

3 December 2018

Subject: POSITIONING THE SOUTH AFRICAN OPERATIONS FOR GROWTH THROUGH ENHANCED ECONOMIC EMPOWERMENT

Dear Shareholders

Since the announcement on 31 October 2018 of a series of transactions aimed at strengthening our South African operations and positioning the Group for growth through enhanced economic empowerment credentials (the “Proposed Transactions”) as fully set out in the circular issued 12 November 2018 (“Circular”), we have had the opportunity to meet with many of our stakeholders and would like to clarify a couple of points raised during these engagements.

In considering the Proposed Transactions to execute Sanlam’s future strategy, Sanlam’s Independent Committee has taken into account the important role of B-BBEE in our South African operations as well as Sanlam’s long standing strategic relationship with Ubuntu Botho Investments (“UB”) and the opportunities it offers. The partnership between Sanlam and UB was established in 2004 and has been one of the most successful empowerment partnerships in South Africa. It has created value of over R14 000 000 000 (fourteen billion Rand) for broad-based black shareholders when the ten-year transaction matured. Unlike many other empowerment partnerships in South Africa, it should be recognised that UB has not sold any of its shares even when the first transaction matured in 2014. Sanlam’s on- going partnership with UB has been a key contributor to Sanlam’s growth and success over the years.

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The Proposed Transactions are therefore of critical importance to not only expand and cement this partnership, but also enable Sanlam to leverage from this partnership in the interest of all shareholders. For Sanlam shareholders, the strategic partnership with UB allows Sanlam to maintain and improve its empowerment status. While UB is free to sell a major portion of its shareholding in Sanlam, it specifically chose to maintain its partnership. It should be noted that should UB exit or reduce its shareholding introducing a new empowerment partner would certainly involve substantial additional cost for Sanlam shareholders and would put Sanlam's empowerment status at risk, thus by far outweighing the costs of the Proposed Transactions. It is therefore important that the Proposed Transactions make commercial sense for both Sanlam and UB for UB to remain committed as partner to Sanlam.

The role of the Independent Committee of Non-Executive Directors (the “Independent Committee”)

In recognition of the potential for conflicts of interest between Sanlam and UB, the Sanlam Board established the Independent Committee, which comprises all Non-Executive Directors (“NEDs”) who are independent of Sanlam and UB (namely, Lead Independent Director Siphon Nkosi (chair) and NEDs Anton Botha, Chris Swanepoel, Paul Hanratty, Karabo Nondumo and Mathukana Mokoka), to evaluate matters between Sanlam and UB. The Proposed Transactions have been reviewed and approved by the Independent Committee before submission to the Sanlam Board for approval and recommendation to Sanlam shareholders. It should be noted that the UB related directors recused themselves and did not participate in the approval of this issue. Any future transactions involving UB will also be subject to the same rigorous governance process, including any transactions involving utilisation of the proposed UB Facility.

The terms of reference of the Independent Committee is available on our website, www.sanlam.com at Investor relations / Downloads / Company downloads / Independent Non Executive Directors Committee Charter. Further comprehensive information in respect of the mandate of the Independent Committee as well as the committee's annual activities in respect of material transactions are reported on in our Annual Governance Report.

The independence of the members of the Independent Committee is evaluated against the requirements of the King IVTM Code of Corporate Governance in South Africa. We provide information in this regard in the Annual Governance Report and based on stakeholder feedback we will expand on the level of detail provided in the 2018 Governance Report. The Independent Committee comprises of a diverse mix of respected individuals representing different backgrounds, skills, business experience, former association with Sanlam and duration of Board membership. This membership profile supports good corporate governance to the benefit of Sanlam and its stakeholders. All matters considered are solely evaluated against the interests of Sanlam and its stakeholders, in line with the committee charter.

Review process undertaken by Independent Committee prior to recommending the Proposed Transactions

The strategic rationale for the Proposed Transactions is elaborated on in the circular distributed to shareholders dated 12 November 2018. A number of stakeholders, however, enquired as to the review process undertaken by the Independent Committee prior to recommending the Proposed Transactions. The Independent Committee met 8 times since August 2017 to consider how to strengthen Sanlam's relationship with UB, the development of Sanlam's empowerment strategy given the opportunities presented by the Saham transaction and the current South African context, and the Proposed Transactions developed by management to execute on our future strategy.

Although the salient features of the Proposed Transactions are highlighted in the Circular, we wish to emphasise the following principles formulated by the Independent Committee with regard to the proposed UB facility:

- The utilisation of the UB Facility will be subject to approval, on a case-by-case basis and supported by appropriate business cases, by the Independent Committee and the Sanlam Board (where the UB related directors will recuse themselves).
- Utilisation of the UB Facility is limited to investments that support the Sanlam strategy in the identified areas and hence deliver sustainable value creation for Sanlam's shareholders.

- An independent fairness opinion confirming that the UB Facility is fair to Sanlam shareholders was provided by Deloitte. Deloitte took due cognisance of the intended utilisation of the UB Facility in issuing their opinion.
- Independent advice was provided to the Independent Committee by JP Morgan whose assessment of the transaction resulted in their confirmation of support.
- The Independent Committee will, on a case by case basis, subject all future transactions which utilize the UB Facility to the same rigorous review and approval process to ensure the highest standards of governance, transparency and disclosure are maintained at all times. All transactions will comply with JSE Listing Requirements and an independent fairness opinion will be sought as and when required by the JSE listing requirements.
- The proposed utilisation of R1bn of the proposed R2bn facility has already been set out in the circular, enabling UB to acquire a 25% stake in our third party asset management business causing this entity to become black owned, and starting a new black owned black managed insurance business in conjunction with UB and a black management grouping. The remaining R1bn (being less than 1% of our Group Equity Value) will be used to jointly seek opportunities which will enhance group risk and asset management flows into our employee benefit and third party asset management businesses and to optimise our health and administration businesses.

In relation to the issue of Sanlam shares and financial assistance to the newly incorporated B-BBEE SPV Group (“B-BBEE Transaction”), the following key matters informed the Independent Committee’s assessment:

- Broad based black ownership at a Sanlam level is an important component of Sanlam’s strategy in respect of the Financial Sector Charter (“FSC”).
- The B-BBEE Transaction is likely to result in Sanlam achieving a Level 1 status in terms of the FSC, increasing Sanlam’s competitive positioning. Sanlam will be in the leading position of the major South African insurance companies.
- Advancing a broad-based shareholding is best achieved at the holding company level given the listing of Sanlam Limited on the Johannesburg Stock Exchange.
- The cost to Sanlam shareholders, as measured in terms of IFRS, is at the lower end of comparable transactions at 0.9% of market capitalization (or 0.6% of

market capitalization in terms of economic cost as described in the Circular). Less than 20% of these costs relate to UB's participation. These were important considerations as this B- BBEE Transaction is a follow-on transaction.

- The B-BBEE Transaction will significantly enhance the broad based shareholding in Sanlam to include 80% new participants that have not participated in the previous B- BBEE transaction.

In relation to the UB Facility:

- Sanlam has created significant value for shareholders since listing in 1998 by improving its businesses in South Africa and in other selected emerging countries. UB has played an important role in supporting Sanlam since the formation of the partnership in 2004.
- Despite the successes in South Africa, Sanlam does not have an appropriate market position in third party asset management, employee benefits, health and the entry- level market segments. These are the specific areas where increased empowerment and capitalising on the partnership with UB will significantly enhance Sanlam's competitive advantage with the ability to attract substantial new business and black talent.
- By enabling UB inter-alia to acquire stakes in existing Sanlam businesses through the UB Facility, these businesses will become black owned, which is an important consideration in awarding business within the institutional space in South Africa. This will not be achievable through the B-BBEE Transaction alone.
- The UB Facility is in essence a commercial arrangement, negotiated on market related terms and not a standard B-BBEE transaction. This view is supported by the following:
 - The Funding rate is market-related given the security provided. This is evidenced by the fact that no cost is recognised in terms of IFRS in respect of the UB Facility.
 - The values for the identified transactions are market-related for minority stakes. This is supported by the fact that no IFRS cost will be incurred in respect of UB acquiring stakes in these businesses.

- It is envisaged that 20% of the transaction values for which the UB Facility will be utilised are payable in cash by UB, with only 80% funded through the UB Facility. The specific investments acquired through the UB Facility as well as the remaining balance sheet of African Rainbow Capital Financial Services (“ARC FS”) will be available as security for the UB Facility. UB and its subsidiaries therefore expose themselves to risks on commercial terms.
- The transactions could therefore be negotiated on similar terms with any other party, but our preference is to capitalise on an already proven successful partnership with UB.
- The UB Facility should be considered together with the B-BBEE Transaction as a package of transactions that will significantly enhance Sanlam’s strategic positioning in South Africa. Furthermore it also reduces the overall cost of the Proposed Transactions through the margin that the Sanlam Group will be earning on funding the UB Facility. It should therefore not be evaluated in isolation.
- In addition, as it is envisaged that Sanlam will also acquire a 25% stake in ARC FS, the vehicle housing the assets to be acquired through the UB facility, with appropriate minority protections and participation. Sanlam will therefore participate directly in the value being created through utilization of the UB Facility over and above the strategic value being created alluded to above.
- As UB has not sold any of its shares in Sanlam since the establishment of the partnership in 2004, it has limited funding available for pursuing these strategic opportunities also benefitting Sanlam. It is therefore in Sanlam’s direct interests to provide the arms-length UB Facility to ensure that it is not necessary for UB to sell some of its Sanlam shares to obtain funding to pursue these specific initiatives. The UB Facility should therefore be regarded as an absolutely necessary ingredient of the total strategy package to prevent undesired consequences and outcomes -- it would be counter-productive should UB be forced to now sell some of its Sanlam shares to obtain the necessary funding in order to fund its strategic partnership with Sanlam.
- The UB Facility is integral to Sanlam’s strategy. The transactions contemplated for the UB Facility will enhance Sanlam’s competitive position in South Africa and will create value for all Sanlam shareholders. The UB Facility is of critical importance to Sanlam. It allows UB to continue to support the execution of

Sanlam's strategy and for Sanlam to continue to leverage the UB relationship. The facility and the growth that is envisaged from the utilisation of this facility is an important factor in what makes Sanlam an attractive investment for UB to remain invested in Sanlam.

B-BBEE Transaction: Selection of the beneficiaries of the Beneficiary Trusts

The B-BBEE Transactions include the issuance of new Sanlam shares to the B-BBEE SPV Group. New broad-based B-BBEE participants will participate in the majority of the economic benefits (80%) of this transaction through the Beneficiary Trusts, with UB participating in the remaining 20%. UB's shareholder base also includes broad-based black shareholder groupings, as well as a Community Development Trust with a 20% share jointly controlled by Sanlam.

The categories of beneficiaries of the Beneficiary Trusts include five distinct categories of beneficiaries – each one carefully selected to not only address areas that can be of benefit the Sanlam Group, but also address areas where the Independent Committee felt sharing any value creation will have a meaningful impact in the lives of these beneficiaries - these include poor rural and urban black women groups, black youth groups and Sanlam staff in financial need. As the Proposed Transactions are subject to Sanlam shareholder approval, the process to identify the individual beneficiaries has commensurately not yet commenced. Shareholders should be aware that it will be difficult to disclose the identity of beneficiaries in detail in order to protect their personal information and security.

In response to stakeholders' feedback, should we receive shareholder approval for the package of empowerment transactions, we specifically commit to the following:

- None of the beneficiaries of the Beneficiary Trusts will be parties who benefitted from the original empowerment transaction with UB, or parties/individuals related to Sizanani Thusanang Helpmekaar or related parties/individuals to Mr Patrice Motsepe or key UB/ARC management (other than as disclosed in the circular).
- We will update shareholders on the process governance, selection criteria, and as much of the beneficiary details as feasible as part of Sanlam's financial results announcement in March 2019.
- Both parties have agreed that Sanlam, via its Independent Committee, and UB

will jointly agree the criteria for the selection of B-BBEE beneficiaries and will form a joint committee which will select the beneficiaries of the Beneficiary Trusts. Both parties will seek to maximise long term, broad-based black ownership.

- Finally, Sanlam commits to on-going disclosure around Sanlam's B-BBEE beneficiaries and value delivery, as part of our integrated reporting process, as well as through other media.

Conclusion

To conclude, the Proposed Transactions are an integrated package that underpins a well-considered strategic move to enhance the Group's empowerment status and maintain and strengthen our partnership with UB, but also improve our strategic position in all market segments, both at Group level as well as specific operational business unit level, in support of long-term value creation for all stakeholders. The South African financial services client base, in particular institutional clients, require participants in the industry to contribute to inclusive wealth creation in a number of ways, including direct B-BBEE ownership. The level of empowerment, both at listed company level as well as the subsidiary with whom they transact, is an important consideration for institutional clients in awarding business mandates. Contributions in excess of the requirements are becoming increasingly more important. As a result, it is in Sanlam's business and commercial interest to transform in line with the needs and preferences of its current and potential clients, key to this is that it is seen to be continuing to contribute to economic transformation and inclusive wealth creation.

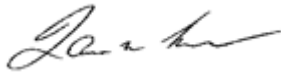
Sanlam is confident that strengthening the Group's empowerment credentials at a Company and subsidiary level will, over time, yield economic benefits that will outweigh the costs of the Proposed Transactions, ensuring sustainable value creation for all shareholders. In this context, the Proposed Transactions represent an integrated package, of which the individual components are all integral and necessary to deliver the desired outcome. Without all of these pillars being in place together a package, as set out in the Circular and this letter (*i.e.* the B-BBEE transaction with an appropriate joint beneficiary selection and on-boarding process, the UB investments into key Sanlam institutional businesses, the utilisation of the UB Facility in support of our strategy, leveraging the UB relationship to the benefit of all shareholders and an

investment of Sanlam into UB's financial services vehicle to further strengthen the relationship but to also benefit from the value created), it will be more difficult for Sanlam to drive the desired and envisaged outcomes of putting Sanlam in a winning position while retaining the mutually beneficial relationship with UB.

Sanlam's Board and management team therefore continue to strongly recommend that all shareholders vote for supporting of all resolutions related to the Proposed Transactions.

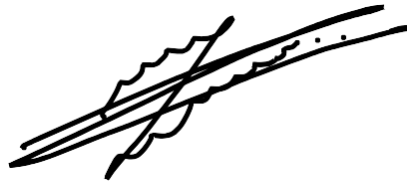
We value your feedback and should you have any further questions or points of clarity, please do not hesitate to contact either of us.

Regards



Ian Kirk

Group CEO: Sanlam Limited



Siphonkosi Nkosi

Chairman of the Independent Committee