + 1	7,07	7,07	7,10
Employment equity	15 + 3	7,07	7,71	8,15
Skills development	10	9,13	9,16	9,21
Preferential procurement	16	14,04	14,16	15,06
Enterprise development	5	5,00	5,00	4,27
Socio-economic development	3	2,74	3,00	3,00
Empowerment financing	15	15,00	15,00	15,00
Access to financial services*	14	11,59	12,05	12,14
Total	100	87,54	89,14	89,69
Contributor level		2	2	2

\* Consumer education is included as part of access to financial services (as sub-element) in terms of the FSC.

Through the Association for Savings and Investment South Africa (ASISA), Sanlam has played an active role in negotiating a revised Financial Sector Code (FSC) scorecard with the government. The revised scorecard was introduced in February 2016.

#### Ownership

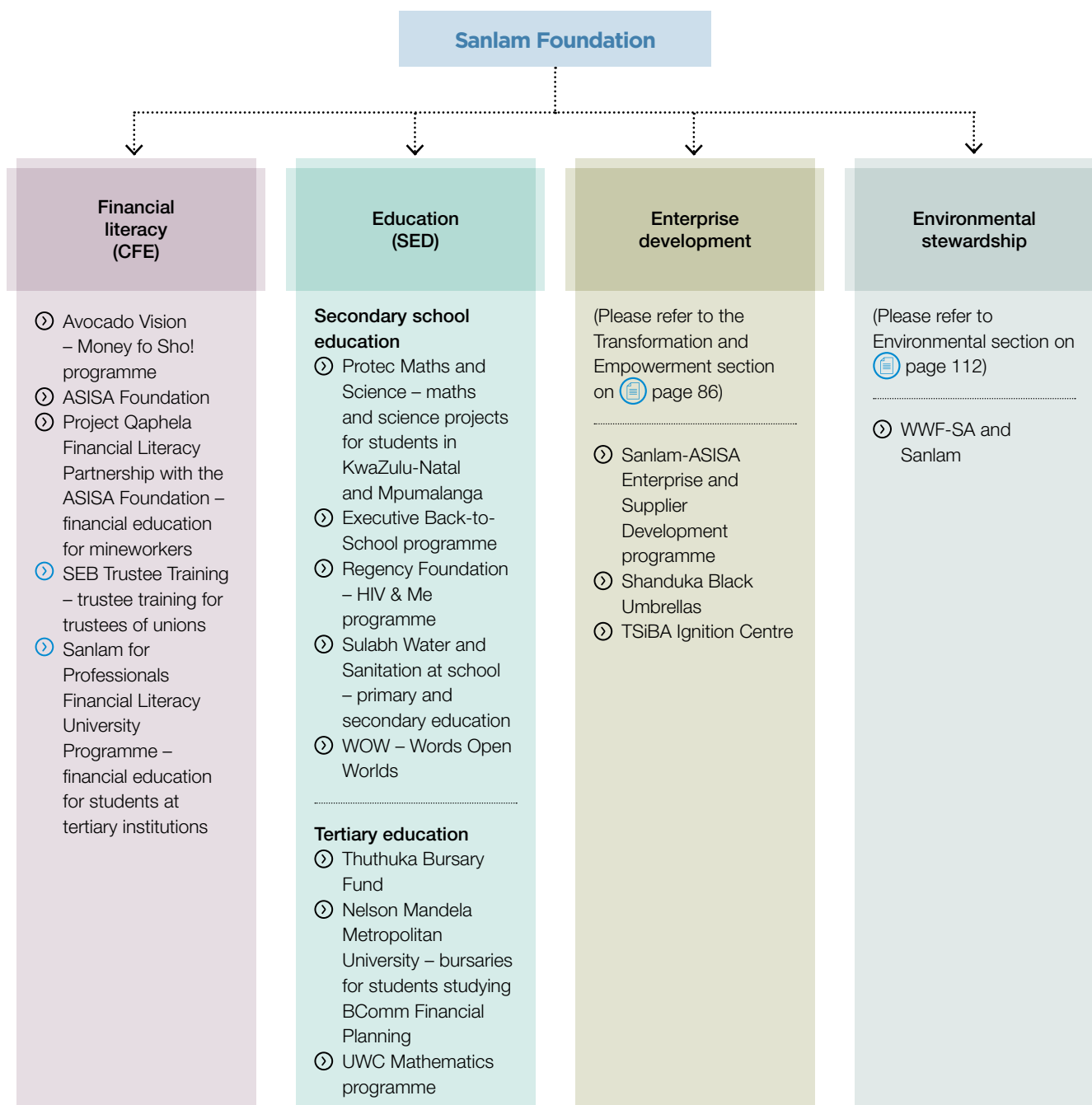
We have made steady progress against our transformation objectives over the last seven years, improving from level 4 to level 2 over this period. Our total black ownership percentage, as per the FSC rules, was 30,40% as at 31 December 2015 (2014: 31,33%).

#### The Sanlam Foundation

Sanlam's care for the communities in which it operates has evolved from mostly donations to a comprehensive corporate social investment (CSI) strategy.

The Sanlam Foundation strategy is aligned with our core business strategy and provides focused contributions to areas of significant impact.

The focus areas of the Foundation rest on three pillars: consumer financial education, socio-economic development and enterprise development.





## Prosperous society material issues continued

### ④ Principles guiding the Sanlam Foundation

#### Partnership and collaboration

We partner with leading non-profit organisations to implement all our corporate social and environmental initiatives, and encourage Sanlam employees to participate. We work with government departments, ensuring alignment with national priorities.

#### Core business alignment

We focus on education, in line with Sanlam's core capabilities of financial management and planning. This allows us to leverage our expertise, minimise our risk of failure and deliver maximum benefit to both society and the long-term sustainability of our business.

#### Values-and-brand fit

We test all our programmes and partnerships for their fit with our values and our brand, ensuring that each project is a true reflection of our corporate identity and will promote brand loyalty.

#### Holistic systemic approach

We invest in multiple components linked to our projects to improve their overall efficacy and impact.

#### Long-term investment

We rigorously select all our programmes and monitor, evaluate and assess their impacts. We hold our service providers to account through regular reporting on agreed deliverables and outcomes.

### ④ Preferential and responsible procurement

We recognise that transforming our supply chain by changing the way we procure goods and services represents an important contribution towards creating a more equitable and sustainable society. In particular, increasing the amount we spend with small, medium and micro-enterprises (SMMEs) – especially black-owned and black women-owned enterprises – remains high on our priority list.

Considering our procurement budgets only increase by CPI or less we need to find more innovative and inclusive ways to bring new suppliers into our supply chain.

Responsibility for sourcing and contracting suppliers lies with Group Sourcing, while buying is decentralised. This approach delivers significant cost savings to the Group. In 2014, our procurement teams launched a series of initiatives in collaboration with the business that achieved total savings of R192 million. Our savings target for 2015 was R228 million.

We link procurement-related opportunities for our suppliers to our BBBEE scorecard's enterprise development (ED) component. However, ED beneficiaries do not automatically qualify for procurement-related contracts. Those who do qualify are awarded contracts based on how well they meet the selection criteria.

We continue to face challenges when it comes to ensuring the viability of these suppliers, with room for improved performance. Linked to our FSC score on preferential procurement, we spent 37,32% of our total procurement budget on small and micro-enterprises in 2015, versus 32,3% in 2014. We also recognise that black women-owned businesses need additional support.

During the reporting period, we continued to devote significant resources and attention to managing our relationships with suppliers. For example, we are signatories to the Prompt Payment Code under which our standard payment terms are 30 days, but can be as favourable as seven or 14 days for black-owned and black women-owned SMMEs.

### ④ Enterprise development

According to the Association for Savings and Investment South Africa (ASISA), enterprise and supplier development (ESD) is the single most powerful tool for creating jobs and addressing poverty. With the economic output of small and medium-sized enterprises (SMEs) in South Africa estimated at 52% of gross domestic product (GDP), the SME sector currently provides employment for 60% of our nation's labour force. This means SMEs are an indispensable industrial and economic driver and are essential to reducing unemployment in South Africa.

With these factors in mind, Sanlam's supplier development strategy seeks to enhance efforts to create and maintain a network of competent suppliers while driving transformation throughout our supply chain.

In 2015, Sanlam invested R9,2 million in enterprise development.

Our overall enterprise development performance in 2015:

- ① 577 total jobs supported through 107 enterprise development partnerships
- ① 5 583 hours of mentorship and business development support invested in enterprises
- ① Average increase in turnover of 143% was achieved across the portfolio
- ① Procurement spend of R12,2 million was directed to accelerator businesses.

In line with the recent changes to the FSC scorecard, our aim is to treat enterprise development and preferential procurement as two sides of the same coin. Over the last year, we have taken specific steps to align these parts of our business more closely. Among other measures, this involves identifying potential suppliers that are capable of adding real value to our business while filling a gap in our current supplier list. We then support them with the high-quality, targeted support they need to fulfil their potential as sustainable, profitable businesses.

In 2015, 37,32% of our procurement spend went to SMMEs, and we took active steps to increase the percentage of black-owned businesses and black women-owned businesses in areas including – but not confined to – marketing, IT, plumbing, building and motor body repairs. We continue to implement our enterprise and supplier development strategy with three partners: ASISA, Shanduka Black Umbrellas and TSIBA Ignition Centre.

### Association for Savings and Investment South Africa (ASISA)

In 2015, the ASISA Enterprise Development (ED) Fund continued to establish enterprise and supplier development capabilities in partnership with ASISA member companies. The first project, initiated in partnership with Sanlam, proved hugely successful in 2014.

Over the past two years of running the programme, a total of 112 SMEs received 5 828 hours of business development support valued at R6,4 million. This helped to produce an average increase in revenue growth of 19% and create 75 new jobs.

As Sanlam's implementation partner, the fund is able to source high-impact SMEs through Sanlam's procurement network and provide financial and business development skills to SMEs to create meaningful success stories to the benefit of our industry and economy.

Our overall enterprise development initiatives for 2015 were:

### Enterprise development: sector leadership

#### The Sanlam/ASISA ED programme

**Sanlam still leads the way in the industry with its highly successful enterprise development programme introduced in 2013. The programme is aimed at supporting strategic growth and development of SMEs linked to Sanlam's supply chain and distribution networks.**

The programme achieved notable results for some of the enterprises during 2015:

- ① **Waste Want** (waste management) R3 million SME growth investments deployed from the ASISA ED Fund (2014). Implemented scales and weighing processes and streamlined operations. Won a City of Cape Town tender worth over R3 million.
- ① **Liquid Thought** engaged with PwC through the ASISA network for performance management and an incentive scheme. The business found the programme extremely beneficial.
- ① **Office Box** successfully registered as a supplier for Sanlam Business Assist. In addition, the enterprise received additional funding from Seartech. Office Box has also started on a drive to hire more staff.
- ① **Reynolds Autocare** researched the 'going green' model – the company wants to be the first panel beater to go green.
- ① **Judante Building Solutions** are officially 33% black owned. In addition there is a potential R3 million investment by the ASISA ED Fund.
- ① **Legaci Dry Cleaning** submitted a proposal to Sanlam Alice Lane. The enterprise is currently looking for funding for expansion.
- ① **Moving Ads** experienced a difficult period for the business with cash flow seriously impacted. Time was spent on getting new business in and building were potential relationships.
- ① **D and P Auto** increased revenue and profitability, with targeted sales. Customer tracking and protocol were implemented.
- ① **Stanhope Auto** investigated new business opportunities with Metro file.
- ① **Fireworkx** renewed its contract with Sanlam and held in-depth strategy sessions.

## Prosperous society material issues continued

Our investment in sector leadership to shape the enterprise development agenda in South Africa's savings and investment sector benefits our industry peers, who also face tough challenges when it comes to diversifying their supply chains. During the year, for example, Santam – the Group's short-term insurance division – made a one-off investment contribution of R10 million to the ASISA ED Fund. This contribution entitled the Group to a seat on ASISA's influential ED investment committee, which plays an instrumental role in setting the sector's approach to enterprise development, supplier development and business development support.

We are working hard to address two particularly significant challenges in the enterprise development space: giving emerging suppliers improved access to markets and giving them improved access to capital. Our partnership with ASISA has been helpful in addressing both issues, especially improving access to capital.

Our procurement board also acts as an important forum when it comes to raising awareness across our businesses around the importance of building productive two-way business relationships with viable black-owned SMMEs. Encouraging our decision-makers to build productive alliances with emerging black-owned enterprises is essential towards helping these businesses unlock new opportunities.

### Shanduka Black Umbrellas

Shanduka Black Umbrellas (SBU) works with smaller 100% black-owned and black women-owned businesses and supports them towards becoming supply chain ready. Sanlam's association with this organisation dates back to December 2013, when the two partners signed an ESD agreement with two principal aims:

- ① To identify 20 100% black-owned enterprises with a turnover of less than R5 million per year to offer support and development through the SBU incubation programme
- ② To identify five additional black women-owned enterprises with a turnover of less than R5 million and proven track records, that are supply chain ready, for possible opportunities within the Sanlam supply chain.

While 20 enterprises did qualify, during the period of the agreement, several businesses no longer met the SBU requirements and left the programme. Profiles of additional qualifying businesses were submitted to Sanlam and, once approved, they were included in the programme.

The businesses currently participating in the Sanlam SBU programme are:

#### Supplier development

Cape Town	Bravo Promotions CC
Cape Town	Exquisite Stationery
Cape Town	Oaktree Marketing Solutions CC

#### Enterprise development

Cape Town	Broad-Based Solutions (Pty) Limited
Cape Town	Cherry Blossom Communications
Cape Town	Kamva Capital (Pty) Limited
Cape Town	Just Amber Media
Cape Town	Measurecsi
Cape Town	Red Silk Tree Media
Johannesburg	Africentric Research
Johannesburg	Careers For A Powerful You (Pty) Limited
Johannesburg	Ceracure
Johannesburg	Molete & Khumalo Accountants
Pretoria	Advanced Solar

#### Graduated businesses (2015)

Incubator	Business name	Date graduated
Cape Town	Yes Youth Employment Services	September 2015
Pretoria	Digital Ether	September 2015
Johannesburg	Phakamo Holdings	May 2015
Johannesburg	Heita Ngamla Holidays and Leisure	June 2015

Sanlam's sourcing and procurement departments continue to work with SBU to develop an understanding of the procurement opportunities available within the Sanlam supply chain, so that the remaining three businesses can be recruited into the supplier development programme.

### TSiBA Ignition Centre

This organisation works with larger black-owned enterprises that have significant scale and experience and are close to being supply chain ready. The centre offers practical opportunities to maximise ESD activities. Not only do the benefits apply to supplier development, but they also help to grow a high-quality and efficient supply chain that will improve the operations and profitability of the SMMEs taking part in the programme, as well as the businesses supporting them.

TSiBA has designed a 10-month enterprise development programme that focuses on strengthening business acumen as well as operational and financial management, and marketing skills within black-owned SMMEs.

This joint partnership with Sanlam focuses on growing enterprises through collaboration between small and big businesses. The aim is to assist SMMEs with skills and technology transfer, supplier development, and creating marketing opportunities.

Together, TSiBA and the Sanlam Foundation have started recruiting for the 2015 – 2016 enterprise development programme. The new participants will enjoy the full benefits of this programme, while the 2014 – 2015 participants will receive mentoring.



The focus of our Foundation strategy is to improve the lives of South Africans through education.

## Prosperous society material issues continued

### Enterprise development: emerging markets

As our footprint continues to expand beyond South Africa, our focus on developing local suppliers in our emerging markets is set to intensify. To date, our approach has been to identify viable local partners in our new territories and then work in partnership with them to implement our strategy. Although it is still early days, we are already utilising local marketing suppliers and implementing our updated branding guidelines in various countries outside South Africa.



## Project BlueStar

**Sanlam's BlueStar project provided management training to 88 financial planners across seven regions** to empower them with practical business knowledge and toolkits in order to develop their businesses. 448 hours of training were provided (value = R384 000).

**70%** of the advisers and associates converted to BlueStar during the programme, the rest committing for 2016.

### Transformation

**BBBEE:** 60% of all the advisers and associates completed the training, with 32% of these converting to BlueStar.

**Female:** 34% of all female advisers and associates completed the training with only 27% of these women converting to BlueStar.

## MI Financial literacy and education

Financial literacy and education are essential to the sustainable economic development of our country. Through the Sanlam Foundation and our business units, we contribute significantly towards raising South Africa's notoriously low levels of financial literacy. Our work in this area is designed to improve financial decision making among consumers by exposing them to consumer financial education (CFE).

According to ASISA, raising financial literacy levels is becoming more difficult as financial markets become increasingly complex, the choice of financial products expands and the volume of information directed at consumers grows. As a result, consumers are finding it more difficult to match different financial products to their personal circumstances and manage their finances properly. The situation is complicated by associated factors such as predatory lending, high levels of consumer debt, low savings rates and limited knowledge about recourse mechanisms.

Our commitment to improving financial literacy levels to mitigate these challenges aligns directly with the Treating Customers Fairly (TCF) regulations and with National Treasury policy. During the year under review, we spent R9,4 million on consumer financial education initiatives, reaching a total of 17 502 South Africans across the country.

## > Consumer financial education projects

### Money fo Sho! financial education programme

Launched as a pilot in June 2014 through a partnership between Sanlam and Avocado Vision, the Money fo Sho! project is designed to equip communities across South Africa with the financial skills and knowledge they need to make better financial decisions.

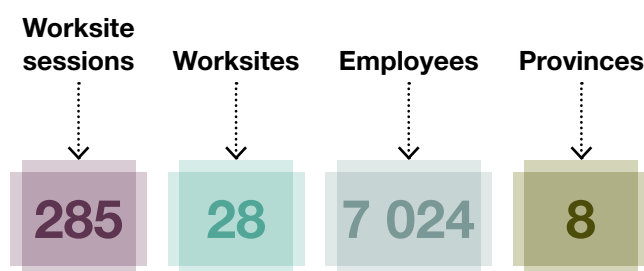
The current Money fo Sho! project trained 8 527 community members in seven provinces by the end of June 2015. The programme targeted the following provinces: Gauteng, the North West, Limpopo, Mpumalanga, KwaZulu-Natal, the Eastern Cape and the Western Cape.

One of the key recommendations arising from the successful outcome of the first phase of Money for Sho! was that the initiative should expand to cover worksites. As well as equipping the participants with financial knowledge and skills, implementing this recommendation has given Sanlam Sky Solutions an opportunity to build contacts and business opportunities in the worksites involved. The programme reached 7 024 worksite learners within 285 sessions.

### Community consumer financial education statistics

Province	Number of participants
Eastern Cape	770
Gauteng	2 774
KwaZulu-Natal	1 211
Limpopo	2 411
Mpumalanga	666
North West	299
Western Cape	396
<b>Total</b>	<b>8 527</b>

### Worksite consumer financial education statistics



### Project Qaphela financial literacy partnership

The key objective of this initiative is to present mineworkers with a range of solutions that enable them to manage their finances better, while also helping them understand employee benefit policies and salary statements. Specific challenges addressed included levels of indebtedness, micro-lending and garnishee orders. Training involved interactive workshops and industrial theatre to create a story-based approach.



## Prosperous society material issues continued

In 2015, we trained 800 mineworkers in areas selected by the National Union of Mineworkers (NUM) during the current pilot phase, with the emphasis on engaging shop stewards.

### Sanlam Employee Benefits (SEB) trustee training

In 2013, SEB embarked on a trustee education and training initiative that set out to empower trustees with a better understanding of their duties and to sharpen their financial skills.

A training programme with around 20 delegates from across three trade union federations was then launched. In 2015, the programme hosted 29 delegates representing 16 trade unions and trusts.

### Sanlam for Professionals and Graduates – financial literacy university programme

By the end of July 2015, the Sanlam for Professionals and Graduates programme reached 1 122 students across eight tertiary institutions.

The objective of this series of interactions was to equip graduates with financial knowledge to guide their financial decisions once they graduate and earn their first salaries. This programme also includes Thuthuka bursary students at South African universities.

An independent assessment of the programme indicated a significant increase in knowledge and greater confidence in choosing financial products, combined with a stronger appreciation of how important it is to have financial goals and stick to a budget.

## ➤ Education programmes

### Sulabh International Programme

In 2015 the Sanlam Foundation added the Sulabh International Programme as part of its educational programmes. The initiative allows Sanlam to build a relationship with schools, and improve sanitation facilities and promoting hygiene practices at schools in South Africa. In 2015, R3 million was spent on this programme in six schools in Gauteng.

### Sanlam Learner Brilliance Programme

Research has indicated that South African maths and science learners perform poorly when compared to learners in other middle-income countries. A low percentage of learners qualifying for university entrance impacts negatively on South Africa's future skills pool.

It is against this backdrop that the Sanlam Foundation chose to prioritise maths and science education as a key focus area and sought a partnership with Protec in order to utilise a tested, innovative solution that would positively impact on maths and science education levels.

The project was successfully piloted in the North West and Limpopo regions over a three-year period (2012 – 2014). The programme was extended for a further three years to replicate the project in other provinces. For the period 2015 to 2017 we are working with Protec in KwaZulu-Natal and Mpumalanga.

To date the project has achieved the following results:

11

**Number of schools reached**  
(six in Nelspruit and five in Durban)

100

**Total number of learners reached**  
(50 per province)

10

**Number of Protec staff members deployed on the project**

33

**Number of teachers who benefited through school support visits and workshops**

200

**Approximate number of parents reached**

## SI Vacation Work Development Programme

The SI Vacation Work Development Programme provided 46 students with exposure to the Sanlam Group, supporting brand building among current graduates, who in the years ahead will be potential employees and/or clients.

This brings to 258 the total number of students who have benefited from the programme since 2006.

Vacation programme (Year)	Students
2006	6
2007	6
2008	13
2009	12
2010	29
2011	20
2012	42
2013	42
2014	42
2015	46
<b>Total</b>	<b>258</b>

The programme's success has been attributed to a concerted effort to collaborate with colleagues from across the Sanlam Group, pooling various resources to offer students the best possible experience.

The students, representing 10 tertiary institutions from around South Africa, were provided with an overview of the financial services industry, insights into potential future careers within the industry, information on what they require in terms of attributes, skills and attitude to take up these roles, as well as personal, professional and leadership development.

In 2015 the programme impacted 46 final-year undergraduates, as well as Honours and Masters students from 10 universities.

The goals of the 2015 programme were achieved by selecting the best candidates from a pool of 1 150 applicants from at least 22 tertiary institutions around the country.

## BComm financial planning bursary

In 2010, Sanlam introduced the Black Advisers Bursary, aimed at students registered for the new postgraduate diploma which seeks to increase the number of black certified financial planners in the country.

In 2015 Sanlam and the Sanlam Foundation awarded 10 bursaries of R31 000 each for students to attend courses in financial and entrepreneurial skills at Nelson Mandela Metropolitan University (NMMU). The Sanlam bursary programme has maintained a 66% retention rate of all recipients.

## Thuthuka Bursary Fund

The Thuthuka Bursary Fund identifies academically strong learners who aspire to become chartered accountants. Students who perform exceptionally well in maths and science, and have excellent marks in other core subjects, may apply. The Sanlam Foundation contributed R836 064 towards the fund in 2015, amounting to 16 bursaries. In addition, there are 11 Thuthuka graduate trainees currently working within the Sanlam Group.

The first four of our trainees qualified at the end of 2015.

## Prosperous society material issues continued

This is what some of the Thuthuka bursary recipients had to say about the opportunity the bursary represents:



"I grew up in Jozini in Northern KwaZulu-Natal. Thuthuka came into my life when I didn't have any options. To be a CA isn't just about working in accounting. You can do anything you want to – I want to be a CEO one day, running my own business."

**Simamile Makhunga (23)**

*Second year*



"I was born and bred in Port Elizabeth in the Eastern Cape. With Thuthuka I have been able to attend the best university in Africa and obtain both my undergraduate and postgraduate qualifications. Thank you also for the mentoring support."

**Sinethemba Ntezo (25)**

*Third year*



"I went to school in Oudtshoorn and was strong in maths. When I heard there was a shortage of accountants I decided to take on the challenge and become one. Thuthuka ensured that I didn't put any financial pressure on my parents, who still have to save for the tuition of my younger brother and sister one day."

**Grantham Josephs (23)**

*Second year*

### Sanlam Foundation Business Challenge

Since 2012, the Sanlam Foundation has funded a business challenge at NMMU. The competition is based on an internationally recognised business simulation programme, encouraging participants to be innovative in exercising entrepreneurial skills.

The competition is open to students of any discipline and has become increasingly popular. A total of 155 students completed the challenge in 2015.

### HIV&Me

In partnership with the Regency Foundation Network (RFN) and the provincial Department of Education (DoE), we extended the HIV&Me programme to eight schools in Limpopo during 2015.

These eight schools participate in a comprehensive two-year programme that aims to entrench HIV/Aids knowledge and awareness at beneficiary schools. In 2015, the programme reached 1 882 grade 9 learners through 19 trained educators.

The Foundation has invested close to R2 million over three years in the programme and intends to expand it into other provinces.

### Sponsorships

Sanlam invests significantly in sponsoring a diverse range of good causes that align with our core values, resonate with our clients and deliver social value. We place a strong emphasis on

measuring each sponsorship against a predetermined set of requirements to determine return on objectives as well as investment. In 2015, our sponsorship programme included, among others, the following causes:

#### Sanlam Cancer Challenge

Organised in partnership with the Cancer Association of South Africa, this annual countrywide amateur golf tournament attracted 37 000 participants and the support of 450 golf clubs. Together, they raised R3 567 843 for cancer research, prevention programmes and patient care.

#### Sanlam Cape Town Marathon

As a partnership between ASEM Running, the City of Cape Town and Western Province (WP) Athletics, the Sanlam Cape Town Marathon is Africa's only IAAF Silver Label city marathon and the continent's only carbon-neutral marathon. In 2015, it attracted over 15 800 participants who joined forces with over 50 charities to raise more than R700 000.

#### Takalani Sesame

This international award-winning children's edutainment programme runs six days a week on SABC1 and SABC2 as well as nine vernacular radio stations countrywide. In total, it attracts more than 2,5 million children aged between four and eight years, their parents and teachers. The programme has achieved a documented improvement in early childhood development, with a focus on numeracy, literacy and life skills.

### Kay Motsepe Schools Cup

Programme	Description	Reach	Developmental return 2015
<b>Kay Motsepe Schools Cup (co-sponsored with the Motsepe Foundation)</b>	The Kay Motsepe Schools Cup sponsored by the Motsepe Foundation and Sanlam is an annual national tournament hosting over 3 000 schools from all nine provinces competing at regional, provincial and national levels. The primary objective of the tournament is to revive the culture of school football among students and the youth.	<ul style="list-style-type: none"> <li>① 3 413 schools from nine provinces, exposing 85 325 learners and their parents to the project.</li> <li>① Over 4 000 high school learners and the community of Soweto attended the finals of this tournament at the Nike Centre.</li> <li>① Readers of print and social media covering the tournament.</li> </ul>	<ul style="list-style-type: none"> <li>① The winning sum of R3,4 million is invested into legacy projects at the respective schools, not only benefiting the school but their communities at large.</li> <li>① 30 top players have been scouted by various PSL academies for permanent club employment.</li> <li>① Winning schools have become known for excellence and see an increase in enrolment every year.</li> </ul>

Prosperous society material issues continued

Environmental stewardship

Having been in partnership with the World Wide Fund for Nature South Africa (WWF-SA) since 2007, Sanlam is committed to improving South Africa's water security. The Group has already invested almost R30 million into this partnership, with an additional R20 million investment committed over the next three years.

The World Economic Forum recently ranked the water supply crisis as the number one global risk. WWF-SA's aim between 2015 and 2017 is to upscale our impact in four key areas of freshwater:

1

Water source areas – securing South Africa's ecological infrastructure for water security

2

Planning in a way that demonstrates that water matters

3

Water stewardship and water balance project – the role of business

4

Water-wise finance

See case study on page 110.

Staff engagement and involvement

The Sanlam Foundation team has partnered with Sanlam's Group Human Resources to determine pilot staff involvement programmes.

Refer to People chapter (attraction and retention of key talent page 37).

The Foundation has identified three programmes to be piloted:

Project	Involvement
Sanlam Learner Brilliance Programme 2015 – 2017	Mentorship of the 100 learners taking part in the Sanlam Learner Brilliance Programme
TSiBA Education	Opportunities exist for staff to lecture, tutor and mentor TSiBA students – relies heavily on volunteers
Teach Children to Save (TCTS)	Opportunities exist for staff to sign up to volunteer to educate children at schools on the importance of saving and managing money

The Foundation has compiled a baseline structure of what it hopes to achieve with each project.



## Mandela Day 2015

### CSI Market Day

The Sanlam Foundation recognises that there are few platforms that exist for the purpose of facilitating access, raising awareness, enhancing reach and linking people and organisations within businesses.

## The Foundation thus held its first CSI Market Day, in celebration of Mandela Day 2015.

The aim of the day was to introduce various NGOs and causes to staff, and in the true spirit of Madiba, encourage staff to sign up to volunteer for Mandela Day.

The Market Day served as a platform for staff to interact with some of the Sanlam CSI partner organisations.

The organisations collectively received over R5 000 in donations from staff during the day.

In addition TSiBA Education, The Community Chest and the SPCA secured a large number of volunteers for their various programmes.











## **Environmental impact**

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Every one of us has a responsibility to help save our scarce resources for future generations.

We are driven by this belief and by our sincere desire to find new ways to reduce our impact on the environment so that we can make a positive difference as we work together to build a world worth living in.

# Why managing our environmental impact is important

## We focus on the following material issues

### Business strategy

Earnings growth



Operational efficiencies



Optimal capital utilisation



Diversification



Transformation



### Material issues

### Page



**Carbon footprint and energy**

 Page 104 to 106.



**Environmental resource conservation**

 Page 107 to 110.



**Environmentally responsible investing\***

 Page 73 to 74.



**By impacting people’s lives, climate change affects both general insurance and the long-term insurance business. Natural disasters and the impacts of extreme weather will continue to raise the risk profile of clients in the general insurance industry, while disrupted and contaminated water supply will have a negative impact on the health and mortality of human populations, affecting the long-term insurance industry. As Wealthsmiths™ we are driven by a sincere desire to make a positive difference and to create a world worth living in. This starts with us caring for our environment.**

We are working with the World Wide Fund for Nature South Africa (WWF-SA) to gain a better understanding of the impact of environmental risk on Sanlam’s investments. This also supports our obligation as a signatory to the United Nations Principles for Responsible Investment (UNPRI) to favour companies that demonstrate sound and responsible practices (See Responsible investing, page 73).

Sanlam’s direct impact on the environment is small within the context of our business operations. Our impact is largely the result of the presence and activities of our people working in our six major office buildings across South Africa. However, as a leading institution in our country, it is important that we set an

example by managing our natural resources responsibly as a precursor to commenting on, or attempting to influence, the behaviour of the companies in which we invest.

More efficient use of energy and natural resources also has the benefit of leading directly to operational efficiencies and cost savings, and motivating employees to live the Wealthsmith™ values of prudence and long-term thinking. It also contributes to a low carbon economy.

**A strategic focus on embedding a green mindset**  
Our Energy Management Forum is playing an increasingly important role in improving Sanlam’s environmental performance. There is also growing awareness throughout the business that improving environmental performance demands clear targets, accurate measurement and formal structures.

Considering our employees’ widespread interest in environmental issues, we plan to improve the way we engage people in this area to ensure we maximise the value of their involvement. We also recognise that we need to take a stronger approach to vetting our suppliers’ green credentials.

All clusters participate in quarterly group environmental forum discussions. Business units have their own boards and executive committees that structure their activities within appropriate delegated authority levels.

### Commentary on performance

Our carbon emissions decreased by **1,8%** ▾ per full-time employee in 2015. We achieved massive electricity reductions in 2015.

Over the last five years we have reduced our water consumption by **53%**.

\* Refer to Responsible investment, page 73.

### Current performance

<b>9,54</b> ▾	<b>298</b> ▾
Emissions/FTE	Electricity usage (kWh/m²) (all buildings in scope)

<b>0,53</b> ▾	<b>36,2</b> ▲
Water usage (kℓ/m²)	Paper consumption (kg/FTE) (office paper only)

Reporting on Santam and SEM is not included in this report.

## Environmental impact material issues

### Key performance indicators

	2010*	2013	2014	<b>2015</b>	2015 target
Emissions/FTE	11,77	9,77	9,71	<b>9,54</b>	15% reduction (10,00)
Emissions per m <sup>2</sup>	0,48	0,42	0,44	<b>0,44</b>	15% reduction (0,41)
Electricity usage (kWh/m <sup>2</sup> )**	390	316	312	<b>298</b>	20% reduction (312)
Water usage (kℓ/m <sup>2</sup> )	1,06	0,74	0,63	<b>0,53</b>	10% reduction (0,90 )
Paper consumption (kg/FTE)***	21,68	33,52	30,90	<b>36,2</b>	15% reduction (18,43)
% Waste to landfill (%) by weight	58	50	49	<b>44</b>	10% of total waste (10)
Recycled waste by weight (%) (kg)****	42	50	51	<b>56</b>	90% of total waste (90)

\* Baseline year.

\*\* All buildings in scope (of total space including common areas, but excluding consumption by external tenants).

\*\*\* Office paper only.

\*\*\*\* Sanlam Head Office only.



Sanlam renewed its partnership with the WWF SA. The power of this partnership is focused on supporting a water-securing future for South Africa. The Journey of Water campaign ([www.journeyofwater.co.za](http://www.journeyofwater.co.za)) aimed to raise awareness around the fact that water does not come from a tap, but travels a long route from our delicate water source areas. In addition, these water source areas cover 8% of our land surface, but produce 50% of the country's surface water.



## Success stories from 2010 – 2015 target cycle

# We met and exceeded our energy reduction targets in 2015.

Sanlam reduced its annual electricity consumption by 7,9 million kWh between 2010 and 2015. This is enough electricity to power around 1 437 households in South Africa per year.

We exceeded our water targets. In our bid to help create a world worth living in, we are committed to driving awareness around the importance of water security and how we can use it wisely. In 2015, as in 2014, we participated in the Global Water Disclosure Project, which enables society to interrogate how its corporate citizens use this scarce resource.



### Areas for improvement from 2010 – 2015 target cycle

#### Waste management



We are aware that we are running out of landfill space and this is a serious social and environmental issue. At Sanlam, we choose to do the right thing and take responsibility for our waste. In doing so, we support the growing green economy of recyclers and up-cyclers that turn waste into wealth.

Meeting our waste targets has been a challenge and this journey will continue until we are able to meet our zero waste-to-landfill target at Sanlam Head Office by concentrating on training and promoting separation at source.



## Environmental impact material issues continued

### ① Setting our 2020 environmental targets

Sanlam and Santam have committed to reducing their office buildings' scope 1 and scope 2 emissions intensity by 10% per employee by 2020, relative to 2014 levels. Apart from greenhouse emission targets, Sanlam will also have environmental sustainability targets linked to electricity, water, travel, waste and investments. This means committing to recording and tracking at least 80% of our scope 3 emissions.

#### Proposed breakdown

Overall Group target	Scope	Resource	Proposed target
Sanlam/Santam commits to reducing its offices' scope 1 and scope 2 emissions intensity by 10% per employee by 2020, relative to 2014 levels.	1 and 2	<b>Energy/ Electricity</b>	<b>10%</b> reduction by the end of 2020 per m <sup>2</sup> /full time employee based on 2014 levels*
	3	<b>Office paper</b>	<b>10%</b> reduction by the end of 2020 based on 2014 levels per full time employee
	3	<b>Waste/ recycling</b>	<b>10%</b> reduction per full-time employee by the end of 2020 based on 2014 levels <b>50%</b> recycling for the Sanlam Group Sanlam Head Office – zero waste-to-landfill target to be carried over to 2020
	3	<b>Travel</b>	<b>10%</b> reduction km per full-time employee based on 2014 levels
	3	<b>Water</b>	Water balance* through WWF-SA water balance projects
	3	<b>Investments</b>	Still being discussed

\* Both m<sup>2</sup> and full time employee will be taken into consideration.

\*\* Water balance programme with WWF-SA is aimed at clearing alien plants in selected area(s) around the country in order to promote maximum water catchment, also contributing towards job creation.

### MI Carbon footprint and energy

#### KPI table for carbon footprint and energy

	2010*	2013	2014	2015	2015 target
Total carbon footprint (tCO <sub>2</sub> e/FTE)	58 179	53 955	53 092	<b>54 029</b>	15% reduction 49 452
Total carbon footprint (tCO <sub>2</sub> e/FTE)	11,77	9,77	9,71	<b>9,54</b>	
GHG emissions per m <sup>2</sup>	0,48	0,42	0,44	<b>0,44</b>	
Scope 1**	41	68	115	<b>135</b>	Ⓐ
Scope 2***	44 535	38 988	39 584	<b>36 999</b>	Ⓐ
Scope 3	11 677	14 712	13 311	<b>16 850</b>	
Total electricity usage (kWh) million			38,4	<b>36,6</b>	
Other non-Kyoto GHG emissions****	1 926	187	82	<b>35</b>	
Electricity usage (kWh/m <sup>2</sup> of total office space including common areas, but excluding consumption by external tenants)	390	316	312	<b>298</b>	20% 295
<b>Business travel</b>					15%
– Air travel – km/FTE	5 519	5 104	4 665	<b>5 188</b>	4 692
– Car rental – km/FTE	193	187	163	<b>193</b>	164
– Hotel accommodation – bed nights/FTE	1,85	1,98	3,20	<b>3,98</b>	1,57

\* Baseline year.

\*\* Scope 1: This represents one of the KPIs of our Sustainability Management Framework. The basis of measurement thereof is scope 1 emissions based on the GHG protocol for six buildings: Sanlam Head Office, Sanlam Investments, Glacier, Alice Lane (Sandton), Sanlynn and Sanlam Sky.

\*\*\* Scope 2: This represents one of the KPIs of our Sustainability Management Framework. The basis of measurement thereof is scope 2 emissions based on the GHG protocol for six buildings: Sanlam Head Office, Sanlam Investments, Glacier, Alice Lane (Sandton), Sanlynn and Sanlam Sky.

\*\*\*\* Non-Kyoto protocol GHG emissions are reported separately according to GHG protocol.

Ⓐ Limited Assurance.

The biggest contributor to our carbon emissions is the electricity we consume from the national grid. This consumption presents significant challenges, given the sharply rising costs of energy and its derivation from coal. It is therefore critical that Sanlam conserves its usage of electricity and ensures its supply can maintain critical IT systems around the clock. Our energy conservation strategy continues to aim to achieve efficiency gains before committing to capital outlay.

This year, we again participated in the Carbon Disclosure Project (CDP) and Sanlam achieved a score of 98B (2014: 94A). Of the 83 companies that were assessed for the JSE/FTSE Russell Index, 61 qualified and Sanlam was among the top 30 to make the index this year. Santam was also among the 61 qualifiers for the FTSE/JSE Socially Responsible Investment (SRI) Index. We have also been included in the Dow Jones Sustainability Index. We are the only South African life insurer included in the emerging market index out of the 83 companies.

Our carbon emissions for 2015 were 54 029 tCO<sub>2</sub>e (2014: 53 092 tCO<sub>2</sub>e) for an intensity of 9,54 tCO<sub>2</sub>e/FTE. Our total emissions decreased by 7% compared to 2010. As previously stated, by far the biggest contributor to our carbon footprint is the municipal electricity we purchase from Eskom. It comprises 68% of the total. Sanlam Head Office contributes the greatest proportion at 70% of the total.

In 2015, we have reduced electricity consumption per square metre by 24% compared to 2010.

Measured against the 2010 baseline, our indirect emissions (scope 3) increased by 44%. This is due to the inclusion of additional factors in the calculation of the carbon footprint from flights, vehicle fleet and waste. In 2015, we also included staff commuting as part of our scope 3 emissions. In 2015 average emissions per full-time employee for staff commuting decreased from 1,24 to 1,18.

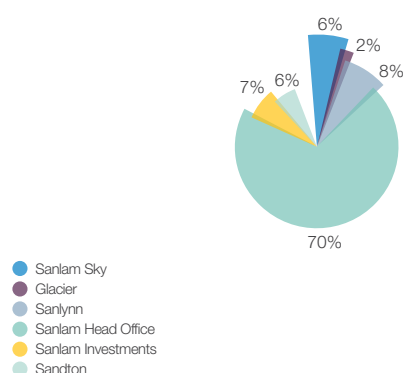
## Electricity consumption per building 2015

	2014 million kWh	Consumption per building (%) 2014	2015 million kWh	Consumption per building (%) 2015
Sanlam Sky	2,21	6	<b>2,21</b>	<b>6</b>
Hyde Park/Sandton*	1,10	3	<b>2,23</b>	<b>6</b>
Glacier	1,48	4	<b>0,83</b>	<b>2</b>
Sanlynn	2,86	7	<b>2,94</b>	<b>8</b>
Sanlam Head Office**	28,05	73	<b>25,67</b>	<b>70</b>
Sanlam Investments	2,73	7	<b>2,71</b>	<b>8</b>
Total	38,42	100	<b>36,59</b>	<b>100</b>

\* The Sandton building replaced Hyde Park as from 1 December 2014.

\*\* Sanlam is responsible for 94% of the Head Office building's total electricity consumption. Tenants are liable for the balance. Sanlam is responsible for all the electricity consumed by all other buildings.

Consumption per building 2015  
(36,6 million kWh)





## Making our events carbon neutral

In 2014, our plans to make all our sponsorship events carbon neutral took an important step forward when the Sanlam Cape Town Marathon (SCTM) became the first sporting event in South Africa to gain carbon neutral status. We achieved this landmark by purchasing carbon credits traded on the JSE platform using existing financial and commercial infrastructure.

In 2015, we went one step further by introducing an app in partnership with Green Pop and the Climate Neutral Group that enabled SCTM participants to offset their own carbon emissions associated with travelling to and from the event.

In less than two minutes, participants could use the app to offset their emissions by buying their carbon credits online.

This emphasis on carbon neutrality aligns directly with our overall sustainability strategy and targets, which included reducing our carbon footprint by 15% by the end of 2015 based on 2010 emissions. The benefits certainly added up. The 2015 marathon attracted more than 15 000 runners from around the world. Its total greenhouse gas emissions were calculated at 1 292 tCO<sub>2</sub>e, or around 0.08 tCO<sub>2</sub>e per participant.




The SCTM is not the first Sanlam-sponsored event to be declared carbon neutral. Since 2013, we have also purchased carbon credits to offset gas emissions from our annual Benchmark Symposium.

## MI Environmental resource conservation


The material aspects that have the biggest impact on Sanlam's environmental resource conservation are water and paper usage, the responsible management of our waste stream and green buildings.

### KPI table for environmental resource conservation

	2010	2013	2014	2015	2015 target
Total water usage (kℓ)*	127 899	93 612	77 270	65 275 	
Water usage (kℓ/m²)	1,06	0,74	0,63	0,53	
Total paper consumption (tonnes)	158 085	236 897	224 412	204 928	
Paper consumption per FTE (kg/FTE)	21,68	33,52	30,90	36,2	15% reduction
% Waste to landfill by weight (kg)**	58	50	44	44	10
% Recycled waste by weight (kg)**	42	50	56	56	90
Total waste generated (kg)	586,1	717,5	740,6	617,2	

\* This represents one of the KPIs of our Sustainability Management Framework. The basis of measurement is water usage for six buildings: Sanlam Head Office, Sanlam Investments, Glacier, Sandton, Sanlynn and Sanlam Sky.

\*\* Head Office only.

 Limited assurance.

## > Water

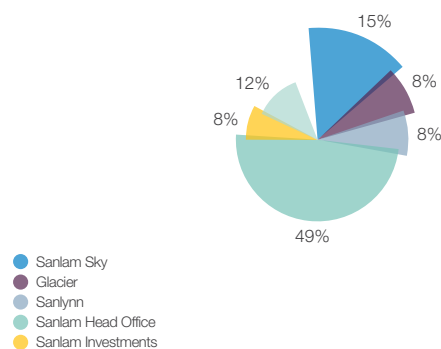
We are not a water-intensive business. However, we recognise that we have a responsibility as a corporate citizen to address the challenges of water scarcity in the country.

Based on our municipal accounts, we estimate that the Sanlam Head Office accounts for more than 40% of our total water usage, primarily through the HVAC system. By improving efficiencies, we are reducing our energy requirement, and also our water consumption. We have reduced our water consumption by 53% per m² since 2010.

During 2015, we participated in the Global Water Disclosure Project. This initiative is designed to enable society to examine how its corporate citizens use this scarce resource.

Our aim is to become water balanced by investing in WWF-SA's water balance programme, focusing on the community project aimed at clearing alien plants in selected area(s) around the country in order to maximise water catchment.

Consumption per building 2015  
(65 275 kℓ) 



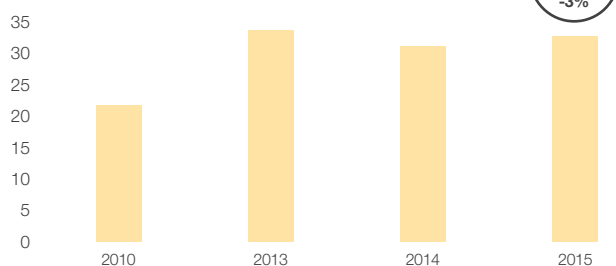
## Environmental impact material issues continued

### > Paper

The manufacturing process of paper demands considerable energy, accompanied by the threat of pollution in the form of chlorinated organic compounds used in the bleaching process. In addition, paper not recycled decomposes in landfills, releasing methane, a greenhouse gas 21 times the heat trapping power.

In response, Sanlam uses environmentally friendly paper certified by the Forest Stewardship Council (FSC) and recycles used paper.

Paper consumption\*  
(kg/FTE)



	2010	2013	2014	2015
Total kg*	158 085	236 897	224 412	204 928
Kg of paper/FTE	21,68	33,52	30,9	32,6

\* Office paper only.

### > Waste

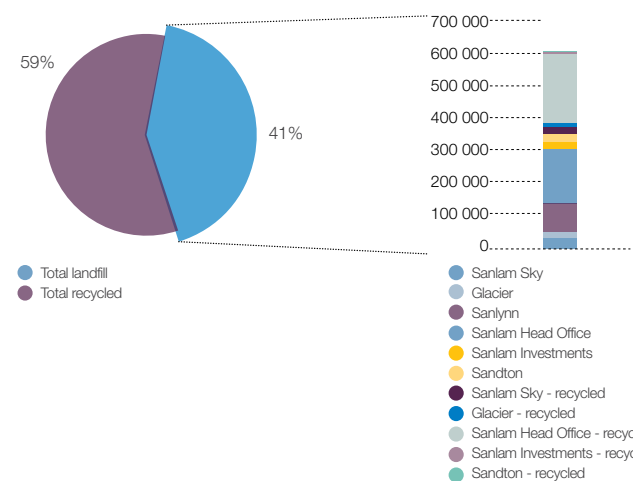
Apart from paper, the waste we produce includes printer ink cartridges, packaging and food. Unless it is consciously managed, this waste ends up in landfills, presenting significant town planning challenges while also adding to the pollution load on the environment.

We are committed to reducing the Group's waste to landfill and increasing its recycling capacity. As Wealthsmiths™, we realise the importance of recycling and sharing tips on how to recycle correctly.

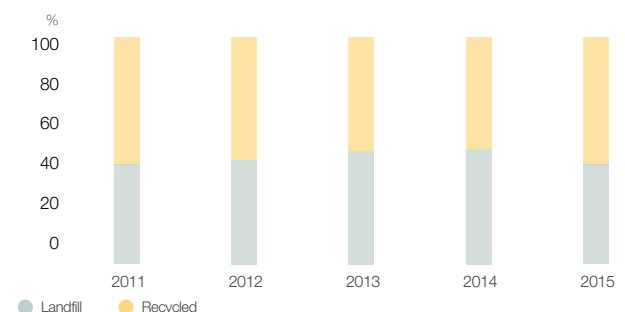
Our overall waste (kg/FTE) has decreased by 14% since 2011, largely as a result of better record keeping. In previous years we based a significant proportion of our information on estimates, but we have now introduced tighter monitoring that will enable us to achieve accurate and auditable waste figures.

In 2015, a communications strategy was drafted and during the year, we took steps to train staff on environmental sustainability, with a particular emphasis on energy, water and waste. This will continue into 2016.

Waste by building  
2015 (617 187 kg)



Sanlam Head Office waste split





## ➤ Green buildings

By using natural light and ventilation, as well as smart design for the movement and accommodation of employees, green buildings use significantly less energy and other resources.

Sanlam accommodates almost all of its 5 661 full-time employees in six major buildings. Two of these buildings have now achieved four-star status: a new seven-storey office block in Gauteng, close to the Sandton Gautrain station, and the Glacier building in Cape Town.

We have consolidated our staff complement as far as possible in the new four-star buildings, in order to reduce the need for less efficient buildings. Furthermore, we are assessing the other four buildings for their green building status and will use this understanding to make improvements in environmental efficiency.

During the year, we intensified our focus on the challenges associated with making our buildings and facilities as environmentally efficient as possible. We developed sustainable business cases for incorporating the most innovative and environmentally advanced designs into our building infrastructure. Significantly, we expanded this focus beyond our Head Office to cover all our buildings, notably our data centre.



## Environmental impact material issues continued

### ➤ Water stewardship



## WWF Sanlam partnership

### WWF Sanlam partnership extended for three years

South Africa is one of the 30 most water-stressed countries in the world, with an average of just 450 mm rainfall a year. Additionally, only 8% of our country's land area provides more than 50% of our surface water. To add to these challenges, South Africa is currently experiencing its worst drought since 1992, affecting food production in some critical farming regions. Ultimately, partnerships – within the private sector and between the public and NGO sectors – are required in order to address South Africa's various water challenges. The rationale behind Sanlam's partnership with WWF South Africa, which started nearly 10 years ago, is easy to appreciate in this context.

### To date, Sanlam has committed R30 million to the partnership,

and we are now extending this relationship for another three years, committing a further R20 million. Sanlam's investment goes towards securing South Africa's water source areas, promoting water stewardship, and empowering local government to integrate freshwater protection into its policies and plans.

Sanlam has also invested in a collaborative project with Cape Nature to clear 95,2ha of selected management compartments within the Driftsands Nature Reserve of alien invasive vegetation via WWF-SA.

The specific project objectives have been:

- To control the spread of invasive woody alien species and
- Contribute to local economic development and job creation through the creation of approximately 653,15 person work days.

The purpose, and real social impact, of clearing these compartments and substantially reducing the related biomass is the reduction in risk of fires that confront the surrounding informal settlement.



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## General information

### Assurance report

#### ⑤ Independent limited assurance report on selected key performance indicators, including the GHG statement, to the directors of Sanlam Limited

We have undertaken a limited assurance engagement on selected key performance indicators, including the greenhouse gas (GHG) statement, as described below, and presented in the 2015 Sustainability Report of Sanlam Limited (Sanlam) for the year ended 31 December 2015 (the report). This engagement was conducted by a multidisciplinary team including environmental and assurance specialists with extensive experience in sustainability reporting.

#### Subject matter

We are required to provide limited assurance on the following key performance indicators, including the GHG statement, prepared in accordance with management's sustainability criteria, marked with a (LA) on the relevant pages in the report.

Category	Key performance indicators	Management's sustainability criteria	Boundary
Environmental	GHG statement, comprising: ① Scope 1 carbon emissions ② Scope 2 carbon emissions	Criteria applied for the selected key performance indicators are those identified by Sanlam and are provided where the key performance indicators are disclosed in the report	Six buildings in South Africa: Sanlam Head Office, Sanlam Investments, Glacier, Sandton, Sanlynn and Sanlam Sky.
	Water consumption		

#### Directors' responsibilities

The directors are responsible for the selection, preparation and presentation of the key performance indicators, including the GHG statement, in accordance with management's sustainability criteria, provided where the key performance indicators are disclosed in the report. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, for commitments with respect to sustainability performance and for the design, implementation and

maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

#### Inherent limitations

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

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information.

#### Our independence and quality control

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

In accordance with International Standard on Quality Control 1, EY maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Our responsibility

Our responsibility is to express a limited assurance conclusion on the selected key performance indicators, including the GHG statement, based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than the Audits or Reviews of Historical Financial Information* and ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board. Those standards require that we plan and perform our engagement to obtain limited assurance about whether the selected key performance indicators, including the GHG statement, are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) and ISAE 3410 involves assessing the suitability in the circumstances of managements' sustainability criteria as the basis of preparation for the selected key performance indicators, including the GHG statement, assessing

# General information

## Assurance report continued

the risks of material misstatement of the selected key performance indicators, including the GHG statement, whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected key performance indicators, including the GHG statement. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

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

- ① Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness;
- ① Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- ① Reviewed the process that Sanlam has in place for determining material selected key performance indicators, including the GHG statement to be included in the report;
- ① Tested the processes and systems to generate, collate, aggregate, monitor and report the selected key performance indicators, including the GHG statement;
- ① Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- ① With respect to the GHG statement, evaluated whether Sanlam's methods for developing estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate Sanlam's estimates;
- ① Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the directors in the preparation of the other key performance indicators;
- ① Evaluated whether the selected key performance indicators, including the GHG statement presented in the report are consistent with our overall knowledge and experience of sustainability management and performance at Sanlam.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable

assurance engagement. As a result the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Sanlam's selected key performance indicators, including the GHG statement have been prepared, in all material respects, in accordance with management's sustainability criteria.

### Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected key performance indicators, including the GHG statement as set out in the subject matter paragraph, for the year ended 31 December 2015 are not prepared, in all material respects, in accordance with management's sustainability criteria.

### Other matters

Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the report.

The maintenance and integrity of Sanlam's 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 report or our independent assurance report that may have occurred since the initial date of presentation on the Sanlam website.

### Restriction of liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected key performance indicators, including the GHG statement to the directors of Sanlam in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than Sanlam, for our work, for this report, or for the conclusion we have reached.

*Ernst & Young Inc.*

#### Ernst & Young Inc

Director – Jeremy Peter Grist

Registered Auditor

Chartered Accountant (SA)

102 Rivonia Road

Sandton

2196

9 March 2016

# Glossary

<b>Aids</b>	Acquired Immune Deficiency Syndrome	<b>LISPs</b>	Linked Investment Services Providers
<b>AML</b>	Anti-money laundering	<b>LSM</b>	Living Standards Measure
<b>ASISA</b>	Association for Savings and Investment South Africa	<b>NBI</b>	National Business Initiative
<b>BBBEE</b>	Broad-based black economic empowerment	<b>NGO</b>	Non-governmental Organisation
<b>BUSA</b>	Business Unity South Africa	<b>NHI</b>	National Health Insurance
<b>CCC</b>	Client Contact Centre	<b>NSSS</b>	National Social Security System
<b>CCMA</b>	Commission for Conciliation, Mediation and Arbitration	<b>PHI</b>	Policyholders' Interest committee
<b>CDP</b>	Carbon Disclosure Project	<b>POPI</b>	Protection of Personal Information Bill (proposed)
<b>COP</b>	Communication on Progress (Global Compact)	<b>PPP</b>	Public-Private Partnership
<b>CRISA</b>	Code for Responsible Investing in South Africa	<b>SEM</b>	Sanlam Emerging Markets
<b>CSI</b>	Corporate social investment	<b>SILSS</b>	Sanlam Individual Life and Segment Solutions Limited Service
<b>dti</b>	Department of Trade and Industry	<b>SIM</b>	Sanlam Investment Management
<b>EAP</b>	Employee Assistance Programme	<b>SME</b>	Small to Medium Enterprises
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation and Amortisation	<b>SMF</b>	Sustainability Management Framework
<b>EE</b>	Employment Equity	<b>SPE</b>	Sanlam Private Equity
<b>ESG</b>	Environmental, social, governance	<b>SPF</b>	Sanlam Personal Finance
<b>Exco</b>	Executive Committee	<b>SPI</b>	Sanlam Private Investments
<b>FAIS</b>	Financial Advisory and Intermediary Association	<b>SPAB</b>	Sanlam Provincial Advisory Board
<b>FSB</b>	Financial Services Board	<b>SRI</b>	Socially Responsible Investment
<b>FSC</b>	Financial Sector Code	<b>TCF</b>	Treating Customers Fairly regulation
<b>FTE</b>	Full-time employee	<b>UB</b>	Ubuntu-Botho (empowerment partner)
<b>GESC</b>	Group Environmental Sustainability Committee	<b>UNPRI</b>	United Nations Principles for Responsible Investment
<b>GHG</b>	Greenhouse Gas	<b>UNGC</b>	United Nations Global Compact
<b>GLP</b>	Graduate Leadership Programme	<b>USA</b>	United States of America
<b>GRI</b>	Global Reporting Initiative	<b>USB</b>	University of Stellenbosch Business School
<b>HIV</b>	Human Immunodeficiency Virus	<b>VoC</b>	Voice of the Customer
<b>HR</b>	Human Resources	<b>WBCSD</b>	World Business Council for Sustainable Development
<b>JSE SRI</b>	JSE Limited Socially Responsible Investment Index	<b>WRI</b>	World Resources Institute
<b>kℓ</b>	kilolitre	<b>WWF</b>	World Wide Fund for Nature
<b>KPI</b>	Key Performance Indicator		
<b>kWh</b>	kilowatt hours		



## Sanlam GRI G4 index table 2015

Indicators	Page reference		External assurance
<b>GENERAL STANDARD DISCLOSURES</b>			
G4-1	p6	Message from the Chairman – Sustainability Report 2015	
G4-2	p13, p14 p86	Sanlam Sustainability Management Framework (SMF) – Sustainability Report 2015 Impact of products and services – Sustainability Report 2015 Key risks and opportunities – Annual Report 2015 Sustainable value creation for shareholders – Annual Report 2015	
<b>ORGANISATIONAL PROFILE</b>			
G4-3	p24	Overview of the Group – Annual Report 2015	
G4-4	p34 p2	Business model – Annual Report 2015 About the Sanlam Group – Sustainability Report 2015	
G4-5	p9 p26 <a href="http://www.sanlam.co.za/contact/Pages/default.aspx">http://www.sanlam.co.za/contact/Pages/default.aspx</a>	Head office location – Sustainability Report 2015 Head office location – Annual Report 2015 Head office location – Refer to Company website	
G4-6	p28 <a href="http://www.sanlam.co.za/about/Pages/sanlamglobal.aspx">http://www.sanlam.co.za/about/Pages/sanlamglobal.aspx</a>	Where we operate – Annual Report 2015 Sanlam Global – Refer to Company website	
G4-7	p21	Ownership – Sustainability Report 2015	
G4-8	p74 p9	Strategic review by the Group Chief Executive Officer – Annual Report 2015 Operational structure – Sustainability Review 2015	
G4-9	p10 p170	Business model, human capital – Sustainability Report 2015 Shareholders' income statement – Annual Report 2015	
G4-12	p88	Preferential and responsible procurement – Sustainability Report 2015	
G4-15	p13, p24 p6 p62, p63 p73 p74 p82	Sanlam's Sustainability Management Framework (SMF) – Sustainability Report 2015 Embedding a sustainability culture across the business – Sustainability Report 2015 Treating Customers Fairly (TCF) – Sustainability Report 2015 Policy Framework: United Nations' Principles of Responsible Investment (UNPRI), Code for Responsible Investing (CRISA) – Sustainability Report 2015 Responsible citizenship United Nations Global Compact (UNGC) – Sustainability Report 2015 Creating value through transformation broad-based black economic empowerment (BBBEE) – Annual Report	

Indicators	Page reference		External assurance
G4-15	p105	Carbon disclosure submission – Sustainability Report	
G4-16		Engagement with business institutions and organisations Association for Savings and Investment South Africa (ASISA) – Sustainability Report 2015	
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>			
G4-17	p2	Annual Report 2015	
G4-18	p2 p2	About this report – Sustainability Report 2015 About this report – Annual Report 2015	No
G4-9	p2, p10 p2	Scope and boundary – Annual Report 2015 Scope and boundary – Sustainability Report 2015	No No
G4-20	p12  p18 p34 p58 p78 p100	Materiality – Annual Report 2015 Sustainability Report 2015: Sound governance – Material issues People development – Material issues Responsible products and services – Material issues Prosperous society – Material issues Environmental impact – Material issues	No
<b>STAKEHOLDER ENGAGEMENT</b>			
G4-24	p32 p32 p23	Governance and Board review – Annual Report 2015 Stakeholder engagement – Annual Report 2015 Business context and stakeholder engagement – Sustainability Report 2015	
G4-25	p32 p215 to p243 p23	Stakeholder engagement – Annual Report 2015 Governance and board review – Annual Report 2015 Stakeholder engagement – Sustainability Report 2015	
G4-26	p32	Stakeholder engagement – Annual Report 2015	
<b>REPORT PROFILE</b>			
G4-28	p2 p2	About this report – Annual Report 2015 About this report – Sustainability Report 2015	
G4-29	p2 p2	About this report – Annual Report 2015 About this report – Sustainability Report 2015	
G4-30	p2 p2	About this report – Annual Report 2015 About this report – Sustainability Report 2016	
G4-31	p3 p402	Feedback – Sustainability Report 2015 Feedback – Annual Report 2015	

## Sanlam GRI G4 index table 2015 continued

Indicators	Page reference		External assurance
G4-32	p2 p2	About this report – Annual Report 2015 About this report – Sustainability Report 2015	
G4-33	p3, p111 p14 p150, p250	Assurance Report – Sustainability Report 2015 Independent assurance – Annual Report 2015 Independent Auditor's Report – Annual Report 2015	
<b>GOVERNANCE</b>			
G4-34	p215	Corporate Governance Report – Annual Report 2015	
G4-38	p30	Composition of the highest governance body and its committees – Annual Report 2015	
<b>ETHICS AND INTEGRITY</b>			
G4-56	p11, p26 p11	Our vision and values – Annual Report 2015 Our business philosophy – Sustainability Report 2015	
G4-57	p229	Corporate code of ethical conduct – Annual Report 2015	
G4-58	p229	Corporate code of ethical conduct – Annual Report 2015	
<b>SPECIFIC STANDARD DISCLOSURES</b>			
<b>CATEGORY: ECONOMIC</b>			
<b>MATERIAL ASPECT: ECONOMIC PERFORMANCE</b>			
G4-DMA1	p12	Strategic drivers – Sustainability Report 2015	No
G4-EC1	p78	Prosperous society – Sustainability Report 2015	No
<b>MATERIAL ASPECT: INDIRECT ECONOMIC IMPACT</b>			
G4-DMA3	p70	Providing access to financial services – Sustainability Report 2015	No
G4-EC7	p81 p70 p62 p74	Impact of products and services – Sustainability Report 2015 Providing access to financial services – Sustainability Report 2015 Expanding our client reach – Sustainability Report 2015 Empowerment financing and infrastructure development – Sustainability Report 2015	No

DMA and indicators	Page reference		External assurance
G4-EC8	p83 p88 p88	Impact of products and services – Sustainability Report 2015 Financial education – Sustainability Report Enterprise development – Sustainability Report 2015 Sanlam enterprise and supplier development (ESD) programme	No

#### MATERIAL ASPECT: ENERGY

G4-DMA6	p100 p101 p101	Why our environmental impact is important – Sustainability Report 2015 What we are doing about our environmental impact key performance indicators – Sustainability Report 2015 What we are doing about our environmental impact group and cluster response – Sustainability Report 2015	No
G4-EN3	p212 p102	Environmental footprint – Annual Report 2015 Environmental impact performance indicators – Sustainability Report 2015	No
G4-EN4	p104	Energy – business travel – Sustainability Report 2015	No
G4-EN5	p100 p102	Why our environmental impact is important – Sustainability Report 2015 Environmental impact performance indicators – Sustainability Report 2015	No
G4-EN6	p102	Environmental impact performance indicators – Sustainability Report 2015	No
G4-EN7			

#### MATERIAL ASPECT: WATER

G4-DMA 7	p107 p110	Water usage – Sustainability Report 2015 Water stewardship investing in South Africa's water security	No
G4-EN8	p107	Environmental resource consumption – Sustainability Report 2015	Yes, Assurance Report (p111)

#### MATERIAL ASPECT: EMISSIONS

G4-DMA 9	p104	Carbon footprint GHG emissions – Sustainability Report 2015	No
G4-EN15	p105	Carbon Disclosure Project – Environment Sustainability Report 2015	No

## Sanlam GRI G4 index table 2015 continued

DMA and indicators	Page reference		External assurance
G4-EN16	p104	Carbon emissions – Environment Sustainability Report 2015	Yes, Assurance Report (p111)
G4-EN17	p104, p106	Reduction in energy consumption water and electricity – Environment Sustainability Report 2015	
G4-EN18	p104	Carbon emissions – Environment Sustainability Report 2015	No
G4-EN19	p104	Carbon emissions – Environment Sustainability Report 2015	No
<b>MATERIAL ASPECT: EFFLUENTS AND WASTE</b>			
G4-DMA	p108	Waste management – Sustainability Report 2015	No
G4-EN23	p108	Waste management – Sustainability Report 2015	No
<b>MATERIAL ASPECT: TRANSPORT</b>			
G4-EN30	p104	Reduction in airline miles – Environment Sustainability Report 2015	No
<b>MATERIAL ASPECT: PRODUCTS AND SERVICES</b>			
G4-EN27	p108	Paper usage – Sustainability Report 2015	No
<b>CATEGORY: SOCIAL</b>			
<b>SUBCATEGORY: LABOUR PRACTICES AND DECENT WORK</b>			
<b>MATERIAL ASPECT: EMPLOYMENT</b>			
G4-DMA17	p35 p36 p35	Why people development is important – Sustainability Report 2015 What we are doing to develop our people key performance indicators – Sustainability Report 2015 Group and cluster response how we manage people – Sustainability Report 2015	No
G4-LA1	p26 p44	Employees, agents and brokers – Annual Report 2015 Movement in our workforce – Sustainability Report 2015	No
G4-LA2	p42 p357	Employee benefits and remuneration – Sustainability Report 2015 Retirement benefits for employees – Annual Report 2015	Yes
<b>MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY</b>			
G4-DMA19	p27	Culture of compliance training – Sustainability Report 2015	No



DMA and indicators	Page reference		External assurance
<b>MATERIAL ASPECT: TRAINING AND EDUCATION</b>			
G4-DMA20	p34 p36	Why people development is important – Sustainability Report 2015 What we are doing to develop our people key performance indicators – Sustainability Report 2015	No
G4-LA9	p43	Training and skills development – Sustainability Report	No
G4-LA10	p40 p27 p215 to p243 p26 p43	Graduate development programmes – Sustainability Report 2015 Culture of compliance training – Sustainability Report 2015 Executive leadership selection and training education and induction – Annual Report 2015 Sanlam Group Code of Ethical Conduct (the code) ethics training – Sustainability Report 2015 Types of training programmes – Sustainability Report 2015	No
G4-LA11	p42 p357	Employee benefits and remuneration – Sustainability Report 2015 Retirement benefits for employees – Annual Report 2015	No
<b>MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY</b>			
G4-DMA 21	p82 p48	Transformation – Annual Report 2015 Employment equity and diversity our transformation strategy – Sustainability Report 2015	No
G4-LA6	p36	Absenteeism – Sustainability Report	No
G4-LA12	p49	Employment equity demographics and progress – Sustainability Report 2015	No
<b>MATERIAL ASPECT: LABOUR PRACTICES AND GRIEVANCE MECHANISMS</b>			
G4-LA16	p28	Reporting ethical breaches – Sustainability Report 2015	

## Sanlam GRI G4 index table 2015 continued

DMA and indicators	Page reference		External assurance
<b>SUBCATEGORY: SOCIETY</b>			
<b>MATERIAL ASPECT: LOCAL COMMUNITIES</b>			
G4-DMA	p78 p79	Why a prosperous society is important – Sustainability Report 2015 What we are doing to contribute to a prosperous society key performance indicators, group and cluster response – Sustainability Report 2015	No
G4-SO1	p78 p85	Prosperous society – Sustainability Report 2015 Sanlam Foundation – Sustainability Report 2015	No
<b>MATERIAL ASPECT: ANTI-CORRUPTION</b>			
G4-DMA36	p229 p28	Corporate Code of Ethical Conduct – Annual Report 2015 Reporting ethical breaches – Sustainability Report 2015	No
<b>MATERIAL ASPECT: COMPLIANCE</b>			
G4-DMA39	p18 p18  p35  p62, p63	Why sound governance is important – Sustainability Report 2015 What we are doing to ensure sound governance key performance indicators – Sustainability Report 2015 Group and cluster response – Sustainability Report 2015 Delivering value to our clients Treating Customers Fairly (TCF) – Annual Report 2015 Treating Customers Fairly (TCF) – Sustainability Report 2015	No
<b>SUBCATEGORY: PRODUCT RESPONSIBILITY</b>			
<b>MATERIAL ASPECT: CUSTOMER PRIVACY</b>			
G4-DMA45	p26  p30 p31	Business ethics – Fostering a culture of compliance and ethical behaviour – Sustainability Report 2015 Consumer protection and data privacy – Sustainability Report 2015 Privacy protection project – Sustainability Report 2015	No
G4-PR8	p63	Resolving complaints – Sustainability Report 2015	No

DMA and indicators	Page reference		External assurance
<b>MATERIAL ASPECT: COMPLIANCE</b>			
G4-DMA46	p26	Business ethics – Fostering a culture of compliance and ethical behaviour – Sustainability Report 2015	No
	p62, p63	Treating Customers Fairly (TCF) – Sustainability Report 2015	
	p58	Why responsible products are important – Sustainability Report 2015	
	p60	What we are doing to offer our clients responsible products and services key performance indicators, group and cluster response – Sustainability Report 2015	
	p27	Culture of compliance training – Sustainability Report 2015	
	p62, p63	Delivering value to our clients Treating Customers Fairly (TCF) – Annual Report 2015	
	p18	Why sound governance is important – Sustainability Report 2015	
	p18	What we are doing to ensure sound governance key performance indicators – Sustainability Report 2015	
	p26	How we manage and govern our business – Annual Report 2015	
<b>MATERIAL ASPECT: PRODUCT AND SERVICE LABELLING</b>			
G4-PR5	p58	Responsible products and services – Sustainability Report 2015	No
	p62, p63	Treating Customers Fairly (TCF) – Sustainability Report 2015	

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