



FUTURE

 Sanlam

SUSTAINABILITY

2013 REPORT

ABOUT THIS REPORT

Sanlam has been a prominent part of the South African business landscape since 1918. We have always held a long-term view of how business adapts to the demands of the environment in which it operates. Today, in a dynamic world, we see an evolving set of social, economic, political and environmental imperatives that require our skilful response. For us at Sanlam, sustainable business practice means recognising both our broader responsibilities as an organisation in society, and the new opportunities that arise from this thinking.

The Sanlam Group has four clusters that are responsible for the management of its various operations. These clusters are managed independently and have delegated authority levels and governance principles and standards set by the Sanlam Board and the respective markets in which they operate. The clusters all have their own boards of directors governing the execution of these principles and standards.

For more details “About Sanlam” refer to page 3.

SCOPE

In this report we review the sustainability performance of our South African operation represented by our Sanlam Personal Finance (SPF) and Sanlam Investment (SI) clusters for the 2013 calendar year.

The report forms part of our annual integrated reporting process and should be read in conjunction with the 2013 Sanlam Integrated Report. Both the Sustainability Report and Integrated Annual Report are published on www.sanlam.co.za.

There have been no significant changes in reporting methodology or scope that would affect our reporting since our 2012 Sustainability Report. Where appropriate, we have endeavoured to expand the scope and the number of material issues we report on. As before, this report focuses on our South African businesses only. Being a listed company on the JSE Limited Santam reports on its performance separately. In the future we intend to extend the scope of our reporting by including our international operations as we expand our footprint globally.

In compiling the report we have drawn from the principles and recommendations provided by King III, the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI). This report therefore contains Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines. In 2012 we achieved a self-declared Level B+ compliance, however with the release of GRI G4 early in 2013 we opted to start our journey towards GRI G4 reporting from 2014 onwards. Accordingly we have initiated a review of our Sustainability Management Framework (SMF) which we expect to complete during 2014.

Visit www.sanlam.co.za for the GRI G4 indicators covered in this report.

ASSURANCE

We believe we have made significant progress during 2013 in further entrenching the principles of King III in the Group's internal controls, policies and procedures governing corporate conduct. The Board has reviewed the content of this report and is confident that data presented here is a true reflection of Sanlam's sustainability performance.

Our financial performance, which includes our economic value added statement, is externally audited against the International Financial Reporting Standards (IFRS). AQRate has externally assured our Broad-based Black Economic Empowerment (B-BBEE) scorecard and Ernst & Young Inc. provided limited assurance on the Scope 1 and Scope 2 carbon emission data presented in this report. Please refer to the limited assurance report from Ernst & Young Inc. on page 102.

Once the review of our SMF is complete and the development of our sustainability dashboard finalised, we intend to engage external assurers to assess key sustainability indicators and bolster our internal auditing structures to ensure our sustainability data remains accurate and auditable.

FEEDBACK

We need your feedback to ensure we report on the Sanlam specifics that matter to you, our stakeholders. If you have any queries or comments please contact us at sustainabilitymanagement@sanlam.co.za or +27 21 947 2548.

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2013 PERFORMANCE AT A GLANCE

SUSTAINABILITY GOVERNANCE

- Top performer in the financial services category of the South African Business Ethics Survey (SABES), with Effectiveness of Ethics scoring 90%, 10% above industry average
- A special unit established to embed sustainability across all boards within the Group
- 62% of all staff completed our online ethics and compliance survey
- Busy developing an emerging markets governance framework policy
- 100% King III compliant with Stakeholder Strategy implemented
- Sanlam was included in the JSE's Socially Responsible Investment (SRI) Index for the eighth consecutive year
- Sanlam was included in the Robecom SAM Dow Jones Sustainability Emerging Market Index for the first time

PEOPLE

- 63% of all staff participated in the Sanlam Blueprint for Success employee engagement initiative, a 45% increase in participation since 2012
- Turnover of office staff decreased to 10,9% (2012: 11,6%), while sales staff turnover increased to 42,0% (2012: 40,1%)
- Our proportion of black staff increased by 7,7%. The overall black:white ratio is 65%:35%
- 25% increase in total training and development spend to R144,4 million
- 89% of all staff received training during the year
- 23% black individuals in senior management positions (2012: 17,2%)
- Four additional graduate development programmes initiated during 2013, benefiting 71 graduates

PRODUCTS AND SERVICES

- Aligned Sanlam Investments cluster's structure with our client-centric market segmented strategy
- Achieved a 79% customer satisfaction rating against the South African Customer Satisfaction Index (SAcsi), 2% above the overall satisfaction level for all South African organisations
- 17,4% growth in sales of products to clients in low-end economic segment
- Voted on 1 708 resolutions, declined 215, and engaged two companies in accordance with our responsible investment policy
- Our empowerment and infrastructure financing at year-end amounted to R13,8 billion

PROSPEROUS SOCIETY

- Achieved a verified Level 2 B-BBEE status against the Financial Sector Code
- Distributed R119,6 billion to our policyholders in the form of insurance claims, dividends and reserves for future payouts to clients when their investments mature
- Our Ubuntu-Botho empowerment transaction created R15 billion in value in just 10 years
- Total corporate social investment spend increased by 88% to R64 million (1% of NPAT)
- 32,5% of total procurement spend spent on small and micro-enterprises (2012: 15,5%)
- 3 315 learners, 58 schools, 20 educators, 3 619 students and 14 universities were reached via the Sanlam Foundation during 2013

ENVIRONMENT

- Sanlam achieved a CDP disclosure score of 96%, missing the CDP leadership index by 1%, well above the average disclosure rating of 85% for financial services
- 7% reduction in total carbon emissions since 2010
- 11% reduction in total annual electricity consumed since 2010, enough electricity to power 874 households
- 12% reduction in the total airline kilometres travelled since 2010
- 44% reduction in total annual water consumption at Sanlam Head Office*
- Recycled 50% of all waste at Sanlam Head Office*

*Sanlam Head Office accounts for more than 50% of our total consumption in most variables

ABOUT THE SANLAM GROUP

Sanlam is 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 near Cape Town in South Africa. We have offices throughout South Africa and business interests elsewhere in Africa, Europe, India, South East Asia, the United States of America and Australia. We have 12 031 employees and financial advisers in South Africa (as at 31 December 2013).

Our vision is to be the leader in wealth creation and protection in South Africa, leading that process in the emerging markets and playing a niche role in the developed markets. We provide financial solutions to individuals and institutional

clients. These solutions include individual, group and short-term insurance, personal financial services such as estate planning, trusts, wills, personal loans, health management, saving and linked products, business fitness assessment and insurance investment management, asset management, stockbroking, employee benefits, risk management and capital activities.

The Corporate Office of the Sanlam Group is responsible for centralised functions that include strategic direction, Group financial and risk management, Group marketing and communications, Group human resources and information technology, Group sustainability management, corporate social investment and general Group services.

Our core values are

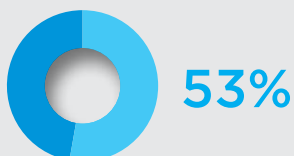


- Acting with integrity
- Growing shareholders' value through innovation and superior performance
- Leading with courage
- Serving with pride
- Caring because there is respect for one another

The Sanlam Group operations are managed through four operating clusters (refer to Overview of operations in the Integrated Annual Report (IAR) 2013). The core businesses within each cluster are shown on page 4 (wholly owned unless otherwise indicated).



Contribution to net result from financial services

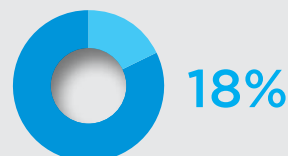


SANLAM PERSONAL FINANCE

The Sanlam Personal Finance (SPF) cluster is 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.

Cluster profile and shareholding structure

- **Sanlam Sky Solutions** – financial services for individuals and groups in the entry-level market
- **Sanlam Individual Life and Segment Solutions** – financial services to the middle-income, professional and business-owner markets
- **Glacier by Sanlam** – financial services for the affluent market
- **Strategic business development** – consists of the following diversified financial services:
 - **Sanlam Trust** – estate and trust services
 - **Multi-Data** – electronic money-transfer activities
 - **Sanlam Liquid** – debit card and saving facilities
 - **Sanlam Healthcare Management** – medical scheme administration services
 - **Sanlam Personal Loans** – 70% – personal loans joint venture
 - **Reality** – loyalty programme
 - **Anglo African Finance** – 55% – trade and bridging finance



SANLAM EMERGING MARKETS

The Sanlam Emerging Markets (SEM) cluster is 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.

Retail and Group life insurance and related business

- **Botswana Life, Botswana** – 56% via Botswana Insurance Holdings Limited (BIHL)
- **Sanlam Life, Namibia**
- **Sanlam Namibia Holdings, Namibia** – 59% (direct 54% and 5% indirect via Capricorn Investment Holdings)
- **NICO Life, Malawi** – 62% (direct 49% and 13% indirect via NICO Holdings)
- **Pan Africa Life, Kenya** – 56% via Pan Africa Insurance Holdings (PAIH)
- **African Life, Tanzania** – 64%
- **African Life, Zambia** – 70%
- **Enterprise Life Assurance, Ghana** – 49%
- **Sanlam Life, Uganda**
- **FBN Life, Nigeria** – 35%
- **Shriram Life Insurance, India** – 20% via Shriram Capital

Credit and banking

- **Bank Windhoek, Namibia** – 13% via Capricorn Investment Holdings
- **Letshego**, operating in a number of African countries – 13% via BIHL
- **NBS Bank, Malawi** – 13% via NICO Holdings
- **Shriram Transport Finance Company, India** – 12% (5% direct and 7% via Shriram Capital)
- **Shriram City Union Finance** – 10% via Shriram Capital Investment management

Investment management

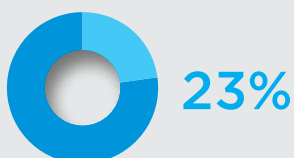
- **SIM Kenya** – 56% via PAIH
- **SIM Namibia** – 86%
- **Botswana Insurance Fund Management** – 56% via BIHL

General insurance

Jointly responsible in partnership with Santam for managing general insurance business through:

- **NICO Malawi** – 62% (direct 49% and 13% indirect via NICO Holdings)
- **NIKO Tanzania** – 41% (direct 33% and 8% indirect via NICO Holdings)
- **NIKO Uganda** – 61% (direct 48% and 13% indirect via NICO Holdings)
- **NICO Zambia** – 62% (direct 49% and 13% indirect via NICO Holdings)
- **Shriram General Insurance, India** – 20% via Shriram Capital
- **Pacific & Orient, Malaysia** – 49%
- **Sure!, Botswana** – 56% via BIHL

Contribution to net result from financial services



SANLAM INVESTMENTS

The Sanlam Investments (SI) cluster provides individual and institutional clients in South Africa, the United States of America, Australia, the UK and elsewhere in Europe access to a comprehensive range of specialised investment and risk management expertise.

Asset management

- **Sanlam Investment Management** - manages institutional portfolios and retail collective investment (unit trust) funds
- **Sanlam Structured Solutions** - structured products

Wealth management

- **Sanlam Private Investments** - private client wealth management and stockbroking
- **Calibre Investments** - 40% - Australian investment management
- **Sanlam Private Investments UK** - 75% - UK private wealth management and stockbroking
- **Summit Trust** - 65% - international independent trust services group in Switzerland
- **Investment Advisory Service and Fiduciary and Tax Services**

Capital management - manages portions of Sanlam's third-party and policyholders' funds

- **Sanlam Capital Markets**
- **Sanlam Private Equity**

Sanlam employee benefits - provides risk and investment solutions and administration services to institutions and retirement funds

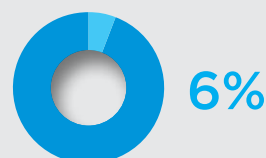
- **Sanlam Group Risk**
- **Sanlam Structured Solutions**
- **Sanlam Umbrella Solutions**
- **Sanlam Retirement Fund Administration**
- **Simeka Consultants and Actuaries**

International investments

- **Sanlam International Investment Partners** - manages established partnerships with specialist investment management firms abroad as outlined below:
 - **Four Capital** - 49,9% - London-based European and global equity manager
 - **Eight Investment Partners** - 62,5% - Asia Pacific asset management company based in Sydney and Hong Kong
 - **Centre** - 63,2% - American and global asset management company based on Wall Street
 - **Artisan** - 33,3% - European property management company based on Isle of Man
 - **SEA** - 100% - Bangalore-based equity research hub
- **SIM Global** - manages long-only specialist international equity funds
- **Sanlam Asset Management Ireland** - Sanlam's international investment management platform in Dublin managing funds domiciled in Ireland
- **Sanlam UK** - wealth management player in retail financial services in the United Kingdom, comprising Sanlam Investments and Pensions, Sanlam Distribution, and Sanlam Private
- **P2 International** - International Mutual Fund Administration Investment services

Wealth and Investment Management

- **Sanlam Multi Manager International** - investment management advisory business
- **Sanlam Collective Investments** - retail, multi-managed, institutional and third-party collective investment (unit trust) funds
- **Blue Ink** - hedge fund manager focusing on both the local and global investment markets
- **Fin-Q** - provides independent advice to people leaving retirement funds
- **Graviton Financial Partners** - a broker network business



SANTAM

Santam specialises in short-term (general) insurance products for a diversified market in South Africa. These products are offered through broker networks and direct sales channels and include personal, commercial, agricultural and specialised insurance products. Santam's international diversification strategy focuses on reinsurance business, specialised insurance products and the role as technical partner and co-investor in SEM's expansion into Africa, India and South East Asia.

Sanlam has an effective 60% interest in Santam, which in turn operates through the following businesses:

- **Santam Insurance** - traditional and specialist lines intermediated business
- **MiWay** - short-term insurance solutions to clients through a direct distribution channel
- **Santam Re** - reinsurance in emerging markets



MESSAGE FROM THE

Chairman of the Board

“We believe that our values, which have formed the bedrock of our company since it was established some 95 years ago, are fundamental to what we now call sustainable business.”

Desmond Smith Chairman



Values are universal; they transcend political, religious and cultural barriers. We believe that our values, which have formed the bedrock of our company since it was established some 95 years ago, are fundamental to what we now call sustainable business.

Sanlam has always strived to do good business that endures, avoiding shortcuts and acting with absolute integrity. We operate in a highly regulated environment, yet I believe that our way of doing business is, and has always been, inherently in line with the applicable regulation. As such we continue to play a leading role in engaging industry bodies with a view to ensuring that regulation is fit for purpose.

Our governance strategy is robust. We are now fully compliant with King III after establishing the final building block of stakeholder engagement this year. Our governance approach, combined with our knowledge and experience, has made Sanlam a sought-after partner as we diversify into international markets.

With changing leadership, management styles have evolved over the years. Yet, as we have transitioned to the more empowered staff environment of today, our values have remained consistent.

Appropriate accountability and incentive structures, combined with investment in people development, equip our staff to focus on and improve the client experience. With the Treating

Customers Fairly regulation coming into effect, we will soon have an industry-level framework against which to measure our long-standing customer-centric approach. Our Customer Interest Committee is responsible for monitoring and managing this issue and has a record of rejecting opportunities that may look attractive in the short term, but are not sustainable for the customer and the business in the long term. Evidence that our way of doing business is yielding results is found in the recent South Africa Customer Satisfaction Index (SAcsi) report and ombudsman statistics, both of which show Sanlam to have significantly lower numbers of customer complaints than our life insurance competitors.

The values that we apply to our customers and staff are also extended to other stakeholders, including our shareholders and business partners. We try to enhance the benefits both Sanlam and these stakeholders derive through our working relationship and our contribution to communities and society at large.

It is this broad-based value-driven philosophy that underpins Sanlam's approach to sustainability. We continue to be about people, planet and profit in the most real sense of these sentiments.

Desmond Smith
Chairman

MESSAGE FROM THE

Group Chief Executive

“A sustainability mind-set guides our corporate culture and is implicit in our business model. Our strategy, which has been in place for the past ten years, is underpinned by policies that are designed to ensure sustained growth.”

Dr Johan van Zyl Group Chief Executive



Sustainability drives our long-term view of value creation. A sustainability mind-set guides our corporate culture and is implicit in our business model. Our strategy, which has been in place for the past ten years, is underpinned by policies that are designed to ensure sustained growth.

We take a responsible approach in doing business, partnering clients with products that meet their real needs and which they can afford. We believe this is the right thing to do. Value has to be created for both the client and for Sanlam, versus pursuing business for the sake of short-term gains. Though the strategy has remained generally constant during this period, we have emphasised certain elements to meet the dynamic needs of our clients and operating environment. This strategy has resulted in improved operating results, despite a difficult economic environment.

Our philosophy manifests in the way that we do business. The way that we entrench our philosophy throughout our operations embeds sustainability thinking and practice and affects our products, and how we lead, invest, expand and operate.

As a leading provider of financial services, we have a responsibility that extends beyond our day-to-day business interests. The products and services we provide have a long lifespan and the value that policyholders extract when products mature depends on the stability of the financial system. The way people access financial services, how micro-loans are extended, and the existence of a savings culture are all issues that affect the health of this system. It is therefore incumbent on us to use our influence to promote a policy environment that fosters long-term stability and leads to responsible financial practices.

To exert this influence, we participate in a variety of business and civil society organisations, and in particular with the Association of Savings and Investments South Africa (ASISA). An important focus is on increasing financial inclusivity, accessibility and responsibility at the bottom of the pyramid of the market. We also take our engagement role with government, particularly on regulatory development, seriously, and regularly engage with National Treasury in order to spearhead negotiations on behalf of the financial services sector.

We are acutely aware that value creation requires a focus that goes beyond short-term profitability. We must recognise and manage broader economic, social and environmental factors as well. For instance, by investing in our relationships with intermediaries or employees, or reducing the direct and indirect impact our operations have on the environment, we create a more sustainable operating environment. This is not only vital for our business, but for the broader sector and community in which we operate.

“Sustainability is owned and driven by the business, across all regions and business functions.”



Our approach to addressing these issues is to prioritise those issues that matter most to our business, a few of which are worth highlighting. These include:

- *Investing in people* – The way our people offer appropriate products and deliver on promises is essential to our success. Over the past two years, we have invested heavily in Sanlam’s Blueprint for Success employee engagement initiative to facilitate and enable the sustainable positioning of our business culture. The process is based on an independently assessed, internationally recognised people development standard.
- *Fair treatment of customers* – We are actively engaged in the emerging Treating Customers Fairly (TCF) regulation, the philosophy of which is neatly aligned with our existing client-centric approach.
- *Responsible investment* – As one of the leading providers of financial services, we have the power and the responsibility to implement best practice when it comes to responsible investing. We subscribe to the United Nation’s Principles for Responsible Investment (UNPRI) and the Code for Responsible Investing in South Africa (CRISA). A benchmark evaluation in accordance with the UNPRI showed our practices to be in the top 5% of the leading 1 000 companies, worldwide.
- *Access to financial services* – Broadening access to financial services is not only an important national imperative, but critical to our prospects over the long term. Our performance in the entry-level market over the past year has been encouraging, with the focus being on providing products that are both affordable and of value to this segment.

- *Transformation* – Transformation is vital for our people, our future business prospects and the economic stability of the country in general. We are currently a Level 2 B-BBEE company and making progress towards improving this score in the near future, not only because it offers business advantage, but because it is also the right thing to do.

As a rapidly growing diversified financial services group, we have diversified geographically in recent times and, in doing so, have realised that our approach to sustainability is central to our international expansion strategy. The circumstances in every region we enter or operate in are different. To ensure sustainable business practice, we spend time understanding these operating environments and determining how best to respond. In many cases we don’t have direct control over international operations, so we work to influence our business partners’ behaviour, rather than dictating their practices. In some, we have been chosen as a preferred partner because of our ability to add value in this regard.

We mitigate some of the complexities of our expansions by developing strong relationships with our business partners. We conduct extensive due diligence on our prospective partners to ensure that we build relations with organisations that share our ethical and social values, and that allow us to accentuate these in our chosen countries of operation. Our sustainability approach is replicated throughout our national and international operations in this manner.

In line with our business strategy, we retain a strong focus on value creation, for Sanlam, our clients, intermediaries, regulators and other stakeholders. As Group CE, one of my functions

is to directly identify and discontinue those practices that do not create value and accentuate those practices that do. This might mean taking a decision that has a minor negative short-term financial impact but is fundamentally fair for the policyholder in the long term.

Our approach to value creation applies equally to the broader developmental landscape. For instance, our empowerment transaction with Ubuntu-Botho (Pty) Limited (UB) has created a staggering R15 billion in value (after settlement of all debt and interest on the debt) in just ten years, making it arguably the most successful transaction of its kind in South African history. Going forward, the Sanlam Foundation and the Sanlam Ubuntu-Botho Community Development Trust will work together to invest between R60 million and R90 million per annum in corporate social investment projects in South Africa.

At an operational level, Sanlam's sustainability framework underpins the implementation of our sustainability strategy. The framework enables us to prioritise issues of importance, allocate responsibilities, set goals and reward our people. It facilitates centralised co-ordination with devolved decision-making throughout the organisation. In this way sustainability can be owned and driven by the business, across all regions and business functions. The framework also provides for a set of metrics that allows us to continually measure progress on our sustainability journey.

It is my privilege to express Sanlam's continued support for the United Nations Global Compact (UNGC) and to remind our stakeholders of our commitment to the UNGC's principles which we have integrated into Sanlam's sustainability framework.

Sanlam has only had ten Chief Executives in almost 100 years of operation, which illustrates the Group philosophy of being held accountable for one's actions.

I have been Group Chief Executive for 11 years (March 2003 to March 2014) and, as a result, I have seen a significant change, including the changes to my role and function. I have to balance obligations to Sanlam's shareholders with commitments to our people and the community. In order to progress Sanlam on its sustainability journey, I first need to ensure that our company is financially viable and secure in the long term. This is achieved by ensuring that Sanlam consistently realises its obligations to its customers. Ultimately, Sanlam sells our customers a promise: we promise to meet our obligations in the agreement that we have with our clientele and, in order to do this, we need to have people, values and a brand that can "make good" on that promise.

I use our sustainability philosophy and framework to drive our company towards an end goal where we satisfy and retain our clients as well as other business stakeholders by creating long-term value. This is done through monitoring our business scorecard and leveraging resources in strategic places to ensure that we are living our sustainability philosophy and continually pushing Sanlam along its sustainability path.

Dr Johan van Zyl
Group Chief Executive



MESSAGE FROM THE

Chairman of SES Committee

“Our approach to sustainability will create value for our shareholders, customers and broader society.”

Valli Moosa Chairman of the Social, Ethics and Sustainability Committee



Sanlam’s sustainability philosophy underpins our business, both strategically and operationally, supporting long-term value creation for all our stakeholders. Driven by the Social, Ethics and Sustainability (SES) Committee, the sustainability agenda is a key component of the competitive advantage that Sanlam enjoys. As we continue on our sustainability journey, we invite our stakeholders to take note of the sustainability imperatives that guide Sanlam’s future.

The purpose of this report is to present our sustainability philosophy, outlining our most significant challenges and disclosing how we are responding to them to the benefit of our customers, employees, business partners and wider society. As our stakeholders are well aware, all companies, and particularly financial services companies, are subject to a range of compliance requirements, including stronger governance and more stringent reporting requirements. Our approach is to make responsible decisions for the long-term benefit of society, while ensuring the financial health of our businesses. By serving the interests of our shareholders, customers and staff, we seek to do the right thing, rather than simply meeting minimum compliance requirements.

In line with this overarching philosophy, Sanlam’s sustainability strategy rests on three key pillars: governance, society and environment, which are discussed in more detail here.

GOVERNANCE

The SES Committee drives Sanlam's sustainability agenda through the company's executive structures by interrogating business units, processes and outcomes from a sustainability perspective. Though the committee is a statutory committee, mandated by the King III report, part of its role is to guide Sanlam's sustainability practices in the right direction.

Our SES Committee meetings involve business units' executives and directors with the intent of embedding long-term thinking and sustainable practice throughout Sanlam's operations. In addition, the committee presents regular sustainability reports to Sanlam's Board. This sets the tone from the top of the organisation, which goes a long way towards ensuring that sustainability is integrated throughout the business.

SOCIETY

As one of the premier financial services companies on the continent, Sanlam has a large customer base and staff complement, which requires us to reflect on the impact we have on our direct and indirect stakeholders. As our reach continues to grow, we are increasingly interested in our impact on the consumer, in terms of consumer protection, fair lending practices and customer service. We pay close attention to the manner in which our business operations, product offerings and services affect our customers. In our efforts to make Sanlam more accessible to all South Africans, we are making steady progress in developing more financial solutions across the spectrum of income groups.

We are further aware of the impact we have on our staff in terms of attracting, training and retaining our employees. We support management to become Sanlam ambassadors, both internally and in the broader marketplace, and we make a concerted effort, over and above the legally required minimum, to help our staff deal with specific challenges. We train our staff beyond Sanlam's immediate needs, so that we actively enhance the skills pool for the financial services industry as a whole.

ENVIRONMENT

As a responsible corporate citizen, Sanlam seeks to contribute to environmental sustainability and, in doing so, undertakes initiatives both internally and externally.

Internally we focus on decreasing our carbon footprint within all of our buildings. Externally we work with reputable partners to effect positive changes in the natural and corporate environments. For example, Sanlam has chosen to partner with WWF South Africa in protecting South Africa's scarce water resources and is one of the top ten contributors to the World Wide Fund for Nature - South Africa (WWF-SA) through its Transformational Partnership in support of marine and freshwater conservation in South Africa. Our growing partnership with WWF-SA is aimed at protecting South Africa against water scarcity, poor water quality and the negative impacts it might have. The partnership is discussed in more detail on page 98.

Through these three pillars, our sustainability philosophy is embedded into business practice. Sanlam also assumes an industry leader role, leading by example and participating in industry discussions, specifically with the Association for Savings and Investment in South Africa (ASISA), to contribute to the sustainability of the sector.

As we continue on this journey, we believe that our approach to sustainability will create value for our shareholders, customers and broader society. By providing our customers with a brand they can trust and a corporate ethos that they can associate with, we are enhancing value for customers and customer loyalty. Investors, too, are attracted by Sanlam's commitment to sustainability practices, which, over time, will enhance our sustainable growth and the sustainability of the sector as a whole.

Valli Moosa

Chairman of the Social, Ethics and Sustainability Committee





MANAGEMENT
QUALITY & COMMITMENT

BEST
PRACTICE



VALUES AND PRINCIPLES



KING CODE
OF GOOD
GOVERNANCE



E T H I C A L B E H A V I O U R

SUSTAINABILITY GOVERNANCE



PERSONAL
INTEGRITY

SUSTAINABLE
BUSINESS
RELATIONSHIPS

RESPONSIBLE

SMF

PARTNERSHIP



LOOKING
FORWARD



SAFE, HEALTHY
WORKING
ENVIRONMENT



ACCOUNTABILITY



HONESTY



STAKEHOLDER
PARTNERSHIPS



JSE

SRI

UNGC

ANTI
CORRUPTION

BEST PRACTICE CODES

FAIR TREATMENT



CHAPTER
01



SUSTAINABILITY GOVERNANCE

As one of the premier financial service providers in South Africa, Sanlam prides itself on continuously delivering on the promises we make to all our stakeholders. Our long-term performance depends on sound governance that forms part of our corporate culture and is continually embedded through our Blueprint for Success employee engagement initiative.

We are also strictly regulated according to various codes and practices. Though there are many financial codes that we are subjected to, our sustainability journey is guided by frameworks such as King III, JSE, SRI, GRI, UNGC and the UNPRI. These frameworks inform Sanlam's goal-setting, targets and practices moving forward.

This section conveys our position on sustainability governance to our stakeholders, focusing on management quality and commitment, how we foster ethical behaviour and how we engage with our various pertinent stakeholders.

Our approach to sustainability is owned by Sanlam's executive leadership and endorsed by the Board of Directors. Their views are expressed on pages 6 to 13.



1.1 MANAGEMENT QUALITY AND COMMITMENT

> BOARD ACCOUNTABILITY

Sanlam Limited's Board is formally tasked with the responsibility of championing sustainability within Sanlam's business practices and we allocate extensive resources and planning to ensure that our business is governed in a sustainable manner.

Our key governance principles, based on the King Code of Good Governance (King III), are integrated throughout our organisation, facilitated by our board and filtered throughout by our Social, Ethics and Sustainability (SES) Committee to ensure company-wide compliance.

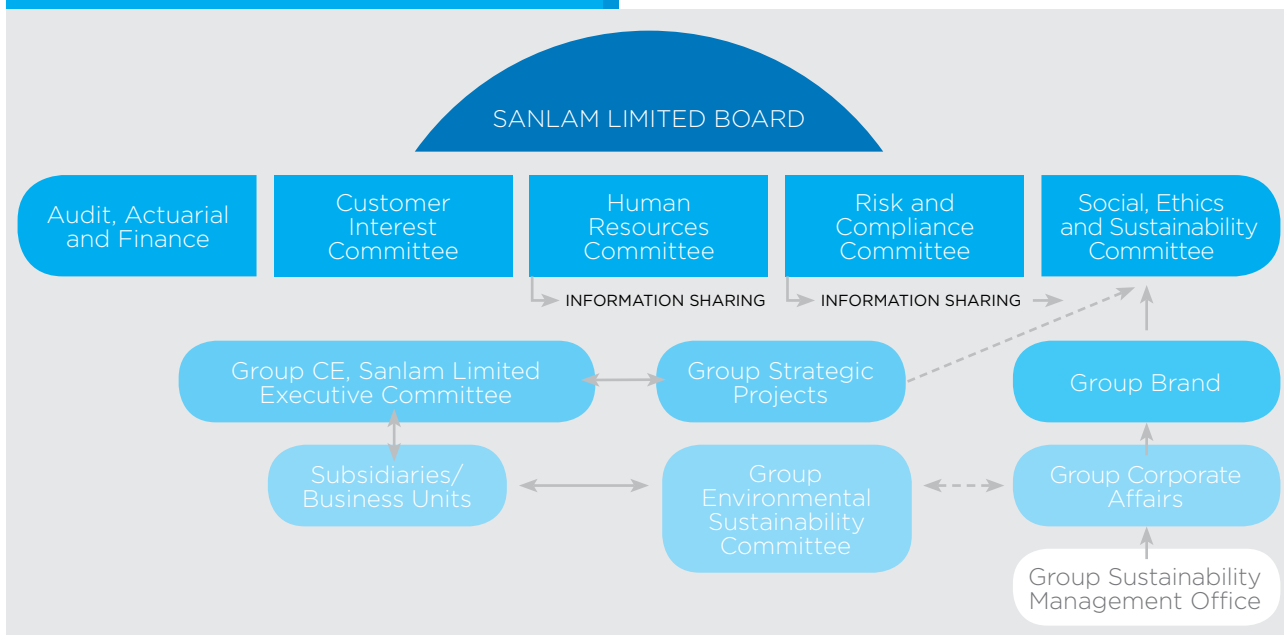
The SES Committee is tasked with driving sustainability within the various business units as well as monitoring the progress of Sanlam's sustainability journey through the sustainability reporting process. We place a premium on accountability, therefore the effectiveness of our SES Committee is measured and commented on in our annual integrated report, according to three mandated criteria, as follows:

- > 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.

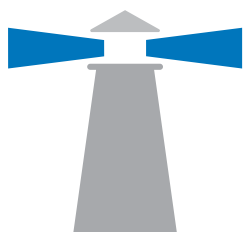
We believe that sustainability is not an isolated function, but is central to the way we do business. As such, sustainability elements should form part of regular business reporting. Parallel to the normal reporting channels, the SES Committee specifically reviews all sustainability-related material on a quarterly basis including reports on legal, regulatory and ethics compliance, transformation, environmental management, sustainability risks and stakeholder engagement.

The SES's performance is measured against the fiduciary requirement of the Companies Act of 2008 and King III. This forms the basis of the SES Charter.

> FUNCTIONAL OWNERSHIP OF SUSTAINABILITY



While the SES Committee oversees Sanlam's sustainability journey, the responsibility for implementing Sanlam's economic, social and environmental commitments resides with the various functional departments and units within the Group.



In order to facilitate this collaborative approach, senior representatives from Sanlam's Group Office and each organisational cluster serve on the Group Environmental Sustainability Committee (GESC). This committee acts as an advisory body, endorsing and communicating environmental

sustainability agendas throughout the business. Sanlam's environmental partner, WWF-SA, also serves as an additional resource to this committee, as and when required. Senior management is held accountable for the implementation of Sanlam's sustainability agenda through annual performance appraisals.

In 2013 we introduced a new entity called Group Strategic Projects (GSP), to embed sustainability elements into the board agendas of all our business units and subsidiaries. It is now mandatory for our business units and subsidiaries to include social, ethics and sustainability as a board agenda item. Furthermore, the Chief Executive of GSP attends all SES Committee meetings and from 2014 onwards is expected to serve on the boards of all our business units and subsidiaries to cultivate a unified approach to sustainability across Sanlam.

> SUSTAINABILITY STRATEGY DEVELOPMENT

The Group Sustainability Management Office (SMO) is responsible for the development and co-ordination of our sustainability strategy as captured in the Sanlam Sustainability Management Framework (SMF) presented on page 27. The unit is further responsible for compiling Sanlam's annual

sustainability report and all related signatory submissions such as the UNPRI and the JSE SRI.

All sustainability risks are channelled into Sanlam's group-wide Enterprise Risk Management process, and the SMO is tasked with addressing the compliance risks related to the governance of sustainability. For more detail on Sanlam's risk management, refer to the capital and risk management report in our integrated annual report.

Currently the SMO is also working towards positioning Sanlam as a leader in environmental sustainability within the local financial services sector. Our approach to environmental matters is discussed on page 89.

> LOOKING AHEAD

The impact of the newly established GSP is expected to improve the extent to which sustainability elements are integrated into the business activities of our subsidiaries. Since social, ethics and sustainability is now an agenda item at the various subsidiary board levels, we expect that subsidiaries will in due course start reporting on sustainability matters in their communications with their key stakeholders.

The SMO is working with all departments within the Group to improve the organisation's understanding of sustainability and to ensure that sustainability concerns are adequately managed. The first step, currently under way, is a review of the SMF against the principles of materiality relevance, importance and prioritisation. The review is expected to reshape the magnitude to which the GESC extends its control past a primarily environmental scope to a more holistic sustainability approach.

The development of our sustainability dashboard, which is set to improve our reporting and management capabilities, continues to evolve. During 2013 we focused on incorporating environmental data into the dashboard. Subsequent to the SMF review, other factors will be integrated.

1.2

FOSTERING ETHICAL BEHAVIOUR

UNDERLYING VALUES AND PRINCIPLES

One of the primary aspects of Sanlam's sustainability journey is the integration of compliance and ethics into our company culture. The Sanlam Group regards high ethical standards as non-negotiable and the Group has a rich and proud history of professional and ethical behaviour, which we entrench throughout our organisation, our subsidiaries and associate companies. Our ethics and governance received acclaim in the 2012 PricewaterhouseCoopers Insurance Survey, which focused on regulation and governance. It was conducted among CEOs and senior executives in the South African long- and short-term insurance industry and acted as a peer review of prominent service providers.

To maintain these standards, Sanlam has adopted a Code of Ethical Conduct (the Code), which all Sanlam businesses and employees must abide by in order to maintain the highest level of integrity and ethical conduct. The Code is binding on all directors, managers, employees, independent contractors, agents, service providers and business partners, irrespective of their legal status. The Code defines how we establish and manage the relationships between the entities listed above.

Sanlam's key ethical issues and concerns are encapsulated in the principles underlying the Code, including:

- Ensuring that our conduct shall at all times conform 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.

In upholding our values and fostering an ethical society, Sanlam engages various external initiatives that endorse and promote ethical behaviour and business practices. Specifically:

- Sanlam is an active founder member of the Association for Savings and Investments in South Africa (ASISA) and our Group Chief Executive currently chairs the ASISA Board.
- Sanlam is a member of the United Nations Global Compact (UNGC) and subscribes to the ten UNGC Principles dealing with human rights, labour, the environment and anti-corruption. Sanlam is also represented on the UNGC's Working Group on the 10th Principle to fight corruption.
- Sanlam is actively involved in anti-corruption efforts in South Africa through the Business Anti-Corruption Working Group (BACWG) of Business Unity South Africa (BUSA).
- One of the ten BUSA-nominated representatives of the business sector on the National Anti-Corruption Forum (NACF) is a Sanlam employee.
- Sanlam achieved the overall second place in the South African Business Ethics Survey 2013 (SABES 2013) conducted by EthicsSA among 15 large enterprises in South Africa.

Our Code of Ethical Conduct is based on Sanlam's core values and ensures that Sanlam's business relationships reflect our personal integrity. These include honesty, respect for human dignity and the rights of others, and a commitment to do what is right, fair, reasonable, lawful and just.

CORPORATE GOVERNANCE, ETHICAL PRACTICE AND COMPLIANCE

Sanlam has the following structures in place to promote good corporate governance, ethical practices and compliance.

The Sanlam Limited Board has overall responsibility for ensuring good corporate governance, ethical business practices and adherence to all compliance requirements. The Board has formally acknowledged this responsibility in adopting the Group Compliance Charter and Policy.

The Sanlam Group Ethics Committee is representative of all business groupings. It functions as a sub-committee of the Sanlam Group Executive Committee. The Chief Risk Officer of Sanlam, a member of the Group Executive Committee, chairs the Group Ethics Committee. A Group Compliance Office was established in 2009 to co-ordinate the work of the compliance functions across the Group. In addition to this, a Sanlam Group Financial Crime Combating Policy was adopted. This policy outlines Sanlam's zero tolerance approach to unlawful conduct and describes specified offences that are subject to default, predefined sanctions.

Apart from these formal structures, all levels of management and employees have a responsibility to ensure good corporate governance, ethical business practices and compliance with all mandated requirements. The responsibility for ethics training lies with the operational business groupings. Support in this regard is provided in the form of electronic training programmes which are available to all employees through the SAP HR system.

REPORTING ETHICAL BREACHES

Anyone working for, or external to, Sanlam can report fraud and other ethical breaches. The channels set out in the table below are highlighted in our Code of Ethical Conduct and can be used to report instances of ethical breaches and financial crimes.

Reporting channel	Focus area
Sanlam's fraud and ethics hotline	Allows individuals to anonymously report potential ethical breaches and fraud. KPMG's Ethicsline manages our hotline
Forensic departments	Well positioned to receive reports on fraud-related matters from both internal and external reporters
Sanlam's internal ombudsman and complaints departments	Deal with customers' service-related complaints and from time to time receive reports on potential ethical issues and allegations of fraud
Compliance and legal departments	Manage Sanlam's compliance-related matters and occasionally receive reports of potential breaches
HR departments and line management	Primarily handle employer-employee concerns. Management regularly reviews internal reports concerning ethical and fraud-related concerns

ETHICAL PERFORMANCE

Sanlam has conducted ethical risk assessments once every two years, since 2003. Past assessments were based on KPMG's Integrity Thermometer survey tool. This year, however, we decided to take part in a benchmarking study, the South African Business Ethics Survey (SABES) 2013.

According to the results of SABES 2013 Sanlam returned the best results of the four financial services sector companies surveyed and second best across all sectors in participating South Africa. Overall we scored above average for both the awareness and effectiveness of our ethical practices.

Over 93% of respondents were well aware of Sanlam's Code of Ethical Conduct and formal HR grievance procedures. More than 80% knew how to get advice on ethical matters and how to report suspected misconduct via our hotline. Knowledge about our ethics training can be improved, as only 70% is aware of our ethics training programmes.

This result highlights our priority focus on preventing misconduct and shows that our ethical value-based approach resonates with our leadership and employees. This is further

supported by our efficacy ratings, where 90% of respondents said that our ethics training and Code of Ethical Conduct are effective in guiding decision-making and business conduct.



As the SABES assessment methodology differs from our past assessments, the latest results are not directly comparable to the results of past assessments.

To improve our performance, the Group Compliance Office (GCO) now serves as the entry point for all reports received via the Sanlam fraud and ethics hotline and the Sanlam Investments cluster established a cluster-level Ethics Committee to ensure that ethical issues are discussed at top management level and communicated to employees. Since March 2013 Sanlam has tracked all actions taken as a result of potential breaches reported at a group level, resulting in better feedback to Sanlam's executive leadership and the reporters of misconduct.

Our *Inside Sanlam* magazine, the primary communication tool to keep employees informed, regularly publishes ethics-related content. In an article from the Group CEO's desk in 2013, we emphasised the importance of ethical business conduct, presented the SABES 2013 results and reminded employees to adhere to our Code of Ethical Conduct.

Through Sanlam's employee engagement initiative, called Blueprint for Success, we emphasise the ethical ideals we want all employees to live up to. By embedding Blueprint for Success into our corporate culture, we are laying the foundation that will ensure we continue to do business ethically.

Our forensic functions are increasingly proactive in implementing theft prevention measures and communicating our zero tolerance approach to financial crime through our *Inside Sanlam* magazine to internal stakeholders.

Sanlam introduced mandatory group-wide ethics and compliance training. By year-end, 62% of employees had completed the training.



* Sanlam's score is based on the responses from 370 Sanlam employees from across the business. For the benchmarking study, SABES surveyed 4 099 respondents across 15 large enterprises in South Africa.



PROTECTION OF PRIVACY AND PARTY DUE DILIGENCE

Sanlam initiated a group-wide compliance programme – The Group Sentinel Programme – to ensure that all business activities and systems adhere to local and international regulations and leading practice, which is in line with clients’ and other stakeholders’ best interests.

The programme is split into two projects, which focus on the protection of privacy and party due diligence.

PROTECTION OF PRIVACY

The privacy protection project will embed a framework for the responsible handling of personal information ensuring that Sanlam complies with data protection regulations such as the newly enacted Protection of Personal Information Act as well as European Union regulations.

The GCO has commenced with the drafting of a privacy policy and guidelines for client contracts. The GCO is also facilitating a group-wide process to agree on a strategy for effectively managing consent requirements and information officer requirements across all business clusters. An information technology (IT) gap analysis was performed as part of the project and the results were presented to the Sanlam businesses for review.

PARTY DUE DILIGENCE

The party due diligence (PDD) project’s aim is to improve Sanlam’s capability to combat money laundering, the financing of terrorism, corruption and bribery, and tax evasion. The PDD project will develop a screening solution enabling Sanlam businesses to perform a due diligence and risk assessment on all potential parties prior to entering into a relationship with them.

The PDD will align Sanlam with international legislative frameworks such as the Foreign Account Tax Compliance Act (FATCA), the UK Bribery Act (UKBA) and the Foreign Corrupt Practices Act (FCPA) as well as local corruption legislation and regulatory measures to combat money laundering and the financing of terrorism.

The GCO conducted a PDD risk assessment survey among Sanlam businesses and compiled a risk profile for all businesses within the Group that have completed the survey. These profiles will be used to identify priority areas and allocate resources to implement counter measures in the business units commensurate with the identified risk of financial crime.

RESPONSIBLE GOVERNANCE IN OUR EMERGING MARKET CLUSTER

Diversifying our business is one of the pillars of Sanlam’s strategy. In recent times we have embarked on geographical diversification throughout Africa, India and South East Asia, utilising our allocation of available capital to grow our footprint in these emerging markets.

Our strategy for entering emerging markets is driven by the Sanlam Emerging Market business cluster (SEM). Our preference for entry to these markets is to form partnerships, either through joint ventures, or by expanding and leveraging existing ventures. This strategy allows us to gain access to markets through a trusted implementation partner, using their distribution footprint and a locally identifiable brand. This method, in the long run, should reduce the inherent risks of poor local adaptation as well as our cost of market entry.

Entry into new markets requires extensive co-ordination and, as such, carries a degree of risk. Primarily, the risk of good governance is at the forefront of Sanlam’s concerns. In countries where we do not have a controlling stake, we are in a position to influence behaviour, but not dictate procedures. As a result, we conduct extensive due diligence on each of our partners before we enter into long-term agreements with them, to ensure that our core values and goals are aligned.

Furthermore, when implementing a market entry strategy, our focus is on business growth, development and optimisation. This is underpinned by aligning the local partner with our governance and risk management frameworks.

Our focus on governance and risk management forms the basis for sustained expansion into emerging markets.

EMERGING MARKETS GOVERNANCE FRAMEWORK

Although SEM aims to ensure regulatory compliance, the level of influence in ethics programmes and training varies between our different emerging market investments. In order to align with the rest of the Group, where a culture of compliance and ethics exists (in line with the direction given by King III and South Africa's Companies Act) the objective is to implement the required level of ethics training as well as an appropriate channel to raise concerns in all markets.

The extent to which we monitor compliance, and require businesses to adopt Sanlam's frameworks and policies, differs per business, and depends largely on what current structures they already have in place. The quality of those structures is investigated to evaluate whether there are any major gaps from our standards and principles. Sanlam Group Office assists with the development of relevant material, such as due diligence ethics and compliance questionnaires, in order to develop relevant governance frameworks applicable to each entity.

It is further expected that subsidiary boards adopt the policies on ethics and that the CEOs or

Chairpersons of entities undergo additional ethics training to align with Sanlam's Code of Ethical Conduct. In addition to this, appropriate channels to raise concerns are established and responses to incidents reported are measured. SEM trains CEOs or Chairpersons on creating appropriate channels for reporting instances of non-compliance.

MOVING FORWARD

We expect that as our business expands and increases its footprint and market share, our reporting, in particular sustainability reporting, will broaden in scope and depth and increase in maturity. We expect that same quality and growth from our subsidiaries and associates. We are in the process of finalising our SEM governance framework policy, to include more detailed guidelines to our current operations. This will be completed during 2014.

As a result we are striving for a group level of quality when adhering to sustainability guidelines, with the same principles being applied in developed and emerging economies. For more information, please refer to the IAR.



Sanlam's current governance framework is used to benchmark various standards and policies. The initial focus is on:

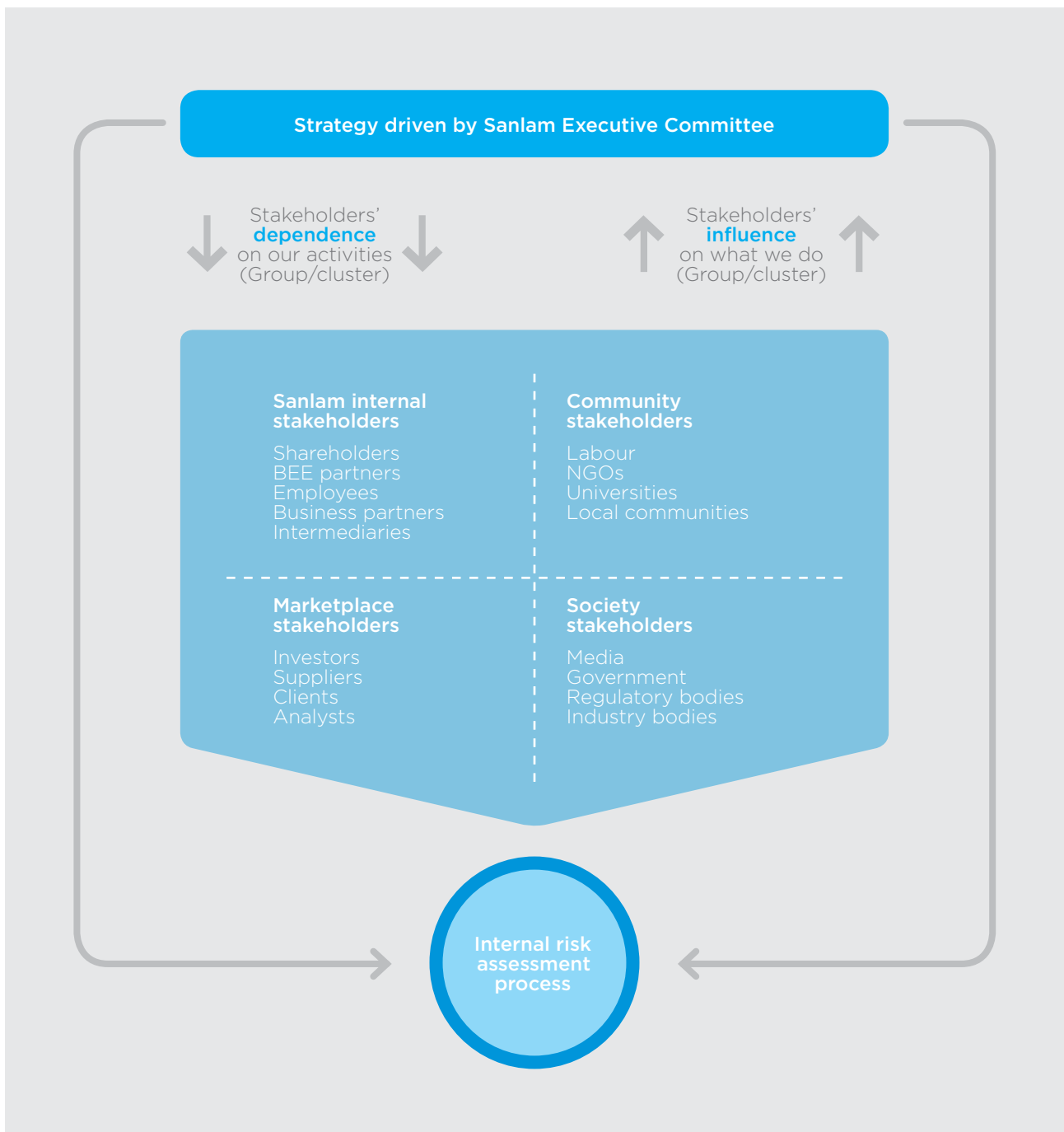
- Internal audit and compliance
- Reporting
- Risk and capital management
- Information Technology



STAKEHOLDER ENGAGEMENT

Sustained growth is dependent on the health of our relationships with all stakeholders, in addition to the financial interests of shareholders. For this reason, we engage a variety of key stakeholders as shown below.

Sanlam’s alignment with stakeholder interests is consistent with the integrated approach to corporate governance advocated by King III.



APPROACH TO STAKEHOLDER MANAGEMENT

The process to develop and implement a systematic approach to stakeholder management started in 2011, with significant progress being made in 2013, and culminated in the Group Stakeholder Relations Strategy and Stakeholder Communications Policy.

The Stakeholder Relations Strategy contains group-wide procedures for identifying, prioritising and engaging with Sanlam's various stakeholders through a co-ordinated stakeholder management approach and action plan. The Stakeholder Communications Policy outlines communications objectives, rules and levels of engagement, roles and responsibilities, key spokespeople, core messages, and communication channels. Both Sanlam Executive Committee and Sanlam Board have endorsed the Stakeholder Strategy, and it has subsequently been shared with all relevant business unit heads.

During the year, we consulted our internal business divisions to identify stakeholder interests and activities. After this process was completed, an analysis was conducted to identify the various levels and forms of engagement. One of the outcomes was a detailed stakeholder matrix.

The matrix is the first step towards the development of a stakeholder register (also known as the stakeholder hub) to monitor all our engagements with stakeholders. The hub will provide a central point from where all business units can access our stakeholder database and issue log. The hub will pull together the multiple stakeholder contact points within Sanlam, improving our co-ordination and integrating our stakeholder information.

OUR STAKEHOLDER ENGAGEMENT ACTIVITIES

We engage and collect stakeholder information through various channels.

Internal research projects, such as Sanlam Brand Health Tracker, measures the perception of our brand among existing and potential clients. Our Customer Satisfaction Surveys and Staff Satisfaction Surveys enable us to understand and improve the business interaction, while our Blueprint for Success employee engagement initiative helps us to foster a high-performance culture within the business. Our distribution teams facilitate multiple forums throughout the year. These forums allow us to stay in touch with our intermediaries and address pertinent regulatory and other concerns.

We conduct quarterly road shows to present our financial performance, benchmarked against peers, and competing shares to investors and analysts.

Sanlam Group Market Development, together with Sanlam Provincial Advisory Boards, annually host stakeholder engagement sessions in all nine provinces. Key stakeholders from the public and private sectors, clients and Ubuntu-Botho (Sanlam's B-BBEE partner) shareholders attend these events. The sessions provide important information about the evolving expectations of many of our stakeholders and help us understand their perceptions and expectations. They also create a platform for open dialogue between Sanlam and our stakeholders.

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 the Association for Savings and Investment South Africa (ASISA), Business Unity South Africa (BUSA), Business Leadership South Africa, 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. The Sanlam Group Chief Executive serves as chairperson of ASISA and represents the industry at the highest levels of policy-making and regulation, and Sanlam members are active on all of the ASISA standing committees and working groups.

Our corporate memberships also serve to connect us to the views of key groups of stakeholders and provide a valuable two-way communication opportunity to share learnings and to influence views, behaviours and actions.

Some of the significant recent regulatory and policy developments that we have contributed to during the reporting period relate to:

- Promoting social transformation by protecting consumers' rights through the Consumer Protection Act and the National Credit Amendment Bill, and promoting retirement savings through the proposed Retirement Reform discussion papers
- Protecting consumers' rights through the regulatory requirement on Treating Customers Fairly and the Protection of Personal Information Act
- Promoting greater transparency in the life insurance industry, for example through Solvency II to be implemented in South Africa in 2016
- Mitigating poor socio-economic conditions in South Africa, for example through legislative requirements relating to the establishment of National Health Insurance and a National Social Security System

SANLAM SUSTAINABILITY MANAGEMENT FRAMEWORK

Sanlam's Board formalised and adopted the Sanlam Sustainability Management Framework at the end of November 2011. External expertise was called upon to facilitate the process, which was aimed at defining key business sustainability (environment, social and governance) indicators that could concisely present a holistic view of Sanlam's sustainability position.

The process consisted of workshops with all business units, as key internal stakeholders, and ultimately looked at the long-term vision and risks for the business, as well as the relevant fiduciary reporting requirements, namely GRI 3.1. The process identified five key pillars relevant to Sanlam. An analysis of the five pillars, and the need to measure performance against them, gave rise to appropriate performance indicators. These indicators are still

used as benchmarks and Sanlam reports its non-financial performance against this framework.

During the process, it was recommended that Sanlam create a sustainability dashboard, a tool that could assist with evaluating progress against the key performance indicators, as well as minimise the work that goes into annual reporting. At the end of 2012 the initial business analysis for the tool took place, including indicator development. The analysis was finalised during the first quarter of 2013. The qualitative data areas of the dashboard were addressed first. These were the Environment and People pillars and their integration was completed by the end of the second quarter of 2013. Since then, the focus has been on automating and enhancing the data interface, as well as building a database of historical content.

We recognise that the refinement and effective integration of this framework will require substantially more time and resources. A process is under way to identify delivery gaps and determine how the framework will be effectively applied in future. The introduction of the GRI G4 reporting guidelines, and the increased focus on materiality, will influence this process. We intend to finalise this process during 2014. We are confident that the end result will be a more refined business sustainability framework that will reflect the appropriate weighting of each of our five key pillars, a weighting that is commensurate with the industry in which we operate.

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OUR #1 PEOPLE ARE OUR PRIORITY



12 031 EMPLOYEES



WARMTH SUCCESS

OUR MISSION: TO KEEP OUR PEOPLE ENGAGED AND MOTIVATED



SUPPORTIVE WORKING ENVIRONMENT

TRADITION & TEAM WORK

TARGET GROWTH MARKET GRADUATES + YOUNG PROFESSIONALS

DEVELOPING OUR PEOPLE



FOCUS: THE EMPLOYER OF CHOICE



REWARDS AWARDS

HELP ACHIEVE

PERSONAL GOALS CAREER AMBITION

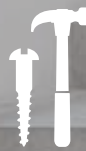
BONUS + DEVELOPMENT MEASURE WORKFORCE STABILITY

★ BLACK TALENT TRANSFORMATION



STAFF TURNOVER

10.9%



RETENTION SKILLS DEV.



- ★ SPF ACTIVATOR AWARD
- ★ LIVING THE VALUES
- ★ KUDOS PROGRAMME

TALENT



MOTIVATION

AWARDS PROGRAMME FROM ADMIN TO SENIOR

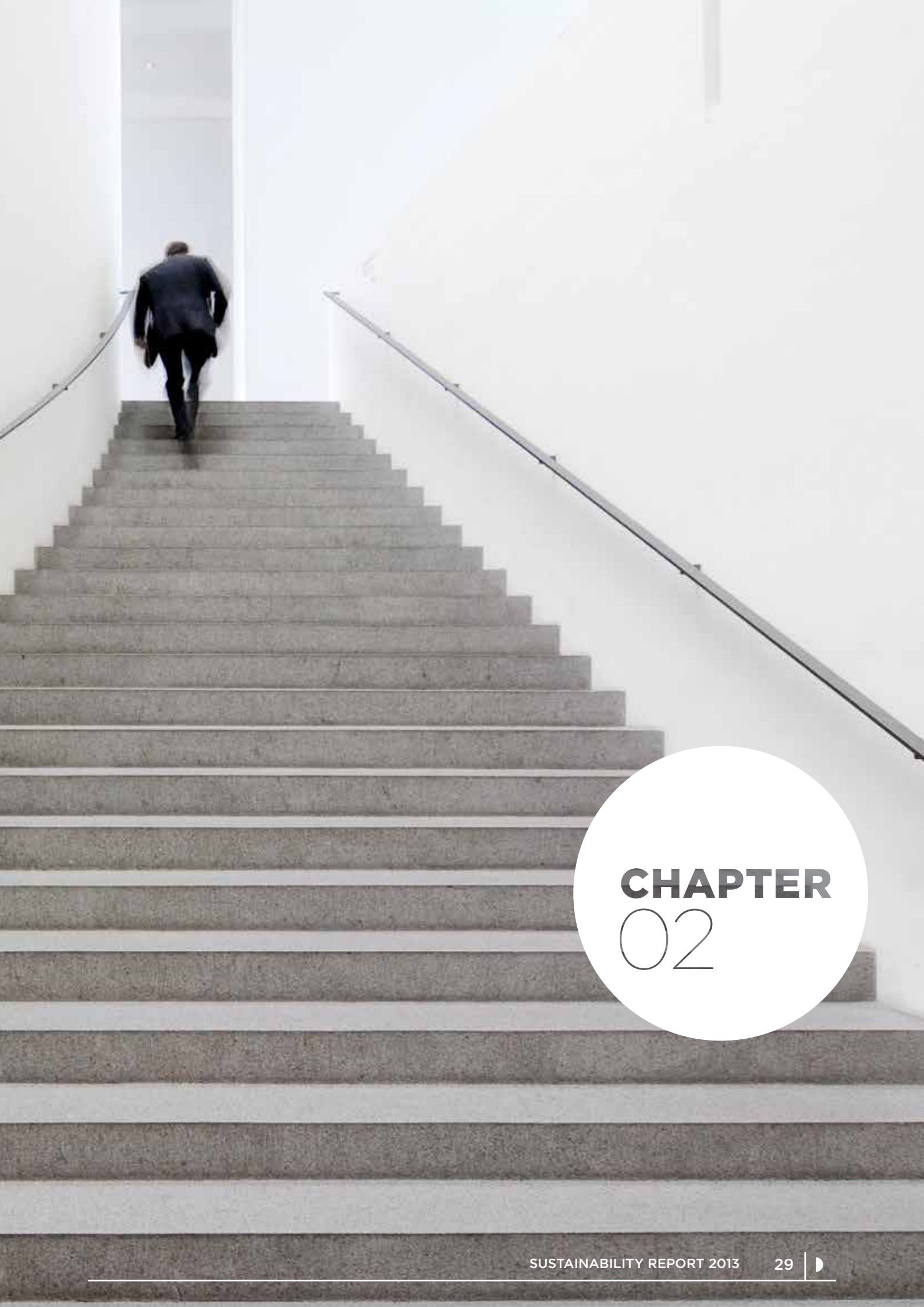


OUR WORKPLACE REPRESENTS OUR ENDLESS DIVERSITY



EMPLOYMENT BRAND HEALTH

EVP



CHAPTER
02



DEVELOPING OUR PEOPLE

As a service-oriented business, we believe our people are our single most important resource. Finding the right people and keeping them engaged and motivated in a supportive working environment and a culture of excellence and opportunity is vital to achieving our key business priorities. Our Group Human Resources (HR) policies and practices underpin this philosophy in an employee-centric way.

Sanlam has a total of 12 031 employees and advisers across South Africa (excluding Santam).

Group Human Resources (Group HR) oversees our group-wide strategic projects and compliance with labour legislation and regulatory codes, while business units manage their key HR strategies and operations in a decentralised manner. We describe HR practices either as “loose” or “tight”. Loose refers to matters left to the discretion of the HR function of our various business units, while tight refers to matters that are compulsory and mandated by Group HR.



Across the Group, there are four areas of HR impact.

TALENT MANAGEMENT

We attract the best people, provide growth and development opportunities, engage and retain them.

TRANSFORMATION

We drive activities designed to create a diverse and inclusive workplace with great representivity of black, female and disabled staff members.

SKILLS DEVELOPMENT

We offer extensive processes and programmes designed to assist staff development and career growth.

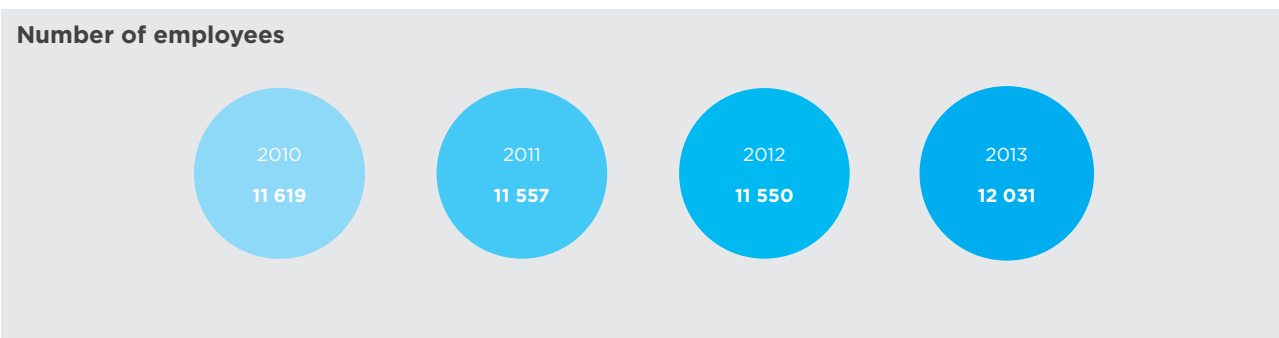
ORGANISATIONAL CULTURE

We have an initiative aimed at driving behaviour that supports our shift towards the consolidation of a high-performance culture.

In driving these four areas, Sanlam complies with relevant legislative frameworks, notably the Employment Equity, Labour Relations and Skills Development Acts, along with other relevant labour guidelines and codes of good practice. We subscribe fully to the Financial Sector Code (FSC), driving the achievement of specific targets within each of the HR-related elements. Furthermore, we

ensure full adherence to all Financial Advisory and Intermediary Services (FAIS) regulations by staff who provide financial advice to clients.

Forums, which support HR activities, exist in many forms across the various businesses and at Group level. These are designed not only to drive key initiatives, but also to foster collaboration and alignment across the broader Group.



As a measure of workforce stability, we track staff turnover at both a cluster and Group level. Performance is reported to the Board’s Human Resources (HR) and Social, Ethics and Sustainability (SES) Committees. Sanlam’s staff turnover¹ for 2013, was 10,93% (2012: 11,60%).

Employee turnover

	2013	2012*	2011	2010
Office staff	10,93%	11,60%		
Advisers (Field)	42,05%	40,10%	23,27%	28,65%

* The causes of adviser turnover differ from the issues affecting permanent office-based employees. Going forward we will report on each separately.

¹ We calculate the turnover rate by dividing the total number of exits by the average headcount. This excludes Advisers (Field).

TALENT MANAGEMENT

Acquisition and retention of the right skills set is essential to our business success.

The financial services industry is experiencing a shortage of people with critical skills. To retain valued skills we ensure a highly competitive employee value proposition (EVP), through which we aim to assist employees to achieve their career and personal development ambitions in accordance with business strategy.

Internally, employee motivation is supported through numerous awards and schemes that recognise and reward good performance. These are aimed at a range of employment levels from senior management to administration and call centre staff.

Our Employment Brand health is vital to our talent strategy. We focus on positioning Sanlam as an “employer of choice”, and specifically target applicants from talent segments that are aligned to the markets into which we hope to expand. During 2013 we embarked on an extensive campaign focused on growing our Employment Brand in the graduate market segment. The objectives are threefold: to ensure a pipeline of high-potential future leaders that help Sanlam achieve its Transformation and Growth strategies; to position Sanlam as a preferred employer; and to create brand awareness in the young professional market. This is a relatively new campaign and we will track its success over the next two years.

In 2012 we implemented an internal electronic recruitment system to track applications and manage our recruitment processes. As a world-class recruitment system, it ensures that the recruitment practices across the Group are standardised and consistent. In line with our “Growth” EVP element, the system also ensures that all employees are able to view and apply for any vacancy in any part of the business, giving them the opportunity to better manage their career growth expectations.

In 2014 we plan to expand the electronic recruitment system with a new module able to automate the post-recruitment processes once a candidate has accepted a job offer at Sanlam. This will lead to significant efficiencies and reduce the amount of paper-based documentation currently required.

EMPLOYEE VALUE PROPOSITION

During 2013 there was strong focus on positioning the EVP to the external market. A descriptive EVP booklet was designed and made digitally available on the Sanlam website. All applicants now receive a copy of the booklet during the recruitment process. We also redesigned the Sanlam Career website to align with our EVP.

Sanlam’s retention and recognition initiatives are varied and extensive. We retain staff through our competitive reward and benefit offerings, the provision of development opportunities and decent working conditions. As part of our recognition strategy, we offer a variety of employee awards which gives us an opportunity to show our appreciation by recognising excellent performance. Each business cluster has its own distinct set of employee awards, either monetary or non-monetary, aimed at promoting performance aspects linked to specific business activities. These range from sales targets, exhibiting Sanlam’s core values, generating innovative ideas, delivering excellent client service and various other job performance criteria.

Awards such as the Kudos programme in the Group Office, The Living the Values Award in Sanlam Investments and the SPF Activator Awards involve employee participation through nominations. Since 2006 employees have made more than 2 500 nominations and submitted 2 003 ideas, via the SPF Activator Awards programme, that could potentially benefit the business.

EMPLOYEE VALUE PROPOSITION

We aspire to be an excellent employer, offering our employees more than just a great place to work at. To this end, we aim to excel in the following areas deemed key to attract and retain staff, and to enhance their performance and development.



REPUTATION THE PREFERRED PLACE TO WORK

Talented people want to work for a market leader. Our reputation has been built over 95 years, by continuously learning, adapting and staying true to our ethical values and commitment to our stakeholders.



LEADERSHIP CREATING OPPORTUNITIES FOR GREATNESS

Through diverse initiatives, we invest in nurturing leaders who engage and empower, are open to new ideas, and are driven to create an environment for our staff and company to excel.



BALANCE RESPECTING INDIVIDUAL PASSION AND FLEXIBILITY

Employee wellness and the ability to follow passion is important if staff members are to perform at their best. We accommodate employees through flexible working hours, access to convenience services and our bWELL wellness programme.



REWARD COMPETITIVE REMUNERATION AND INCENTIVES

Beyond market-related remuneration packages, we recognise and reward excellence in the workplace, which is vital to secure continued high performance and dedication from employees.



GROWTH HELPING EMPLOYEES GROW AND EXCEL

Through challenging work and diverse training and development opportunities, Sanlam fosters fulfilment in the workplace.



CONNECTIVITY EMBRACING RELATIONSHIPS

Our biggest assets are the relationships we build. We prioritise employee interaction and collaboration internally and externally. We also encourage employees to volunteer and participate in our corporate social investment initiatives.



During 2013 a total of 1 448 vacancies were recorded, the majority occurring at the semi-skilled level. Two-thirds of these were filled externally, with each vacancy taking on average two months to fill. Positions are advertised both internally and externally to ensure that existing staff members are given growth opportunities while also allowing for recruitment of external talent. During 2013 there were 54 retrenchments (2012: 80).

companies to work for". In the top 50 commerce companies' category, Sanlam ranked 49th among students, and 32nd among MBA students and professionals. This indicates that the employment brand is stronger among professionals than students and recent graduates.

With room for improvement in the perception of students and recent graduates, we focused on the graduate market segment this year, initiating a number of graduate-focused programmes and hosting six career fairs at the biggest universities across the country. The latter, known as the SanlamUp Graduate Recruitment Programme, resulted in a total of 4 000 job applications in 2013. Through our graduate programmes we are developing and growing talent for the financial services industry.

EMPLOYMENT BRAND HEALTH

This year Sanlam was featured in Universum's South African "Companies of the Future" report that polled over 26 000 university students, MBA students and professionals from all 23 South African universities on the topic of "best

Sanlam had the following major graduate programmes running in 2013:

Programme	Description	Duration	Number of participants
The SanlamUp Graduate Development Programme	A work experience programme at various businesses across the Sanlam Group. Graduates were selected from the SanlamUp Graduate Recruitment Programme.	18 months	14
The Actuarial Graduate Programme	A comprehensive programme that focuses on administrative support and valuable knowledge of Sanlam's products and systems as well as industry knowledge.	12 months	6
The Open your World 2013 Vacation Development Programme	A programme for final year students to develop self-reliance and build future careers in the investment industry.	3 weeks	42
The Sanlam CA Training Programme	A SAICA-accredited chartered accountant training programme. Trainees also have the chance to develop leadership skills through the Graduate Development Programme.	3 years	9

Sanlam Financial Advisers and Broker Distribution clusters embarked on a proactive initiative to source, select and develop black African talent, the success of which will ultimately be measured by the ability to retain this talent over time. As part of this once-off initiative, 30 trainee financial advisers and 19 trainee broker consultants are undergoing a rigorous training programme to develop them to the point where they can become fully accredited Sanlam advisers and broker consultants.

Looking forward, we plan to carry out an internal employment brand campaign in 2014. The campaign will communicate Sanlam's new brand positioning, to be launched in the first half of 2014, and highlight Sanlam's EVP.

TRANSFORMATION

Sanlam aims to ensure diversity and avoid exclusion so that our workforce becomes representative of the demographics of our society, including people with disabilities. We aim to foster diversity as a way of optimising productivity. Our approach to transformation is set out in our Human Capital Transformation strategy. This strategy sets out our objectives across five strategic pillars, namely staff composition, people development, retention measures, culture and people management practices.

The responsibility for Sanlam's transformation rests with the Group Chief Executive and the Cluster Chief Executive Officers. The HR departments of each business cluster are responsible for effectively implementing the strategy and cluster Chief Executive Officers are held accountable for the achievement of their respective targets. The Sanlam Group Employment Equity Forum was established as a consultative body to improve transformation progress within the organisation

with representatives across all business levels including employees.

For more information refer to the section Towards a prosperous society on page 84.

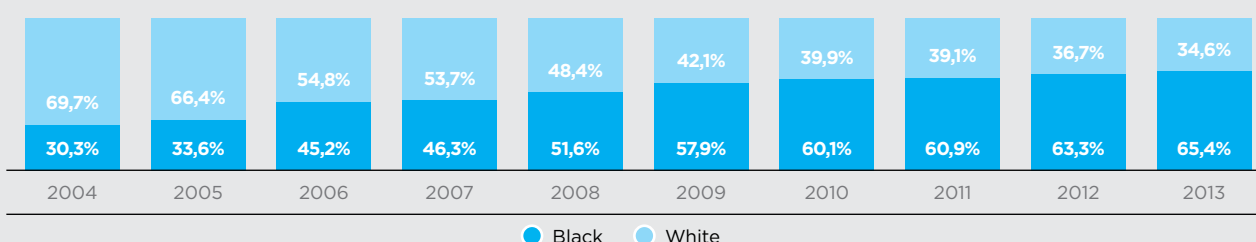
As at year-end, Sanlam had a total of 12 031 employees and advisers across South Africa. Of this employee base, the proportion of black staff accounted for 65,4% (2012: 63,3%), an increase of 7,7%. This continues our ten-year trend towards becoming a more transformed company. Improvements were attributed largely to the relatively high proportion of black staff being recruited. Our verified employment equity B-BBEE score for 2012 was 4,52. In 2013 this shifted to 7,07 (verified).

The revised employment equity (EE) plan was implemented this year. A key focus of the revised plan is on ensuring staff are better informed about employment equity practices. Because

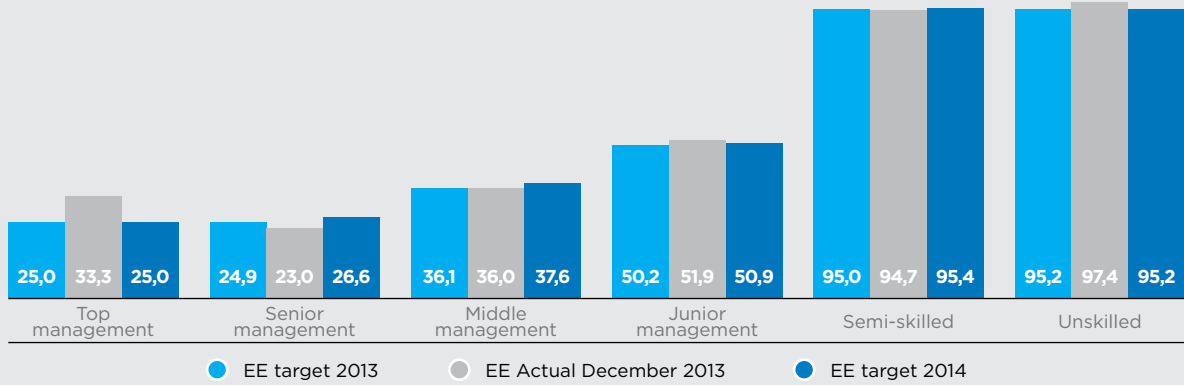
Occupational level	Male				Female				Foreign		Grand total
	A	C	I	W	A	C	I	W	M	F	
Top management	2	0	0	5	0	0	1	1	0	0	9
Senior management	16	19	14	201	11	10	6	52	2	0	331
Middle management	112	131	85	522	65	103	65	455	16	4	1 558
Junior management	557	516	150	1 055	634	812	183	1 587	11	5	5 530
Semi-skilled	1 211	139	13	37	2 515	395	47	192	9	6	4 564
Unskilled	5	0	0	1	22	11	0	0	0	0	39
Grand total	1 923	805	262	1 821	3 247	1 331	302	2 287	38	15	12 031

A = African; C = Coloured; I = Indian; W = White; M = Male; F = Female

Black-White ratios 2004 - 2013



Employment equity target versus actuals (%)



of Sanlam’s structure, the operating model and the diverse nature of the businesses, business-specific EE plans were formulated at each business cluster level, namely Sanlam Personal Finance (SPF), Sanlam Investments (SI), the Sanlam Group (Corporate) Office and the Sanlam IT Shared Services (SSS).

Progress against EE targets is monitored quarterly at a Group and cluster level. The heightened target-oriented focus has proven successful. However, transformation at senior management level remains a challenge. This is being addressed through a centrally managed initiative with a focus on high-potential and specialist black staff being groomed for senior management. This initiative will include a comprehensive development process.

PEOPLE WITH DISABILITIES

Sanlam is committed to providing equal opportunities for unemployed people with disabilities and offering learnerships specifically aimed at individuals with disabilities.

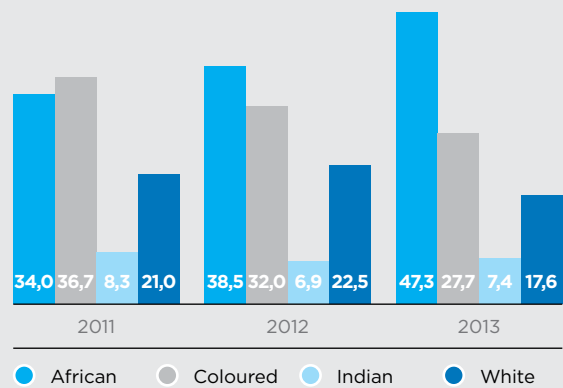


Initiated in 2012, the learnership programme offers 30 learners with disabilities a year-long contract within our SPF and SSS retail business divisions. The intention is to appoint as many of these learners as possible when they successfully complete the programme. In 2013, 23 learners successfully completed the learnership. Those who were not permanently employed were placed on an internship during 2013.

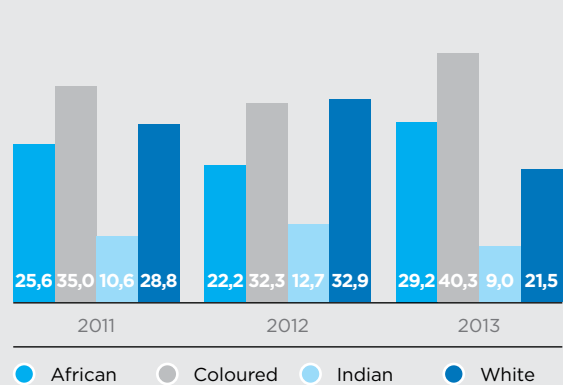
In July 2013, 33 new learners were enrolled in the learnership programme.

* These graphs exclude advisers due to the volatility of this job category across the industry.

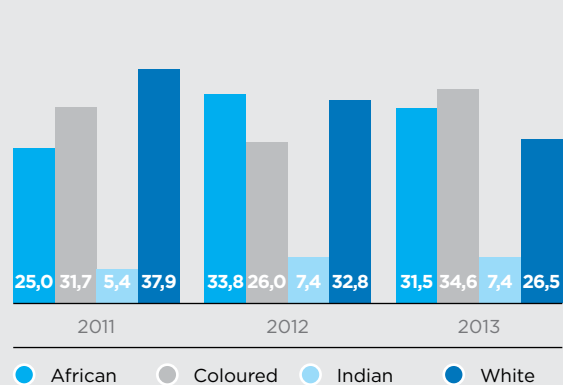
Appointments (%)



Promotions (%)



Terminations (%)



2.3

SKILLS DEVELOPMENT

Sanlam views the quality of its staff as a key differentiator and invests extensively in equipping our employees with the skills we need to grow our business.

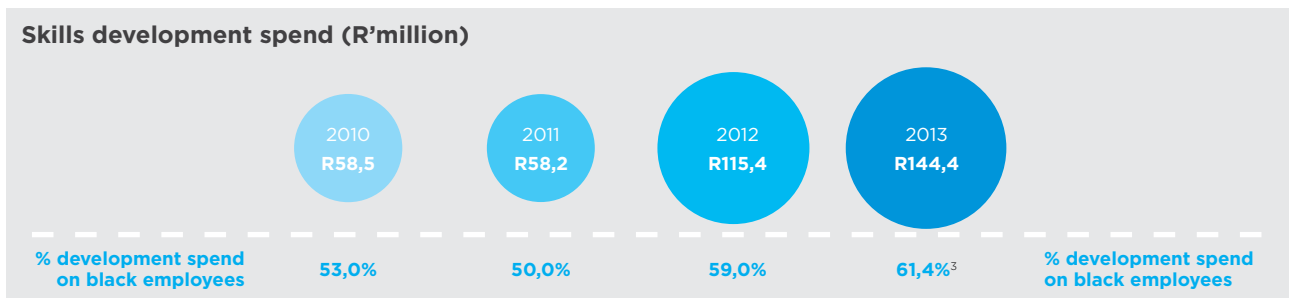
Succession planning is managed at both Group and cluster levels. It is the responsibility of the business clusters, which are required to identify key leadership, high-potential and technical talent, to organise talent pools and actively work with group-wide initiatives to develop these individuals to achieve their career and life goals. At a Group level, the Group CE, in consultation with the Executive Committee and Group HR, drives succession planning for key executive roles across the business.

Our training and development forum is mandated with fostering alignment and collaboration between HR specialists across the Group. The forum is also responsible for developing strategies,

policies and HR solutions that result in high performance. Individual businesses govern the technical training they require. The Group remains responsible for much of the management and leadership development implemented.

Sanlam spent R144,4² million, during 2013, on both technical training and development initiatives. More was spent on technical training than in previous years, to ensure that the sales force is compliant with the regulations and legislation governing the sector and competent in providing appropriate solutions to customers.

During 2013 89% of all staff received training and more than 61,4% of money spent on training and skills development went to black employees. Our dti B-BBEE skills development score for 2012 was 12,23 out of a maximum of 15 (2011: 9,91). In 2013 the equivalent FSC score for Skills Development is 9,13 out of a maximum of ten.



Total skills development spend breakdown 2013

Cost type	Black		White		Foreign	Grand total
	Male	Female	Male	Female		
Direct spend (R'million)	9,5	9,9	7,7	6,8	0,3	34,3
Indirect cost (R'million)	22,4	46,8	16,5	24,1	0,3	110,1
Total	31,3	56,7	24,2	30,9	0,6	144,4
Number of staff trained	2 642	4 224	1 395	2 149	51	10 461
Average cost per person	R12 082	R13 434	R17 340	R14 407	R12 788	R13 810

² Combination of direct costs associated with training and the infrastructure costs.

³ Although 65% of the staff in Sanlam is black, our training spend on black staff is less than this, due to the fact that the spend on more senior staff is more costly than junior staff. Our EE ratios are still skewed at junior level.



Beneficiaries of training 2013

Occupational level	Black		White		Foreign	Grand total
	Male	Female	Male	Female		
Top management	2	1	4	1	0	8
Senior management	48	24	201	58	2	333
Middle management	324	229	504	456	17	1 530
Junior management	1 198	1 641	652	1 446	15	4 952
Semi-skilled	1 065	2 299	33	188	17	3 602
Unskilled	5	30	1	0	0	36
Grand total	2 642	4 224	1 395	2 149	51	10 461

LEADERSHIP AND TECHNICAL SKILLS

During 2013 there was a very specific focus within SPF to improve the competence of the advisers. This focus is justified by the fact that our sales force (advisers) generates 85% of Sanlam's business.

Investment in management and leadership skills serves our need to create a pipeline of talented individuals that can successfully lead the business into the future. While a diversity of managers attends these programmes, we are increasing the numbers of black participants as part of our overarching transformation imperative.

Key Group-level initiatives

Programme	Description	Duration	Number of participants 2013	Number of graduates 2013
The Senior Management Development Programme	A partnership with the University of Stellenbosch Business School (USB) that aims to equip senior managers with the change management skills to function effectively within a corporate environment.	10 months	28	27
The Business Management Development Programme	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.	10 months	25	24
Executive Leadership Programme	A partnership with 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.	10 months	35	To be completed in 2014

During October 2013 the flagship Executive Leadership Programme was launched. This was undertaken in partnership with the Gordon Institute of Business Science (GIBS) to provide high-performing senior management with additional leadership and management skills.

SANLAM DISTRIBUTION ACADEMY

Sanlam Distribution Academy plays a pivotal role in ensuring that our tied agents are able to service their clients effectively, and within the legislative requirements. A range of training initiatives are offered such as sales, skills development, legal and technical training, management and leadership, entrepreneurial and business management, technical products support and business processes. Please read more about the Academy's work in the Products and Services: Distribution section on page 61.



LEARNERSHIPS

Learnerships have a transformation focus and are seen as a key vehicle to bring staff members into the business at entry level. By making learnerships available to black individuals and people with disabilities, a pipeline is created to assist with the achievement of our transformation objectives.

During 2013, 64 learners began a learnership, 33 of whom were learners with disabilities and 22 of whom are employed within Sanlam. Of the 43 learners who completed the 2012/2013 learnership, 21 were employed as interns and 11 were permanently employed.

Sanlam has partnered with the INSETA in an initiative to develop critical but scarce ICT skills. Four of the graduates who enrolled in INSETA's Business and Systems Analyst Programme were accommodated at Sanlam. They have successfully graduated and have been permanently employed.

We conduct a further 14 leadership development programmes across the business, focused at a range of employment levels including junior and middle management, as well as more generic courses aimed at all staff. These programmes saw almost 300 staff trained during 2013.

- The Leading Edge Programme
- The Living Passionate Ownership
- Masters in the Making
- Life and Corporate Coaching Programme
- Assertiveness Leadership Programme
- Middle Management Development
- Assertive Leadership
- Building Relationships and Collaboration Skills
- Investment Professional Development Programme
- Mentorship Maintenance Programme
- Business Management Programme
- A number of team leader programmes.



ORGANISATIONAL CULTURE

Organisational culture is a key driver of staff behaviour which affects our ability to deliver a superior client service. Our culture is based on the values that guide us.

We strive to provide staff with an employment experience that is world-class. In doing so we aim to develop a workforce that is content, healthy, supported and enjoy their working environment.

> CULTURE

Sanlam's culture is characterised by humility, tradition and success. We aspire to creating a culture that retains much of what exists already but with a shift, over time, to a higher level of performance. With this in mind, we launched our *Blueprint for Success* initiative in 2012, an employee engagement tool designed to drive our desired culture by defining and then measuring key constructs and behaviours which either support or prevent high performance. This allows us to develop those that enable, and reduce those that disable, performance.

After undertaking our first assessment with staff in 2012, we identified a number of key areas of focus. The process to drive improvements in these key areas includes ongoing communication, feedback to staff, actively working with results, and developing and implementing action plans. We followed up our first survey with a second one in August 2013. Sixty-three percent of staff participated, an increase of 45% compared to the first survey. Our overall survey index score showed a slight but pleasing improvement. An analysis of the detail shows that this can largely be attributed to fewer disabling behaviours among staff. While this is very encouraging, scores are most meaningful when viewed in the context of

departments and clusters. Each department and cluster will continue to communicate extensively and refine action plans to further drive progress.



To counteract the disablers, Sanlam aims to formulate action plans that reduce these undermining behaviours.



A noticeable improvement in this year's *Blueprint for Success* survey was the increased number of constructive comments, which focused on suggestions for improvements. These inputs will be discussed in more detail within each business unit and added to action plans.

INVESTORS IN PEOPLE

SPF was successfully assessed against the Investors in People (IIP) standard in the latter part of 2012 as part of a three-year reassessment cycle. (The previous assessments were undertaken in 2006 and 2009.) Five hundred top managers, line managers and employees across 23 business units were randomly selected to participate in the assessment, which covers ten indicators and 39 supporting evidence requirements that build a picture of how a business is managing its people. All SPF business units received the standard IIP accreditation, while Glacier by Sanlam and SPF Customer Contact Centre met additional requirements and received bronze ratings. Business units translated the findings into action plans that were included in their HR people-practice plans for 2013.

High scores mean that more people are witnessing behaviours that reflect the traits represented. The three top-scoring enablers were:

- Responsible citizenship
- Client-centricity
- Clear goals and direction



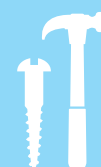
High priority enablers over the next year will be:

- Investing in our people
- Teamwork
- Building and strengthening our brand



The three top-scoring disablers were:

- Loss of key talent
- Bureaucracy and red tape
- Favouritism and discrimination



VALUES, ETHICS, GOVERNANCE AND COMPLIANCE

Sanlam's work culture aims to ensure that our values, ethical standards and operating standards are adhered to. A measure of this is the number and type of disciplinary measures, hearings, dismissals and CCMA cases. During 2013, 110 incidents of disciplinary action were recorded. Of these 110 incidents, only four were incidents of failure to comply with the Code of Ethical Conduct.

Twelve employees were dismissed for reasons ranging from poor performance to breach of the Code of Ethical Conduct. Five cases proceeded to the Labour Court and three cases are pending in the High Court. The cost of these cases was R1 322 186.

Sanlam is not a highly unionised environment and 2013 saw a decline in the number of staff members who were unionised. The number dropped from 236 staff members belonging to a union in 2012 to 196 during 2013. This is less than 2% of our staff complement. Staff members are free to join a union of their choice.

EMPLOYEE WELLNESS

One of the pillars of Sanlam's Employee Value Proposition is balance. There is a clear relationship between employee wellness and productivity, and Sanlam recognises the importance of ensuring the wellness of its staff members.

Our 2013 health campaigns were aimed at addressing health risks that were identified during the 2012 Onsite Wellness Days. During June and

July 2013 a total of 13 work-life balance sessions were conducted at 11 different sites. We continue to offer psychosocial counselling and support, and practical financial, legal and life management services through the Employee Assistance Programme (EAP), while Sanlam's Corporate Games are proving successful in promoting a more active lifestyle through sport and exercise among our employees.

In 2012 we launched our new bWell employee wellness programme. The programme consolidates all our efforts into one overarching approach that will enable us to better monitor and support our employees in matters concerning their health and fitness. The programme includes employee wellness assessments, HIV/Aids education and testing, health scheme support and eCare, our online wellness platform that provides enrolled employees with pertinent health-related information via email.



During 2013 we continued to roll out the bWell programme across the business. By December 7 252 employees were enrolled in our eCare programme and now receive weekly bWell wellness electronic newsletters. In total, 43% of the enrolled employees have access to tailored health and wellness information after submitting their health data online or attending an onsite wellness day.



We also conducted an organisational health risk assessment to assess the most prevalent health-related concerns across the business. A total of 2 797 employees took part in the assessment. Back pain, hayfever and headaches were found to be the most prevalent medical conditions, while a total of 56% of employees are at risk of coronary heart disease, 45% are at risk of diabetes and 18% are highly stressed. The assessment also led to the identification of more than 300 cases of previously unknown risks and undiagnosed medical conditions.

All of the above conditions have the propensity to significantly impact quality of life and business productivity. Going forward these findings will be investigated further and we are busy developing interventions to reduce these risk factors. Since the assessments are proving useful, additional onsite risk assessments are planned for the first half of 2014.

OCCUPATIONAL HEALTH, SAFETY AND WORKPLACE DESIGN

Within South Africa Sanlam has 12 sites housing 80% of Sanlam's total workforce. The work environment varies from well-accommodated city offices to containers in rural areas where Sanlam Sky Solutions provides cost-efficient solutions to the local market.

Managing and controlling workplace design and ergonomics within these parameters is challenging. Where we can control the environment, offices are spacious, well ventilated and well equipped, designed by professional staff according to global standards. While accepting that improvements in some environments are required, we strive to ensure an office environment that contributes to wellbeing and productivity.



Each of our buildings is inspected quarterly and rated according to the following three aspects:

Administrative compliance (including regulatory health and safety requirements)

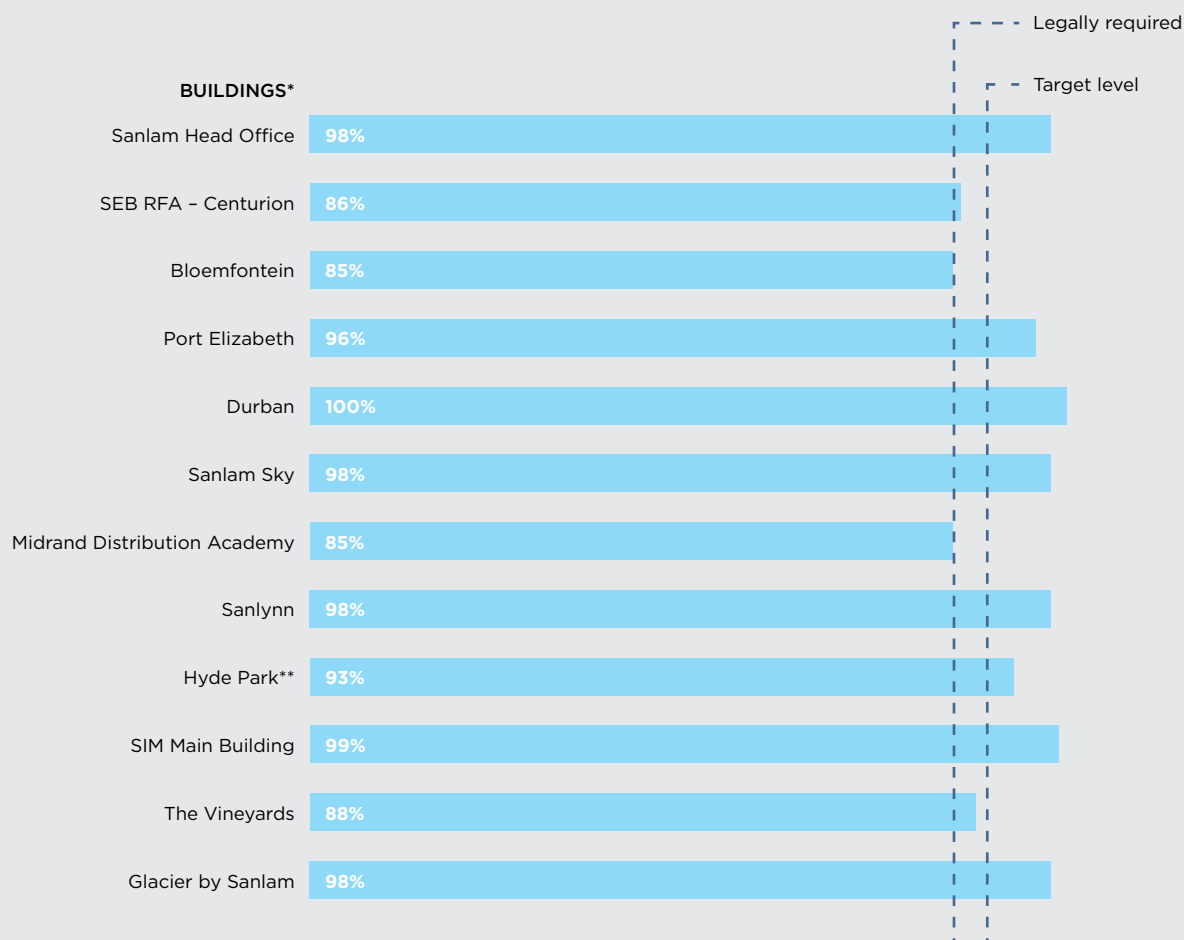
Safe working environment (including access to safety equipment and fire escapes)

Education and training

The table below reflects our performance against these aspects

Administrative compliance	Safe working environment	Education and training
One incident of non-compliance with local bylaws was identified and rectified at each of our Bloemfontein and Midrand offices. No other non-compliance concerns were identified in 2013	Health and safety inspections revealed only six minor issues, all of which have been addressed and no violations occurred	Our health and safety training at all sites is up to date. During 2013, 119 (2012: 59) employees underwent health and safety training

Occupational Health and Safety (December 2013)



Data sourced from our external service provider Scott-safe

* 12 largest Sanlam buildings that contain more than 100 people

**Our Hyde Park offices includes UB and UB Investments

Our overall annual health and safety score for our larger buildings (>100 individuals) has remained fairly constant over the past five years at above 90%. All buildings achieved the minimum compliance level of 85% set by the Department of Labour. Our target, however, is to maintain a minimum compliance level of 90% for all our buildings.

Our smaller offices, with less than a 100 people, are also assessed and 90% have achieved Sanlam's target compliance level of 90%.

INJURIES ON DUTY

Over the past decade an average of 38 injuries on duty were recorded per annum of which 89% were minor or initially unreported incidents. For 2013 only 31, mostly minor, injuries were recorded.





Sanlam



PERFORMANCE

CLIENT CENTRIC



SECURE AND TRAIN THE RIGHT PEOPLE

CLIENT HAPPINESS



INNOVATION

COMPETITIVE PRODUCTS

LOOKING FORWARD: NEW PRODUCT SOLUTIONS



DEVELOPMENT

SUPPORT



BEING RESPONSIVE TO OUR CLIENTS

PRODUCTS AND SERVICES



RETIREMENT SAVING

AFFORDABILITY

SME VALUE PROPOSITION

HIV INSURABLE DISEASE



UBUNTU-BOTHO

R15 BILL 10 YRS

EMPOWERMENT FINANCE

DISTRIBUTION NETWORKS

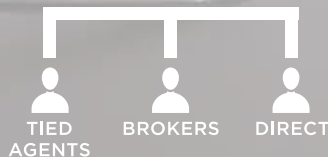


FUNERAL & SAVINGS

PEACE OF MIND



INCREASED INVESTMENT OPTIONS



BENCHMARK SYMPOSIUM

RESPONSIBILITY TO CLIENTS

NEW PRODUCTS

SANLAM



PROMOTE RESPONSIBLE BEST PRACTICE

OUR CUSTOMERS ARE KEY

GROW OUR NETWORK



EFFICIENT IT SYSTEMS

SIX FAIRNESS OUTCOMES TCF

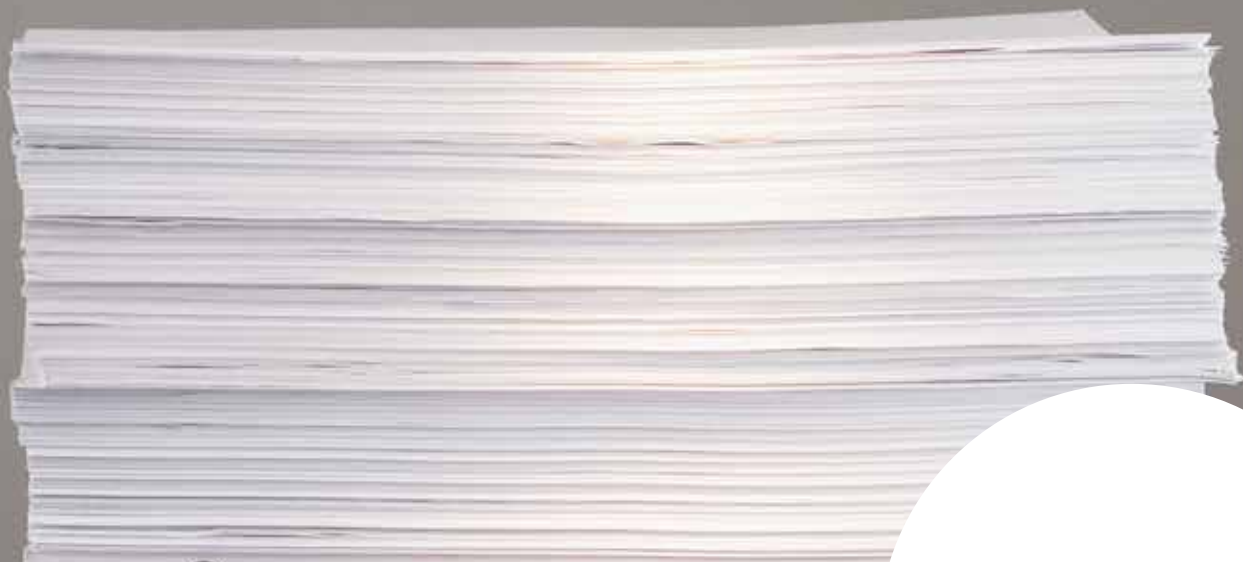
RESPONSIBLE INVESTMENTS

1708

RESOLUTIONS VOTED ON

INFRASTRUCTURE INVESTMENT





CHAPTER
03



PRODUCTS AND SERVICES

Our products and services, sold to clients through our distribution networks, exist to build, preserve and grow wealth in society. Saving over the medium to long term is an essential requirement for a prosperous society, and getting South Africans to do so will secure our future as a financial services provider. The integrity of our risk products is core to our product philosophy, and we have made it our business to develop products and deliver services that promote a savings culture and protect people in the face of adversity.

Client-centricity has been one of our key strategic pillars for years: we have always placed the needs of our clients at the centre of our innovations that deliver products and services. We work to satisfy our clients' expectations of affordable solutions that address their financial needs, while continually navigating an increasingly strict regulatory environment. These conflicting factors demand innovative products and services and improved operating efficiency to allow us to remain competitive without compromising value.



3.1

BEING RESPONSIVE TO OUR CLIENTS

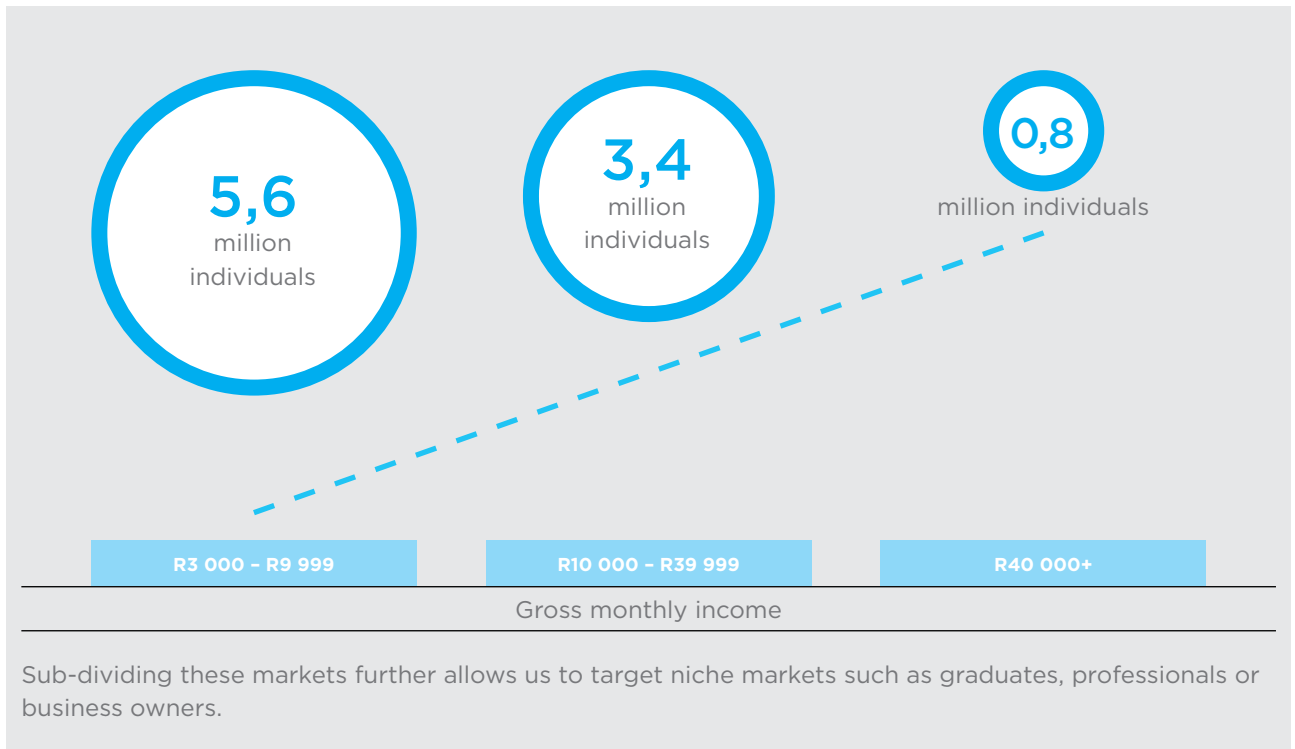
We are constantly working at understanding our clients and responding to their needs effectively. To this end client-centricity has been embedded into Sanlam's organisational culture through our Blueprint for Success initiative (see the People section on page 40). We have also structured our business units according to the market segments that we target.

SEGMENTING THE MARKET

In order to develop an understanding of customer needs and create an appropriate value proposition,

we have used a needs-based segmentation model, using demographics such as income, qualification and/or the employment level of individuals as the key parameters. Where appropriate, we subcategorise the market further and continually adjust our segments to keep abreast of shifting market requirements. Over the past eight years we have aligned the business units within Sanlam Personal Finance (SPF) to these market segments. This has allowed us to develop specialist expertise to serve the various markets we target.

Retail market segmentation



Sub-dividing these markets further allows us to target niche markets such as graduates, professionals or business owners.

* Number of employed individuals - statistics gathered from the Bureau of Market Research (BMR) 2013.



GAINING CLIENT INSIGHT AND STRUCTURING OUR BUSINESS

We use a two-pronged approach to gaining insight into client needs, changing trends and suitable products. Each of our business clusters has a market insight team that identifies market trends, conducts market research and analyses benchmarking data, such as Brand Health Tracker, Customer Tracking Study, the Benchmark Study and Bureau of Market Research (BMR) information, against our own portfolio. We gain further insight into client needs by engaging our distribution network of advisers and brokers.

Our segmented market approach is evident within SPF as this business cluster has traditionally contained all our retail business activities and is responsible for our whole distribution network.

Our Sanlam Investments (SI) cluster focuses solely on the middle and affluent market where clients have discretionary funds available for investment purposes. As part of this cluster's response to the Treating Customers Fairly regulations and

the many changes facing the investment industry globally, including a low-return investment environment and changing customer behaviour, Sanlam Investments implemented its own client-centricity programme in 2013.

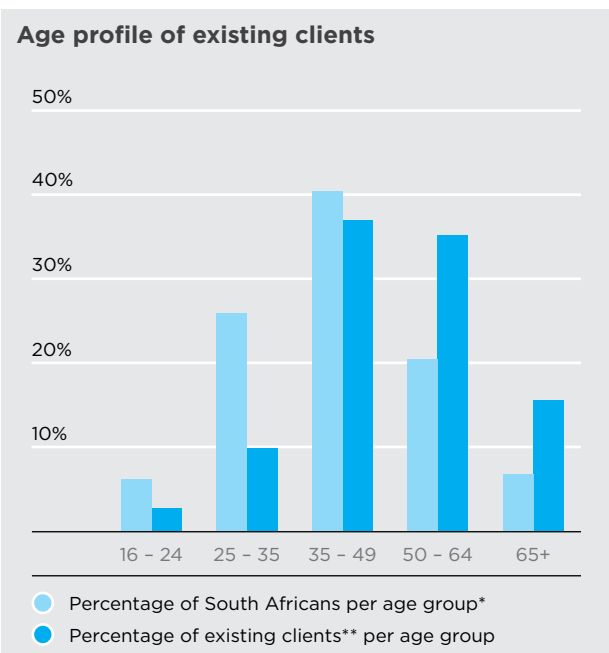
This programme repositions our South African investment businesses in a bid to simplify investment offerings and align them to our market segmentation strategy. Since November 2013 SI consists of two client-facing businesses: Institutional and Retail, both of which are served by a single investment unit, the Investment Core, which houses all onshore investment capabilities. Our International (offshore), Employee Benefits, Wealth, and Capital Management businesses were unaffected by the repositioning. The changes apply to our core onshore investment businesses. Businesses which service other geographies or client groupings are unaffected by the arrangement for now, although efforts to achieve optimal alignment across the board in the interest of our clients will continue. The restructuring process will be finalised in 2014.

Client-centric structure of SPF cluster

	Entry-level market	Growth market	Affluent market	Function
SPF business units	Sanlam Sky Solutions	Sanlam Individual Life Solutions	Glacier by Sanlam	Provides client financial solutions such as: risk, investment, retirement, short-term, health, fiduciary services and transactional products. Each business unit acts as a solutions provider to a specific market segment. This arrangement is, however, flexible and in some instances business units do provide solutions for other market segments.
	Sanlam Business Market and Sanlam Professional Market			Caters for the professionals and business owners' niche market. As entrepreneurs, these individuals typically sell their time and are likely to employ others. As such, their personal and business needs can change rapidly and require different engagement models.
	SPF Segment Solution and Client and Market Insights	Our segment solutions teams are responsible for internally monitoring the performance of our products in each market. The SPF Client and Market Insights Unit is responsible for monitoring the external macro-economic environment to formulate client and market insights. Pulling these insights together allows us to identify new market segments and develop products that meet the needs of our clients.		

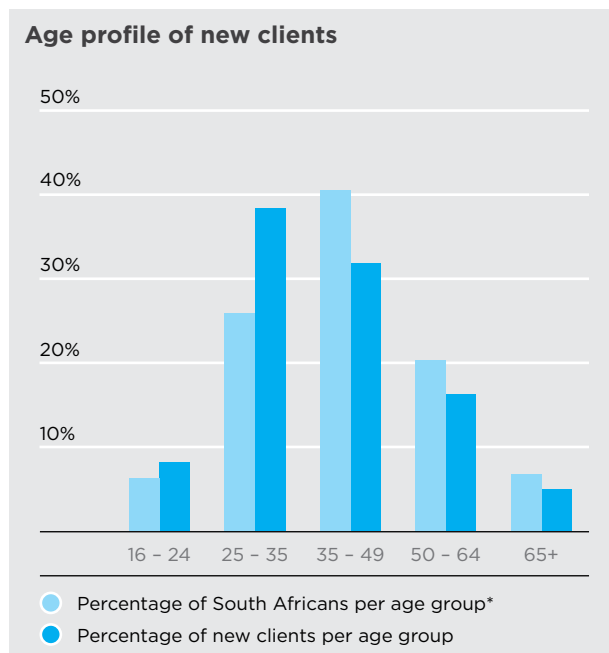
REMAINING RELEVANT

Our value-mapping tool monitors how relevant Sanlam remains as the market changes, people age and the youth lead the way. It allows us to track the amount of new business signed against our client profiles over time and assess our ability to successfully target a specific market.

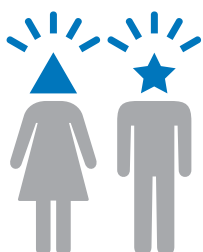


* Source: BMR 2013

**SILSS in-force statistics



The age profile of our existing client base within the growth market leans towards the 35 - 49-year and 50 - 64-year age groups, representing 37% and 35% of the total client base respectively. Being in business for 95 years, we expect to have a mature client base. Our strong focus on retirement savings has also attracted long-term committed clients.



In contrast, our new client profile over the past two years differs substantially. Our efforts to attract younger clients to our business are proving successful with the 25 - 34-year age group providing an average of 37% of our new business. The younger market is key to unlocking

future value and maintaining our relevance. We have therefore placed renewed emphasis on developing products for, and promoting a culture of saving among, the graduate market. We are also focusing on empowering graduates to manage money through a number of financial literacy campaigns.

More on financial literacy programmes can be found on page 76 and new graduate products on page 58.

Communicating effectively with graduates is critical, and we are experimenting with different channels and technologies to engage graduates directly in a way that appeals to them. These efforts aim to foster a thriving client base now and into the future.

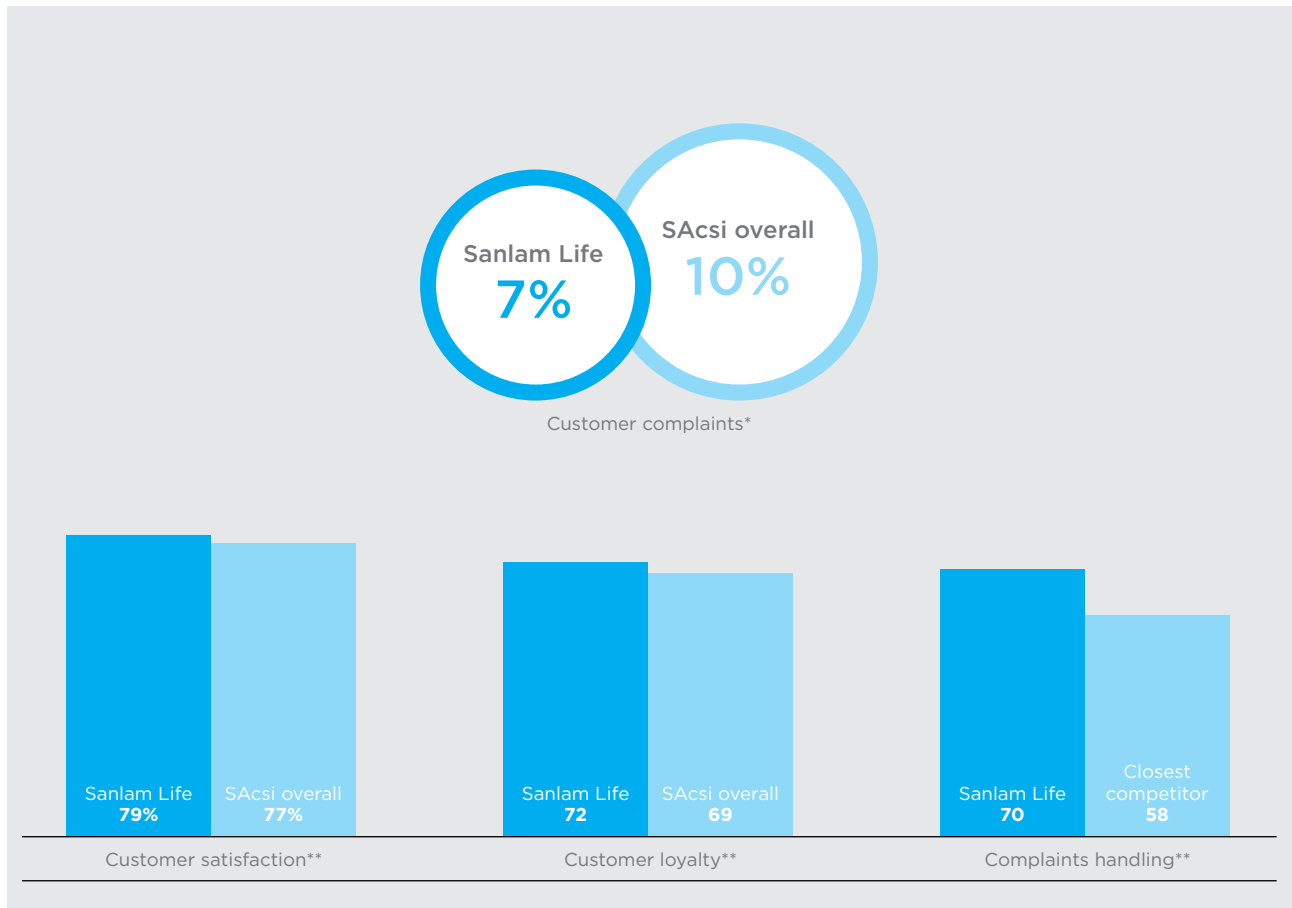


CUSTOMER SATISFACTION AND LOYALTY

We engage our customers through customer satisfaction surveys to assess the quality of our client services, claims experience and complaint resolution mechanisms.

According to the 2013 South African Customer Satisfaction Index (SAcsi), life insurance customers rated Sanlam Life as the best life insurer in South Africa. In terms of overall customer

satisfaction, Sanlam scored 79, two points above the financial services industry average of 77. Sanlam Life not only had the lowest number of complaints, but also outperformed the four other South African life insurance providers in handling complaints and achieving customer loyalty. Internationally Sanlam Life also compared favourably, for example, with the United States' financial services industry average of 80.



* % of respondents that complain

** Average score out of 100

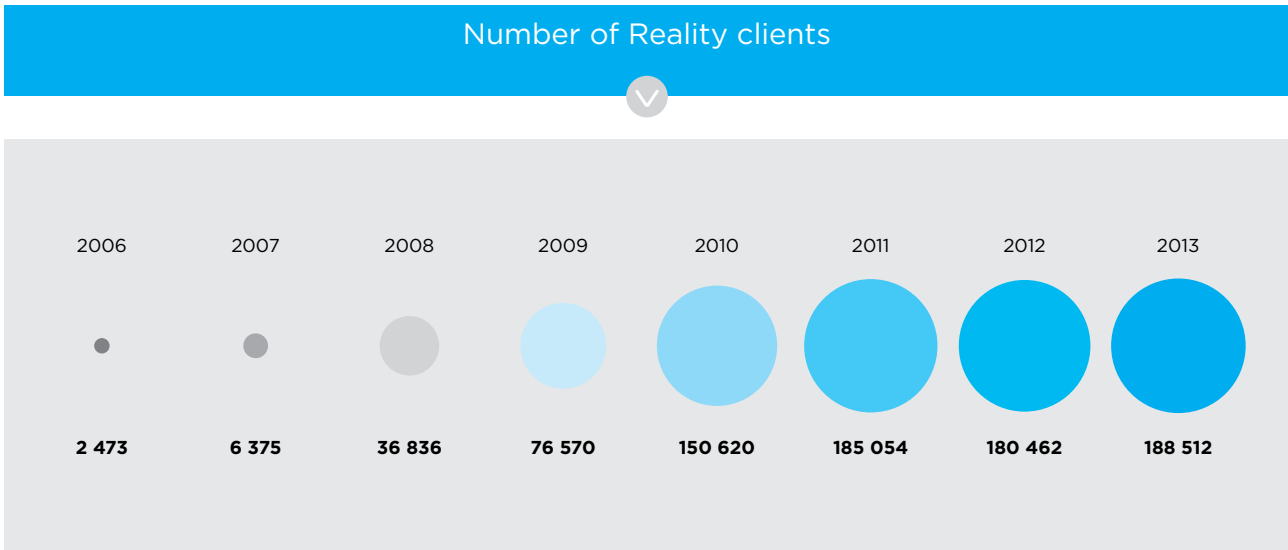


SOUTH AFRICAN CUSTOMER SATISFACTION INDEX (SAcsi)

The SAcsi is an independently determined economic indicator that measures customer satisfaction levels across South Africa. Within the life insurance category, SAcsi assesses the five largest industry players based on their total net premiums (according to the Financial Services Board).

REWARDING CUSTOMER LOYALTY

In 2006 we launched Reality, a customer loyalty programme. With nearly 200 000 participating clients, the programme aims to improve the “financial fitness” of our clients.



The programme allows us to build stronger relationships with our policyholders and develop a deeper understanding of their needs. This helps us provide better financial advice and planning. The programme also provides tangible lifestyle benefits and incentives, while improving the financial awareness and literacy of our clients.

Our annual web poll suggests that over 80% of members enjoy the programme’s benefits and are happy with our service. Clients on our programme make use of 25% more Sanlam products and are approximately 40% less likely to break off a relationship with Sanlam than those not on the programme.

In 2014 we plan to launch a programme aimed at emerging markets – an industry first. We will continue working on implementing a communication system capable of distributing tailored content to our clients. We further plan to extend the range of Reality membership benefits and investigate how to make financial literacy more interactive and engaging through a range of online tools.

CLIENT CONTACT CENTRES

We have three major client contact centres (CCC) to deal with end consumers and intermediary queries. Each CCC serves a different market segment within SPF and each is supported by a focused client service support structure.

Client contact centres within SPF

	Entry-level market Sanlam Sky CCC	Growth market Sanlam Life CCC	Affluent market Glacier CCC
Average calls per day	2 526	5 600	788
Total interactions per day	5 526	20 500	1 483
Focus area	Predominantly handles funeral policy queries	Handles the majority of all after-sales client service interactions on Sanlam Individual Life and Segment Solutions Limited Service (SILSS) products that range from savings to investments	Handles all client interaction in the affluent market segment, from fiduciary services to investment and risk products



Our SPF Sanlam Life CCC participated in the Contact Centre Management Group (CCMG) awards. The national competition recognises outstanding achievement in the contact centre industry and the SPF CCC made it into the top three finalists overall, as well as being awarded Manager of the Year, Supervisor of the Year and Quality Evaluator of the Year.

RESOLVING COMPLAINTS

According to SAcSi, we are the best South African life insurance provider in terms of handling customer complaints with a score of 70, 12% above the second best-performing life insurer.

Beyond our client contact centres, we subscribe to the ombudsman scheme. Any of our long-term insurance policyholders can lodge a complaint at the independent Ombudsman for Long-term Insurance to have their complaint resolved.

At Group level, our Client Relations Unit (CRU) is responsible for resolving all complaints reported to the Ombudsman for Long-term Insurance and other channels, such as our CCCs.

In total, 1 071 new complaints were lodged against us at the ombudsman this year. With over six million clients within SPF, this represents 0,2% of our clients. Sanlam Life's complaints account for 3,3% of the ombudsman's life insurance complaints, while our market share in the life insurance industry in South Africa is estimated at 15% to 20% according to ASISA.

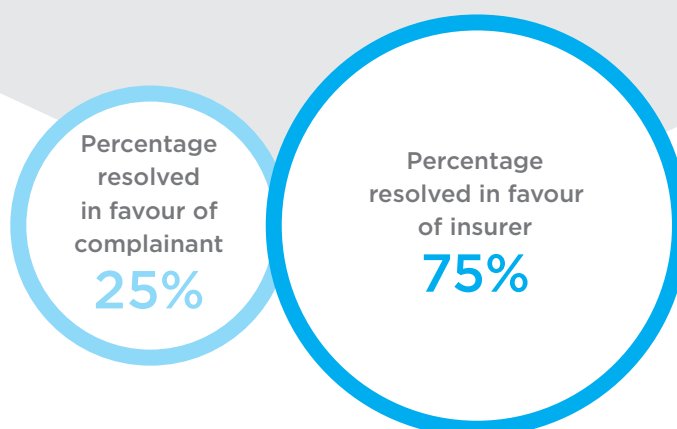
This year 64% of the finalised cases were related to claims we declined on the basis of non-disclosure or policy terms and conditions not being met. Complaints regarding poor service and communications made up 25%. Nearly 75% of all finalised cases were settled in favour of Sanlam.

Sanlam-related complaints handled by the ombudsman during 2013

	New complaints	Cases finalised*	% Resolved in favour of complainant	% Resolved in favour of insurer
Sanlam Life	329	105	14%	86%
Sanlam Sky**	742	517	28%	72%
Total	1 071	622	25%	75%

* These are the cases finalised during 2013. Some of these cases were received in earlier years.

** Includes Safrican and Channel Life Licences.



BENCHMARK SYMPOSIUM

Retirement savings is a national priority, since the overwhelming majority of South Africans will not retire with sufficient income. Our annual BENCHMARK survey examines South Africa's retirement landscape to identify developing trends in employee benefit structures and retirement fund management in South Africa.

Widely regarded as the definitive guide to retirement provision in South Africa, the research results are presented at our annual BENCHMARK Symposium to encourage debate, promote responsible best practices and provide a benchmark to industry stakeholders. This assists employers, trustees, principal officers and benefit consultants to design appropriate employee benefit structures.

The 2013 survey found that employees frequently make the following mistakes:

- 56% start saving at age 28 instead of the recommended age of 23
- On average, employees invest 7% of their annual salary instead of the recommended 15%

- 62% of people don't preserve their retirement savings when changing jobs or being retrenched
- 90% of employees don't revise their retirement savings after initial sign-up
- 38% of working people never get professional advice about saving for retirement.

Since 2008 we have broadened the scope of the research to include responsible investment and environmental, social and governance (ESG) issues as the social and environmental impact of the underlying financial instruments has far-reaching implications for the economy and society on the whole. The aim of the research is to assist the retirement fund industry to understand clients' retirement needs better and unlock innovative solutions within this space.

The BENCHMARK survey reports, presentations and expert interpretations are made freely available online at www.sanlambenchmark.co.za.

THE PROFESSIONAL AND BUSINESS OWNER MARKET

As part of the segmentation changes made during 2012, we realised that the sub-cluster consisting of professionals and business owners operates across various market segments, depending on the maturity levels of their business. This group comprises of the entrepreneurial market of South Africa, which the government has prioritised for development as part of the National Development Plan (NDP). Entrepreneurs have needs and risks that employed individuals do not encounter. Our research into this helped us to identify a cross-cluster solution for this diverse market, the SME Value Proposition, which brings under one umbrella the myriad solutions Sanlam has available to this group. This approach endorses our Sanlam for Sanlam culture drive, and enables us to build on efficiencies and drive better value to clients.

In addition to the "day-to-day" solution – from fiduciary services, to life- and short-term cover, to collective investments and share portfolios

– there is also a business support offering. The Sanlam SME Action Team, established during 2011, enables us to serve the entrepreneur based on their holistic needs: as an individual (risk and investment); as a business (insurance, acquisition capital and operating requirements); and finally as an employer (group risk and savings solutions for employees).

One of the key differentiators is that, apart from providing financial solutions, we have also invested in making SME-related intellectual capital freely available for download. As a way of ensuring ongoing communication to this market, we produce monthly articles on information relevant to a business – for example, labour advice, IT tips and tricks, trust and fiduciary services, business tips as well as an economic overview – to 116 000 business owners in South Africa, 34 000 direct subscribers, and the balance via formal business networks.

Visit www.sanlam.co.za for the full SME Value Proposition.



TREATING OUR CLIENTS FAIRLY

Sanlam supports the intention of the Financial Services Board's (FSB) proposed regulation to look after customer interests. We have positioned Treating Customers Fairly (TCF) as a critical business imperative that will augment our long-standing client-centric strategy.

The proposed TCF regulation seeks to ensure that regulated financial institutions treat customers fairly and demonstrably deliver on six fairness outcomes. TCF will require regulated firms to consider their treatment of customers at all stages of their relationships, from product design and marketing, through to the advice, point-of-sale and after-sale stages. Firms will be required to demonstrate - through management behaviours, measures and monitoring - that they are consistently treating customers fairly throughout these stages.

Ultimately, successful delivery of these outcomes will ensure that customers' financial services needs are appropriately met by a sustainable industry.

Until this regulation comes into effect, we will focus our activities on preparation and awareness. This year the Group focused on implementing the actions required to reach our target state in terms of how we interpret the proposed TCF regulation. We intend to conclude the first phase of implementation by the second quarter of 2014. The focus will then shift to compliance and regulatory requirements as the FSB rolls these out as a phased approach, starting in 2014.

Evidence of Sanlam's commitment to the fair treatment of our customers stretches beyond the current TCF implementation. It is, for example, widely reflected in public and industry recognition. This recognition includes, among others, the South African Consumer Satisfaction Index (SAcsi), the Ask Africa Orange Index, as well as Sanlam's favourable complaints statistics noted by the Ombudsman for Long-term Insurance.

TCF is a regulatory approach that seeks to ensure that regulated financial institutions deliver specific, clearly articulated fairness outcomes for financial services customers.

	<p>OUTCOME 1</p> <p>Customers are confident that they are dealing with firms where the fair treatment of customers is central to the firm culture.</p>		<p>OUTCOME 2</p> <p>Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.</p>
	<p>OUTCOME 3</p> <p>Customers are given clear information and are kept appropriately informed before, during and after the time of contracting.</p>		<p>OUTCOME 4</p> <p>Where customers receive advice, the advice is suitable and takes account of their circumstances.</p>
	<p>OUTCOME 5</p> <p>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.</p>		<p>OUTCOME 6</p> <p>Customers do not face unreasonable post-sale barriers to change product, switch provider, submit a claim or make a complaint.</p>

3.3 PRODUCT DEVELOPMENT

PRODUCT PHILOSOPHY

Our product development philosophy centres on meeting the needs of clients, while generating an acceptable return to shareholders. We do this by developing high-quality solutions that at the same time provide quality benefits and value for money to our clients, support the marketing and distribution channels used to distribute these products, and generate value in terms of profitable new business volumes to shareholders.

Our goal is to develop solutions that promote a savings culture within the communities we serve. Simplicity is key. We aim to design products in such a way that clients can easily understand what they are purchasing and what the benefits are and hence avoid unexpected surprises. In financial services, trust is crucial and, with our strong product legacy, we are able to give clients the assurance that they can depend on our solutions.

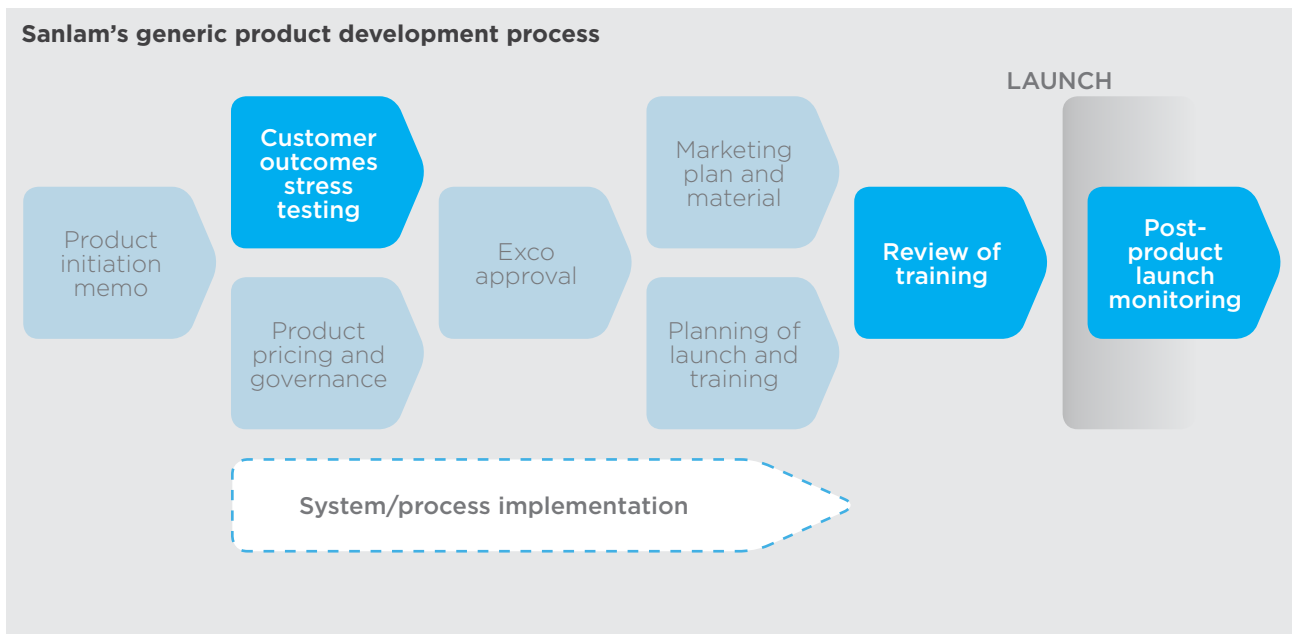
We have a diverse range of financial solutions offerings, including savings, investments, estate planning, trusts, health management, personal loans, credit and life insurance.

PRODUCT DEVELOPMENT PROCESS

Robust frameworks are in place for product development and to review the continued relevance of Sanlam's existing product range. This occurs through a central Board Committee – the Sanlam Customer Interest Committee – that reviews and monitors all customer-related decisions made by the Group. This product and services governing body ensures that Sanlam's client-centricity standards are maintained across the business. Furthermore, new products are subject to a preapproval and sign-off process, including a review from the Sanlam Customer Interest Committee and an appointed statutory actuary.

While our client-centric approach is aligned with the principles of the proposed TCF regulation, we have embarked on a process to assess and incorporate the new TCF regulation requirement into the product development process.

We have introduced three new steps into our product development model this year:



The three new steps in our product development process, as highlighted in the diagram on page 55, include:

Customer outcomes stress testing

Once we have developed the business case for a new product, we assess the potential risks that may arise according to our Treating Customers Fairly risk framework. Suitable mitigation actions are then defined for each risk identified.

Review of our product training

Once new systems are in place, and intermediaries and support staff have been trained, we review the training process and outcomes and, where necessary, conduct further training interventions to ensure the business is thoroughly prepared to launch and support the product.

Post-product launch monitoring

Post the product launch, we analyse sales trends, sales volumes, profitability and performance of the distribution channels involved. This testing is performed on an ongoing basis in order to identify instances where sales trends do not align with the analysis performed pre-launch.

PRODUCT DEVELOPMENT ACTIVITY

Product development activity is determined, inter alia, by opportunities identified from client research, research into international and local product trends, internal innovation, analysis of competitor products, discussions with intermediaries or forced by legislative changes.

Furthermore, our market-segmented approach guides our product and service development activity. It enables us to understand our clients' needs and develop tailored solutions relevant to the market segments and sub-segments we target.

The product development activity for 2013 is shown alongside.

REGULATORY CHANGES

The National Treasury plans to review, and possibly revamp, the retirement savings sector in South Africa in a bid to promote household savings and reform the retirement industry. Ensuring that all our products adhere to the increasingly strict regulatory requirement is time-consuming and costly.

While the review is still under discussion, we recognise that we have an important role to play and are actively involved with government to find the most suitable way to bring down the cost and charges associated with retirement plans.

DEVELOPING PRODUCTS WITH ACCURATE INSIGHT INTO THE FUTURE

Balancing the need to provide clients with competitively priced products without forfeiting benefits, is challenging and requires accurate modelling of the future trends.

During the year we expanded our actuarial team's capability to provide more accurate forward-looking predictions. The team now has access to the SPF clusters' database of over six million clients. This has improved the level of statistical analysis we can conduct.

We also consult specialists to determine the drivers of the key trends in order to uncover and understand the risks we expose ourselves to. This year we developed tools for the early detection of dreaded disease claims and to analyse how clients use our dreaded disease benefits. This will allow us to proactively tailor our products and adjust their pricing according to the needs of clients.

These changes will lead to more efficient and competitive products that meet the needs of our clients.



SPF Product development activity in 2013



	Entry-level market	Growth market	Affluent market
<p>New business flow (change from 2012)</p> <p>Please refer to the IAR 2013 for more detail.</p>	<p>↑ 17,4%</p>	<p>↑ 13,6%</p>	<p>↑ 40,3%</p>
<p>Where we excel</p>	<p>We continue to build on the strong demand for our funeral cover that accounts for 80% of all new business in this segment. The remaining business is spread across savings and then other smaller life, personal accident and hospital products.</p> <p>We also specialise in offering low-premium products in bulk to affinity groups such as the Zionist Christian Church.</p>	<p>The growth in this segment can be attributed to the strong demand for our Cumulus and Nimbus products.</p>	<p>We are the largest provider of Living Annuities in South Africa. We offer a full suite of financial solutions that include wills, trusts, fiduciary and life products. We continue to provide a diverse range of investment solutions (from collective investments to share portfolios and structured solutions) to meet the needs of high-net-worth individuals.</p>
<p>Our challenge</p>	<p>The entry-level market is highly price sensitive and building an appetite for savings products within this segment remains an industry-wide challenge.</p> <p>It requires us to be innovative by developing cost-efficient products that deliver real value, and finding distribution models that can effectively deliver these products to the market.</p>	<p>The growth market is highly susceptible to the economic pressure of rising living costs, the challenge to stay competitive and focus on client needs.</p>	<p>The affluent market continues to grow, and is generally well serviced by various financial services providers. One of our key challenges is to continue to optimise our operational and sales processes to maintain and improve the service and solutions offerings to our clients, while retaining the low cost.</p>

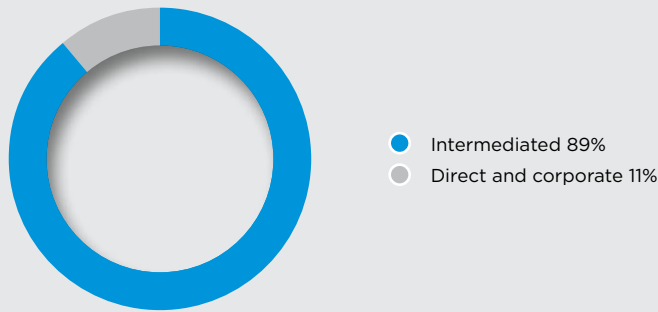


	Entry-level market	Growth market	Affluent market
New products released	<p>In 2013 we integrated iCover, an “off-the-shelf” way of buying funeral cover from a variety of retail outlets across the country, into the Sanlam Sky Solutions product suite.</p> <p>We have identified that the entry-level market uses funeral cover as a means to save. In response, we are currently revamping our funeral products, to include a savings component. This is due to be launched In 2014.</p> <p>We also improved our life and personal accident offering by replacing our existing life and personal accident plans with two new products that have a range of flexible features that can be tailored to client needs.</p> <p>Our Masterplan solution for small micro business and group product offerings are also continually being improved.</p>	<p>Nimbus Investments, launched at the start of the year, offers a high-quality fund range at excellent value for money.</p> <p>Sanlam for Graduates (three-year degree or four-year diploma) is a unique range of solutions for graduates to start saving for retirement and access life cover. We are specifically targeting the black middle class.</p> <p>Sanlam’s new Cumulus Echo product is a retirement annuity product that encourages long-term savings by paying out loyalty bonuses to those individuals who invest in the product over a longer period of time. The longer clients invest the bigger the benefit.</p> <p>We have also enhanced our risk offering by the addition of new benefits as well as now, as a first in South Africa, accepting HIV as an insurable disease that we cover in the same manner as all other chronic illnesses.</p>	<p>We continue to increase the range of investment options we provide to clients with a particular focus on cost effectiveness.</p> <p>We are developing our range of managed investment options with an emphasis on better investment advice for clients, as well as improved advice tools for intermediaries.</p> <p>Furthermore, we are improving electronic interfaces with clients and intermediaries.</p>

3.4 DISTRIBUTION NETWORK

Sanlam makes use of an extensive intermediated distribution model to generate approximately 90% of all of Sanlam's new business. These intermediaries engage existing and potential clients in the entry-level, growth, affluent and self-employed markets and provide them with solutions to meet their financial needs. Together with clients, intermediaries also regularly review the progress of these solutions against a client's financial objectives and adjust these solutions to ensure their relevance.

SPF new business inflows 2013



As a result Sanlam's prosperity is dependent on a sustainable and growing flow of revenue from a high-quality sales force, with client-centricity and Treating Customers Fairly at the core of our business philosophy and practice. Sanlam's distribution objective is to recruit, develop and support the appropriate resources able to advise and implement financial solutions for clients in order to grow our revenue.

Due to increased regulatory requirements and complexity, the costs incurred to support a distribution network have increased exponentially over the past five years. Furthermore, competition within the market, and a more informed client base, creates additional pressures in developing market

share. As such intermediaries are expected to stay informed of the latest market trends, remain flexible and adapt accordingly. While embracing these changes, intermediaries continue to focus on building lasting relationships with clients, ultimately based on trust.

We provide various levels of support to the intermediaries to help them adapt to the changing operating environment. From a legislative point of view, we have full ownership over our tied agents, as they operate under Sanlam's Financial Services Board (FSB) licence versus independent brokerages, which operate under their own FSB licences. We employ support staff that brokers can consult regarding Sanlam solutions and service offerings.

We are guided by four strategic pillars

- To grow the business
- Optimal capital usage
- Operational efficiency
- To be an employer of choice.



> SANLAM'S DISTRIBUTION NETWORK

We acknowledge that intermediaries' needs differ dependent on the particular client market which they service. Those who service predominantly the affluent and growth market clients will have a different value proposition than those whose main business is the entry-level market. For this reason our distribution structure is also aligned to our client market segmentation. For the growth and affluent market, clients are serviced through the Sanlam Distribution and the Glacier Investment Channel business unit. The entry-level market has a separate business unit, Sanlam Sky Solutions, which provides all entry-level financial solutions to this market.

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

> Advisers/Tied agents

- Sanlam Financial Advisers (SFA) service the growth and affluent market via advisers who are only accredited to sell Sanlam products and those that are accredited to sell a wider product range
- The Sanlam Sky Agency channel services the entry-level market as well as the lower part of the growth market via advisers who sell Sanlam products exclusively
- Sanlam Affiliated Intermediaries also service the entry level market and operate with a greater degree of autonomy but are also restricted to selling Sanlam products only

> Brokers/Independent intermediaries

Independent brokers service individual clients across the market segments and are supported by dedicated broker support units in Sanlam Sky, Glacier and SPF distribution.

> Direct

The Sanlam Direct unit markets Sanlam products directly to clients using an outbound call centre.

Key objectives of our distribution channels

Tied agents	Brokers	Direct
<p>Emphasising the importance of sustained business, client-centricity, Treating Customers Fairly, sound financial advice and profitability.</p> <p>A strong focus point is also to ensure professionalism, and much emphasis is placed on ensuring a competent and ethical adviser force that adheres to our Code of Professional Conduct at all times.</p> <p>One of our goals is to make BlueStar (see page 62) the primary and preferred distribution vehicle for the growth market, through continual business and leadership development with specialised technology platforms and dedicated support.</p>	<p>Our key objective is to enable brokers to generate maximum value from their practice and optimise their capacity, by delivering a value proposition focused on:</p> <ul style="list-style-type: none"> > Partnering brokers with professional broker consultants > Positive engagement with Sanlam's financial solution offering focusing on client-centricity, which positions advice as a method of creating long-term client relationships and supporting continued business development opportunities > Playing a positive role to ensure new brokers are attracted to the industry. 	<p>Sanlam Direct utilises direct marketing principles and is a distributor of both long- and short-term products.</p> <p>Sanlam Direct is positioned as a complementary channel to the other distribution units and provide direct marketing campaign support. This is done by ensuring intermediaries participate and are promoted in direct marketing campaigns.</p> <p>Our direct marketing invitations subscribe to direct marketing best practice, legislative and compliance standards, whether those standards are regulated formally by means of legislation or industry codes, or informally by way of Sanlam's internal systems of control.</p>

CRITICAL SUCCESS FACTORS

We realise that there are various drivers to improving performance within our business. These include providing competitive products, supporting intermediaries with efficient IT systems, securing and training the right people, promptly adopting legislative requirements, growing our footprint, finding synergies and rewarding top performers. This section describes how we achieve each of these.

PROVIDE COMPETITIVE PRODUCTS

Sanlam understands that product innovation and affordability remain the key factors affecting our distribution network's ability to perform and achieve growth targets. As a result we have spent a great deal of resources restructuring older products and launching new ones, based on our intermediaries' inputs. Furthermore, we have initiated various training programmes to support advisers in their ability to service clients with the latest product range in the marketplace.

For more information, please see Being responsive to our clients on page 47.

SUPPORT INTERMEDIARIES WITH EFFICIENT IT SYSTEMS

During 2013 we enhanced the online capabilities of intermediaries servicing the growth and affluent market, by launching a new, self-help online transaction portal, financial planning system and online intermediary portal. These online intermediary portals simplify the transfer and integration of data across our business by consolidating investment tools into one system. It enables us to provide more effective client support in line with the requirements of TCF, Protection of Personal Information, and Financial Advisory and Intermediary Services legislation.

For the entry-level market, we are also gradually rolling out technology enhancement with a key

focus on mobile devices, for both advisers and sales management, as a means to better service this market.

In order to combat technological redundancy, we have replaced, and will continue to replace, outdated technology that will not be supported into the future.

SECURE AND TRAIN THE RIGHT PEOPLE

Training and development plays a pivotal role in ensuring that our tied agents are able to service their clients effectively, and within the legislative requirements. Due to conflicts of interest, training for brokers is limited. We therefore focus on training our internal broker support staff.

A range of training initiatives are offered such as sales, skills development, legal and technical training, management and leadership development, entrepreneurial and business management, technical products support and business processes training. This holistic offering supports the strategic objectives of the distribution force.

Our Distribution Academy training 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, where relevant.

The change from the Department of Trade and Industry's Broad-based Black Economic Empowerment (B-BBEE) Codes of Good Practice to the Financial Sector Code (FSC) resulted in more aggressive employment equity targets. Our entry-level market achieves well in this area. Our entry-level adviser staff complement is 99% black, with 66% being female. This is an added advantage to our network and also assists with our access to financial services endeavours. These targets are a challenge for the growth and affluent market particularly in the face of diminishing staff numbers, stringent regulatory requirements, such as Regulatory Examinations (RE), and the potential implications posed by a possible review of intermediary remuneration.

We remain committed to our endeavour to attract the best talent and to incorporate this talent into the Group.

PROMPTLY ADOPT LEGISLATIVE REQUIREMENTS

The regulatory environment is changing rapidly. This, coupled with the uncertain impact of new legislation – such as the intermediary remuneration review and retirement industry reform – increases the survival threat for intermediaries.

To proactively address their concerns, we regularly engage our intermediaries and provide them

The number of training interventions for 2013

	2013	Comments
Advisers and adviser support staff	7 106	Including product accreditations
Brokers	1 191	



with up-to-date information. All of our advisers and brokers receive our monthly *Inside Sanlam Personal Finance* (Inside SPF) magazine as well as regular channel-specific communication. In addition, our distribution heads participate in local get-togethers, unit meetings and many other formal and informal sessions.

We annually hold a number of road shows and workshops around the country to discuss industry and corporate matters of interest. At these events, Sanlam general management, including the Sanlam Group CE, make themselves available to address intermediaries.

During the year Glacier hosted various seminars on regulatory matters for intermediaries, focusing on the proposed TCF regulation, while Sanlam Sky Broker Division held three business update conferences nationally. These business updates are open to all brokers and Sanlam-affiliated intermediaries (SAIs). There was also a BlueStar conference, an SFA conference, and a number of ongoing seminars and forums involving specific groups on business matters pertinent at the time. At these forums, matters of strategic importance were discussed and input gained from the members. These include the impact of regulatory changes, such as TCF, on adviser contracts and client relationships.

We, as a provider of financial services, as well as our advisers, agents and brokers who provide financial or intermediary services, must comply with the Financial Advisory and Intermediary Services (FAIS) Act. This act is designed to protect consumers of financial products and services. As such, FAIS requires all financial advisers to write and pass the Regulatory Examinations (RE). To date 98,5% of Sanlam's advisers registered to give advice have written and passed the RE. This excludes the entry-level market advisers who have been granted exemption by the FSB and is based on those with a qualifying cut-off date of December 2013.

GROW OUR NETWORK

Over the past few years, the traditional broker and tied agent distribution model has evolved into more diverse structures with industry now incorporating dealership models, franchise models, as well as closer relationships with large corporates. This has come about through the changing requirements of the intermediaries as well as of the product providers and industry regulators.

Growth of adviser numbers in the growth and affluent markets has been modest and we focus on recruiting vested advisers. Sanlam currently uses various recruitment techniques and to attract promising talent to the Group. On the other hand,

our entry-level market tied agency network has seen good growth over the past year, increasing its market footprint by close to 20%. This supports its continued focus on improving its geographic footprint in the entry-level market in support of our objective of adequately servicing this market.

The cost pressure of escalating regulatory requirements has led to a year-on-year decline in the number of independent brokers serving the entry-level market. Sanlam Sky Solutions engaged PricewaterhouseCoopers (PwC) in 2012 to conduct a survey with brokers and internal stakeholders in this market. Following the survey a broker re-engineering project was started to streamline and automate some of the current manual systems and procedures to improve the service offering to brokers in this market.

Alternative distribution channels are continuously being explored. A special initiative was launched in 2013 to expand our footprint in key markets by recruiting vested intermediaries. We have also set aggressive targets to grow our business in the high-growth and affluent markets.

The current short- to medium-term plan is to grow the intermediated model through various initiatives, which will incorporate the changing distribution structure. We aim to expand the number of BlueStar businesses.

To improve our profitability we are assessing our distribution channels using an internal value map tool. The tool aims to identify pockets of non-profitable operations and to develop specialised support and workaround strategies for these.

BLUESTAR

BlueStar aims to create an entrepreneurial culture within our tied agency force by steering away from traditional individual "one-man show" structures to create professional practices. This enables 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. Services and solutions are offered by specialists across various market segments, from short-term insurance, to life insurance to investments. The intention is to build and run profitable and compliant financial advisory businesses with predefined rules and processes. This is aligned with our strategic objective of client-centricity, quality financial advice and sustainable business practices.

RESPONSIBLE INVESTING

In our role as an institutional investor we manage sizeable investments in various South African businesses on behalf of our clients. This positions us to be able to influence and encourage businesses to adopt sound governance principles, which is important to our clients. As a member of ASISA we subscribe to the Code for Responsible Investing in South Africa (CRISA) and the United Nations Principles of Responsible Investing (UNPRI). Our Responsible Investing Policy is embedded in our investment process. During 2006 we formed the Corporate Governance Unit (CGU), which is one of the committees within our investment process, to drive and monitor the implementation of, and compliance with, our Responsible Investing Policy. The CGU is the custodian of our Responsible Investment Policy Framework.

RESPONSIBLE INVESTMENT POLICY FRAMEWORK

As agents of our clients' investments, we have a fiduciary duty to fulfil our client mandates in accordance with expectations, which includes voting on corporate and business matters on their behalf. We consider the right to vote to be one of the most effective tools for promoting sound corporate governance practices and driving responsible corporate citizenry.

Our Responsible Investment Policy Framework is based on the responsible investment principles set out in the UNPRI and CRISA, which seek to encourage responsible and compliant practices in environmental practices, social citizenry and corporate governance (ESG). In our investment analysis and investment activities we focus on how companies address and manage ESG. We are

currently investigating how best to incorporate the environmental data of companies into our equity valuations.

This year we incorporated ESG principles into our Credit Risk Framework and drafted a responsible lending policy for hedge funds. These policy changes will ensure ESG principles are considered when we make lending decisions.

PROXY VOTING

We vote on all proxies of companies in which our clients are invested without abstaining, unless we are mandated to do so. In 2013 we voted on 1 708 proxy resolutions and declined 13% of them for reasons varying from access to capital to remuneration. However, we found that 93% of the resolutions that we declined were, in the end, approved at the companies' shareholder meetings.

SIM proxy voting and company engagements

	2013	2012	2011	2010
Number of resolutions voted on	1 708	1 942	1 737	1 777
Number of resolutions declined	215	201	156	176
Percentage of resolutions declined	13%	10%	9%	10%
Number of declined resolutions still approved at meeting	200	190	139	113
Percentage of declined resolutions still approved at meeting	93%	95%	89%	64%
Number of engagements held	2*	15	8	0

* In terms of our escalation policy, engagements originate from the analyst who is responsible for researching a particular company. Due to this the number of engagement occurrences vary, year on year, according to the incidence of material ESG issues.



Similar to the past three years, around 90% of the resolutions we declined this year related to access to capital and issues relating to remuneration such as remuneration policy, retention incentive schemes and executive pay.

All our proxy voting is done according to predetermined proxy-voting mandates agreed upon with our clients. We have shared our Responsible Investment Policy Framework with our clients and the majority incorporated it into their proxy-voting mandate.

ENGAGING COMPANY BOARDS AND OTHER STAKEHOLDERS

Before declining any resolution, we contact a board representative of the company concerned to record and explain our logic, where possible.

We aim to establish regular and constructive dialogue with the companies in which we invest and welcome company-initiated dialogue.

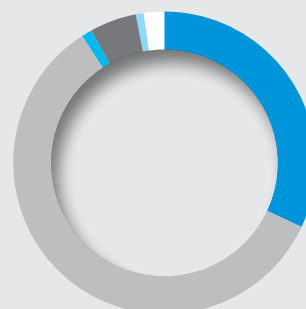
To encourage the development of industry-wide standards for responsible investment, we take part in responsible investment forums and collaborate with key stakeholders. In particular, we made a submission to the Parliamentary Committee on Mineral Resources regarding the draft Mineral and Petroleum Resources Development Amendment Bill and provided input to the JSE on some of their proposed Listings Requirements.

TRANSPARENT REPORTING

We disclose the extent to which we incorporate responsible investment principles in our annual responsible investment report. The report, and our latest Responsible Investment Policy, is available online. (See our SIM Corporate Governance section on www.sim.sanlam.com.)

We maintain full voting records and disclose the reasons for declining resolutions to clients as part of their written quarterly reporting.

Reasons for declining resolutions (% since January 2010)



- Access to capital **32%**
- Remuneration **59%**
- Corporate activity **1%**
- Director re-election/appointment **5%**
- Financial assistance **1%**
- Other **2%**

LOOKING FORWARD

We continue to refine our Responsible Investment Policy to ensure that our decision-making processes comply with international standards of transparency and independence. One of our primary goals is to improve the detail and materiality of our reporting to allow shareholders to make informed investment decisions.

While SIM has taken the lead in driving our responsible investment policies and practices, as well as our CRISA disclosure requirements, as a Group we now need to build on the work SIM has done and establish clear guidelines on how responsible investment applies to all our asset management and ownership activities.

Reasons for engagements (% since January 2011)



> RI FUNDS

Sanlam’s responsible investment (RI) products give clients access to funds that focus on delivering positive social or environmental impacts. For example, our Sanlam Investment Management (SIM) SRI Bond Fund focuses on listed bonds with a developmental impact.

After reassessing our RI investment product offering’s commercial viability and market relevance, we closed down two of our RI funds due to lack of client demand. These were:

- > The SIM SRI Equity Fund, which focused on ESG issues in the listed equity space
- > The Sanlam Empowerment Solution Fund of Funds, which was a multi-asset class fund offering retail investors an opportunity to invest directly in BEE deals and assets focused on achieving social and economic upliftment.

Sanlam Investments continually assesses opportunities within the responsible investment arena capable of delivering meaningful impact. In 2013 we therefore launched the new RI fund called the Santam Resilience Fund. SIM will work closely with Santam to identify and assess enterprises within Santam’s value chain that require funding to expand. The inclusion of these businesses will depend on their ability to repay their contribution to the Santam value chain and the impact on socially responsible factors, including, for example, BEE ownership.

SRI BOND FUND PERFORMANCE

This actively managed bond fund strived to make a significant contribution to social and economic upliftment through investments in fixed income instruments. The fund value at the end of December 2013 was R49,7 million.

SRI Bond Fund performance

To December 2013	% return
Three months	0,25%
Six months	2,00%
12 months	2,16%
Inception (annualised)	10,70%

SANTAM RESILIENCE FUND PERFORMANCE

The inception date is February 2013. The objective is to fund small to medium businesses in Santam’s supply chain that have a direct impact on the ESG risks that affect Santam’s operating environment. The fund value at the end of December 2013 was R20 million. While performance is satisfactory, it is still early days as the fund is just over one year old.

Santam Resilience Fund performance

To December 2013	% return
Three months	1,51%
Six months	3,11%
Inception	6,26%

AFRICA SUSTAINABILITY FUND PERFORMANCE

Administered by Sustainable Capital, the fund provides long-term investors with equity exposure to African countries (excluding South Africa) at relatively low cost. Its objective is to provide superior risk-adjusted returns in Africa-listed equities over a long-term time horizon by employing a strong rules-based investment management process. This includes bottom-up research, from a country-level sustainability assessment, a detailed company-level sustainability assessment and due diligence. The fund value at the end of December 2013 was USD75,1 million.

Africa Sustainability Fund performance

To December 2013	% return
One month	2,7%
One year	11,3%
Two years (annualised)	14,1%
Inception (annualised)	3,6%





FINANCING EMPOWERMENT AND INFRASTRUCTURE

In line with government's national priorities, empowerment financing is geared towards mobilising resources that promote the productive and sustainable participation of black companies and black people in South Africa's economy.

Empowering the people of South Africa is embedded in the history of Sanlam, where our very first black empowerment transaction saw the sale of the then Metropolitan Holding to a majority black consortium in 1994. Our UB Broad-based Black Economic Empowerment (B-BBEE) transaction matured in December 2013, and remains one of South Africa's most successful empowerment transactions. It continues to add value to both its shareholders and Sanlam.

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 B-BBEE transactions either allow black people to gain direct ownership over existing or new entities or facilitate joint ventures and equity investments in B-BBEE companies which are at least 25% black owned. A number of new transactions were considered during the year. However, we were either unsuccessful in our bids to fund these transactions or the underlying transaction did not materialise.

TARGETED INVESTMENTS

In the course of our normal business we target infrastructure investments either directly by financing specific projects in underdeveloped areas such as transport, telecommunication, 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 Programme (REIPPPP), as well as the Department of Energy's Independent Power Peaking Generation Project. These projects are all in the construction phase and should start producing energy in 2014.

At the end of December 2013 we had a total of R13,8 billion in empowerment finance and targeted investments assets. This includes government bonds and is arrived at after applying FSC weightings.

We have met all the requirements of the FSC and are on track to meet the FSC's December 2017 targets.

More information regarding our B-BBEE transformation scorecard can be found on page 84.

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

OUR UBUNTU-BOTHO B-BBEE TRANSACTION MATURES

Sanlam's Ubuntu-Botho transaction, matured in December 2013, marking yet another milestone in South African history. As one of the first significant B-BBEE transactions in the financial services sector, it has resulted in substantial value creation of some R15 billion over the past ten years.

Ubuntu-Botho, led by Patrice Motsepe, initially acquired 226 million Sanlam shares at the beginning of 2004. The transaction was funded through R1,1 billion debt and a capital investment by UB of R200 million. The Sanlam dividends received over the following ten years were enough to repay all of the debt, cover costs, enable UB to pay a R50 million once off dividend to its shareholders, and invest R110 million in Ubuntu-Botho Investments Holdings (Pty) Limited, a targeted investment company, jointly owned by Sanlam and UB.

At the end of December 2013, UB held 293 million Sanlam shares worth R15,2 billion. After deducting their initial R200 million capital investment, the total value created was about R15 billion.

While the Sanlam Group created significant value for the UB shareholders, the partnership between Patrice Motsepe and his consortium has been mutually beneficial and has unlocked substantial value for Sanlam and local communities.

The structure of the shareholding composition has been skilfully crafted to reach a truly broad-based group of BEE entities. This enables UB to reach a vast range of individuals, from youth groups to women who run small and micro enterprises through Abafazi Basadi Ubuntu-Botho Investments Limited, and the Ubuntu-Botho Women's Upliftment Trust, that provides support to rural and urban women.

Trade unions, such as SADTU (representing approximately 250 000 teachers countrywide), and NEHAWU (with a membership of more than 180 000) further demonstrate the immense reach of this transaction.

In 2007 UB declared a once-off dividend enabling Sanlam and the Ubuntu-Botho Trust to jointly contribute R6 million towards financial assistance for schools across the country. Nationally, projects funded by the trust have thus far benefited 77 schools, with support varying from cash donations to computer centres and water-harvesting solutions.

Both Patrice Motsepe (Chairman of UB) and Rejoice Simelane (CEO of UB), who joined the Sanlam Board as non-executive directors in 2004 as part of the UB transaction, have added immense value to the Sanlam Group at Board level.

We look forward to continuing and growing our relationship with Ubuntu-Botho, and together unlocking even greater value for the benefit of all our stakeholders.

UBUNTU-BOTHO

R15 BILL
10 YRS

EMPOWERMENT
FINANCE





PROSPERITY



STABLE, HEALTHY,
GROWING ECONOMY



BUSINESS-ORIENTATED
EDUCATIONAL
PROGRAMMES

BUILD AND
SUPPORT
OUR COMMUNITIES



POSITIVE
LONG-TERM
FUTURE



TOWARDS A PROSPEROUS SOCIETY



BLACK UMBRELLAS
100% BLACK
BUSINESS

FINANCIAL SECTOR CODE: LEVEL 2 : SANLAM SKY

FOCUS
VALUE
ADDED IMPACT



ACTIVATE
SAVINGS
INVESTMENTS
FOR MILLIONS OF PEOPLE

ENTRY LEVEL MARKET

SPONSORSHIPS

PERFORMANCE APPRAISALS

THE
SANLAM FOUNDATION

TECHNOLOGY

HIV AWARENESS

ENGLISH



SCIENCE

FINANCIAL LITERACY

MATHEMATICS



CONSUMER
FINANCIAL
EDUCATION





CHAPTER
04



TOWARDS A PROSPEROUS SOCIETY

At Sanlam we recognise that our operating environment is increasingly subject to rapid change, economic instability, unemployment and social inequality. We are also aware that to remain sustainable as a business we need a stable, healthy and growing economy.

Sanlam has taken a conscious decision to engage in social issues across our areas of operation, specifically in areas where we have an interest and are able to influence outcomes. Critical development drivers in South Africa, such as the National Development Plan (NDP), can succeed only if corporates like us take ownership and become active participants in creating a positive long-term future for all.

In this chapter we review our contribution to promoting a prosperous society. Our value-added statement summarises the extent of our economic impact on a range of stakeholders. Our contribution to prosperity is far broader, however, and includes the provision of access to financial services for underserved communities, assisting existing and potential clients to make more informed financial decisions, and integrating societal issues within our procurement practices. Our corporate social investment (CSI) and sponsorship activities, aligned with core business strategy, provide focused contributions to areas of significant impact. By building and supporting communities, we contribute to building trust in our services, brand and industry.



ECONOMIC VALUE ADDED

Creating value for our shareholders and other stakeholders is fundamental to our sustainability. The Sanlam Group Value-added Statement summarises our primary economic impacts in relation to principal stakeholders, including policyholders, employees and directors, communities, suppliers, government and shareholders.

Sanlam Group Value-added Statement

for the year ended 31 December 2013

	% change	2013 R'million	2012 R'million
Wealth accumulated by Sanlam			
Premium income	16	74 650	64 599
Other operating income	40	5 674	4 053
Investment return	31	70 893	54 161
Commission and other sales remuneration paid to agents and brokers	9	(5 750)	(5 297)
Wealth accumulated	24	145 467	117 516
Wealth distributed among stakeholders			
Policyholders			
Policyholder benefits, claims and increase in reserves	23	119 652	96 987
Employees and directors			
Employee benefits	15	7 000	6 099
Directors' remuneration	12	27	24
Communities			
CSI and cause-related investment	46	98	67
Suppliers			
Procurement of goods and services	31	4 735	3 606
Government			
South African normal income tax	(10)	1 982	2 192
South African capital gains tax	(1)	940	949
Foreign tax	1	452	448
Dividend tax - policyholders	-	109	61
Indirect taxes and levies	6	373	353
Shareholders			
Ordinary dividends paid to Sanlam's shareholders	58	4 281	2 712
Income attributable to minority shareholders	29	1 003	779
Retained for future growth			
Retained earnings	52	4 380	2 876
Depreciation and amortisation	20	435	363
Wealth distributed	24	145 467	117 516



Wealth creation for all our stakeholders, especially our clients, is at the core of our business. By operating profitably, we activate the savings and investments of millions of people to create jobs, generate taxes and build businesses thereby lightening the burden of the state when it comes to providing for retirement and disability. Social benefits in South Africa cost taxpayers

R35,4 billion annually (2013 National Budget Review) and, without the financial services industry's contribution, this amount would be significantly higher.

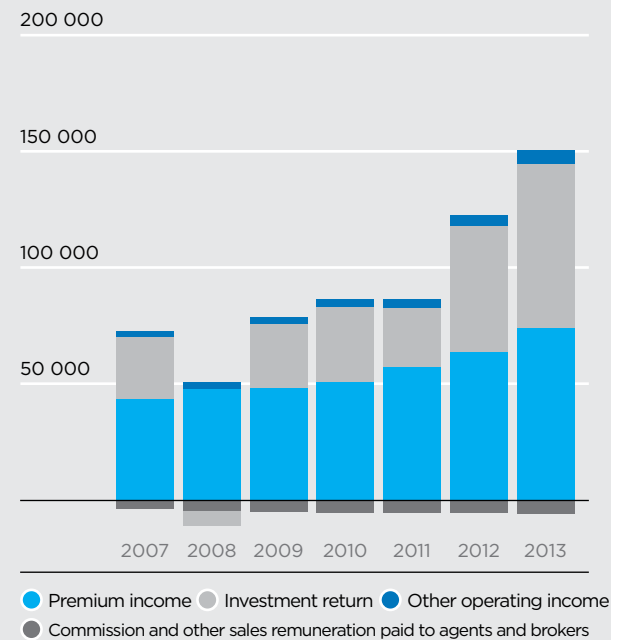
The majority of the wealth we accumulate annually consists of the premiums paid by our policyholders and the money earned from the investments we manage.

Our business continues to grow and as a result we have managed to increase our annual accumulated wealth by 24% in 2013.

Premium payments amounted to R74,6 billion, or 51% of the total wealth we accumulated in 2013. Since 2009 we have steadily grown our business and increased our client base, resulting in an average increase of 11% per annum in our premium income.

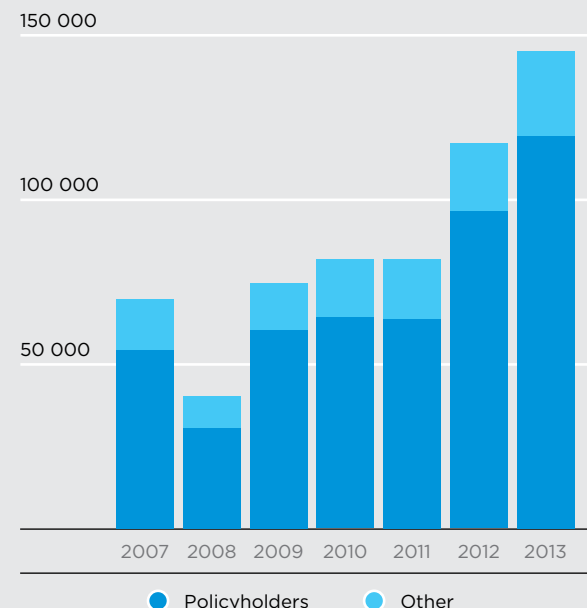
Our investment returns fluctuate over time as these depend on the financial performance of the economy and the markets we invest in. Evident in the graph, our investment returns have recovered along with the markets since the global recession of 2008. Investment returns amounted to R70,8 billion, or 49% of the total wealth we accumulated in 2013.

Wealth accumulated (R'million)



Approximately 80% of the wealth we accumulate every year is distributed to policyholders. In 2013 we distributed R119,6 billion (82%) to our policyholders in the form of insurance claims and reserves for future payouts to clients when their investments mature.

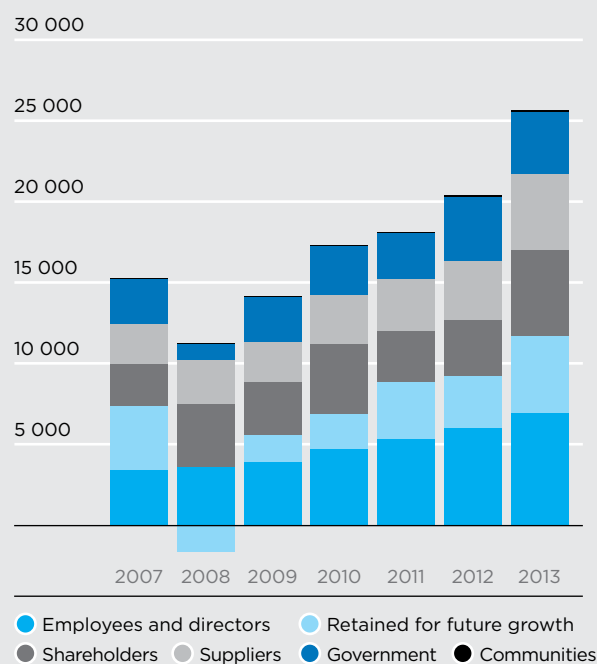
Wealth distributed (R'million)



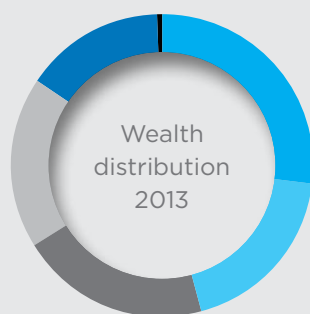
The rest of the wealth we accumulated was used to pay our employees, shareholders and suppliers, contribute to society and government through CSI spend and taxes, and for retaining funds with which we grow the business.

Further economic contributions occur through the employment of our investments and funds under management in the economy.

Wealth distributed (R'million)



Wealth distributed (excluding policyholders)



- Employees and directors **27,2%**
- Retained for future growth **18,7%**
- Shareholders **20,5%**
- Suppliers **18,3%**
- Government **14,9%**
- Communities **0,4%**



ACCESS TO FINANCIAL SERVICES

Making financial services accessible to the low-income market is essential for true Broad-based Black Economic Empowerment (B-BBEE) and, as such, we endeavour to play our part. We therefore subscribe to the Financial Sector Code (FSC) that measures the extent to which we provide access to financial services to the entry-level market.

We view this market as a big opportunity for Sanlam to expand our business and deliver on our promise to improve people's lives. The challenge, however, is massive and requires a multi-faceted approach. If this approach is implemented in conjunction with cost-efficient solutions, products can remain affordable.

> SANLAM SKY

Sanlam Sky Solutions was established after Sanlam acquired African Life, Channel Life and Safrican. Safrican remains a separate business entity under Sanlam Sky, while the other businesses are managed together and referred to as Sanlam Sky (although they remain separate legal entities with their own life licences). Sanlam Sky was consolidated into Sanlam Personal Finance in 2011, as part of the South African retail cluster to solely focus on the low-income market and endeavour to develop innovative individual and group solutions that efficiently meet the needs of low-income earners.

We continually look for opportunities to improve our access to the low-income market. Increasing our distribution footprint is one of the key initiatives to ensure that we have sufficient reach into this market. This year we established a funeral parlour business in KwaZulu-Natal as a pilot project to improve our access to the entry-level market.

Page 58 highlights some of the new and revamped products we have introduced during the year.

While dedicated intermediaries carry out individual policy sales, we want to keep products affordable and therefore also offer favourable rates to members of affinity groups. Two of our funeral products adhere to three of ASISA's Zimele product standards. These funeral products have been instrumental in meeting our FSC targets for access to financial services.

Independent brokers find it difficult to serve the low-income market due to the prohibitive costs associated with regulatory compliance. In response Sanlam launched an Affiliated Intermediary model in late 2012 that gives sole proprietors, or smaller brokerages, the opportunity to partner with Sanlam through a contractual

agreement. This reduces their compliance requirements as they can operate under Sanlam's licence. They also benefit from access to Sanlam's experience in ensuring that they meet all regulatory requirements, which is becoming increasingly challenging for the smaller players.

> FSC REQUIREMENTS

We scored 11,59 (verified) out of 14 on the FSC scorecard for the access to financial services element of the FSC.

More information regarding our B-BBEE transformation scorecard can be found on page 84.

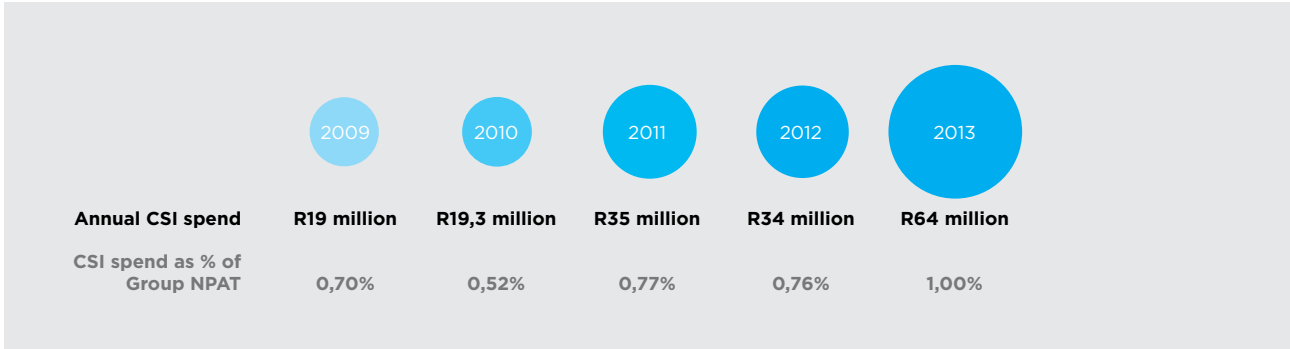
We have been working closely with the independent agency that audits Sanlam's FSC compliance to improve our understanding of the access to financial services element of the FSC. This includes a review of all our entry-level market products against FSC requirements. We are confident that two of our products fully meet the three of the FSC's access to financial services product standards (funeral member only, member and family, parent and extended family), leading to a total FSC score of 1.5 out of a possible 3 for our products. By December 2013 we had close to 650 000 in-force low-income market policies, around 60% higher than our target of 401 834 over a wide geographical area enabling us to achieve all nine available points for transactional access and market penetration.

> LOOKING FORWARD

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.

CORPORATE SOCIAL INVESTMENT

4.3



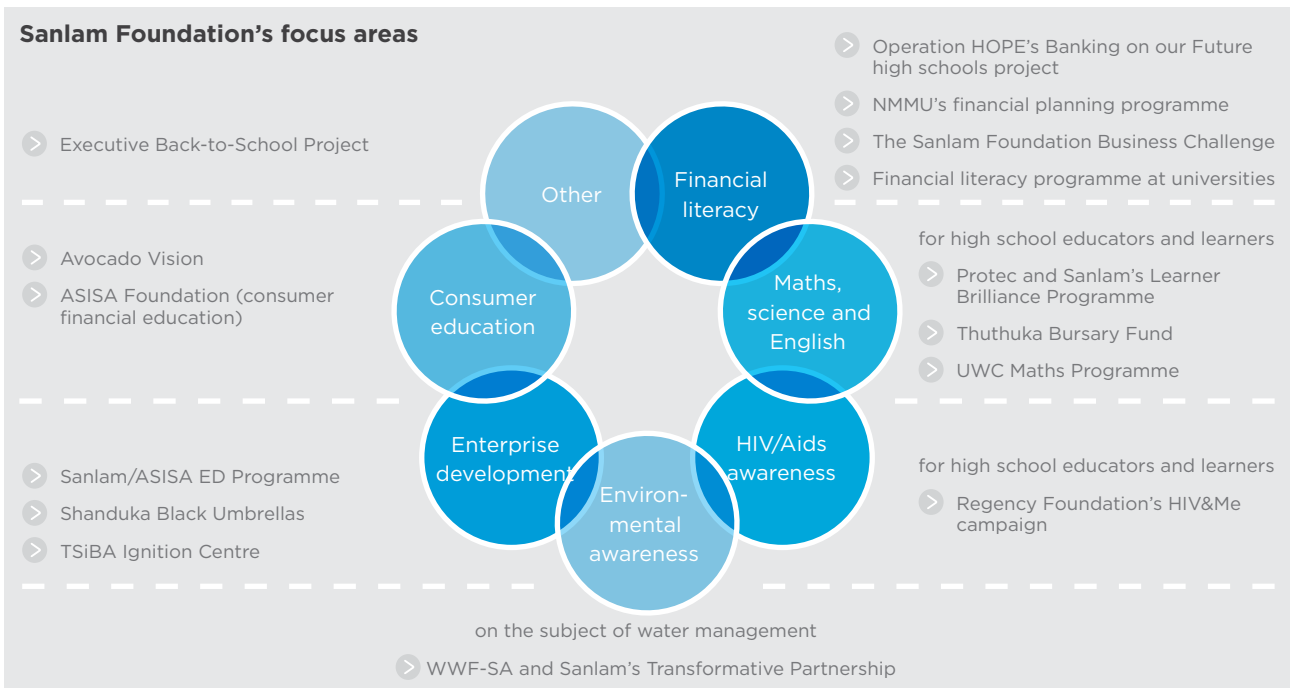
We contribute, through the Sanlam Foundation and business units directly, to the social and environmental imperatives of our society with the aim of improving the economic situation of the communities we engage with.

During 2013 our CSI spend increased significantly (88% compared to 2012). The increased allocation to CSI can be attributed to our better-than-expected financial results for 2013 and our aim to spend approximately 1% of NPAT on CSI. In addition, through better internal reporting, more of our CSI projects are being recognised as official CSI spend.

The Sanlam Foundation is our primary CSI channel, accounting for close to half (2013: R28 million) of our total CSI spend. This is up by over 15% this year due to the inclusion of enterprise development and consumer financial education spend as per FSC requirements. The rest is attributed to projects conducted by our business clusters.

THE SANLAM FOUNDATION

Following an in-depth internal and external engagement process, the Sanlam Foundation was launched in 2011 to spearhead our corporate social and environmental investment activities.



PRINCIPLE-BASED SOCIAL INVESTMENT

CSI at Sanlam is a genuine attempt to transform the broader South African society in which we operate. Shared-value initiatives that satisfy both societal and business needs are more likely to deliver sustained long-term positive impacts.

As a result, our CSI activities are aligned with our core business objectives and, over the past few years, our CSI strategy has shifted. We now focus

on fewer projects capable of achieving a greater impact and social return on investment.

Investments that enhance our business, while contributing to positive change within the communities we serve, are key to realising long-term sustainable benefits to society. The Foundation was therefore founded on the principles set out in the table below.

Partnership and collaboration	The Foundation partners with selected leading NPOs to implement all our corporate social and environmental initiatives, and encourages Sanlam employees to participate. Through regular consultation and collaboration with government departments, we ensure 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 organisation in the long term
Values-and-brand fit	All our programmes and partnerships are tested for their values-and-brand fit, ensuring that each project is a true reflection of our corporate identity and able to improve our brand support and loyalty
Holistic systemic approach	We apply an holistic approach and therefore invest in multiple components linked to our projects to improve their overall impact
Long-term investment	The impact of social and environmental investments is difficult to quantify by way of financial returns. Even so, all our programmes undergo rigorous selection, monitoring, evaluation and impact assessments, and are held to account through regular reporting on outcomes in terms of their current and estimated long-term impact

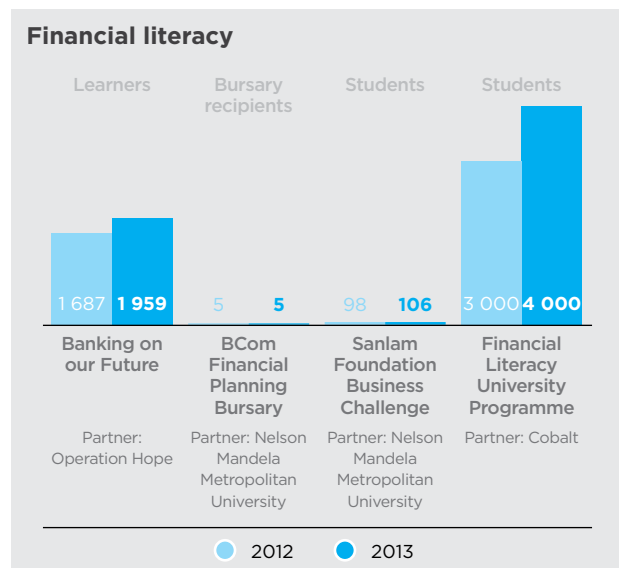
FINANCIAL LITERACY

The Foundation supports six financial literacy and skills development projects, two of which are new projects that are expected to start delivering results in 2014.

Banking on our Future (BOOF) - In partnership with Operation HOPE, Sanlam volunteers taught financial literacy to 1 959 (2012: 1 687) learners from eight high schools in underserved communities within the Western Cape and Gauteng. Over the project's three-year lifespan 4 982 learners benefited from financial education and 172 Sanlam employees have been trained and presented various courses. All learners were required to write pre- and post-tests to analyse the programme's impact.

BCom Financial Planning Bursary - Our involvement with the Nelson Mandela Metropolitan University (NMMU) led to our instrumental role in establishing their BCom in financial planning and

postgraduate diploma in financial planning courses. In 2013 Sanlam again awarded five bursaries to students studying these courses. This brings the total number of students we currently support at NMMU to ten.

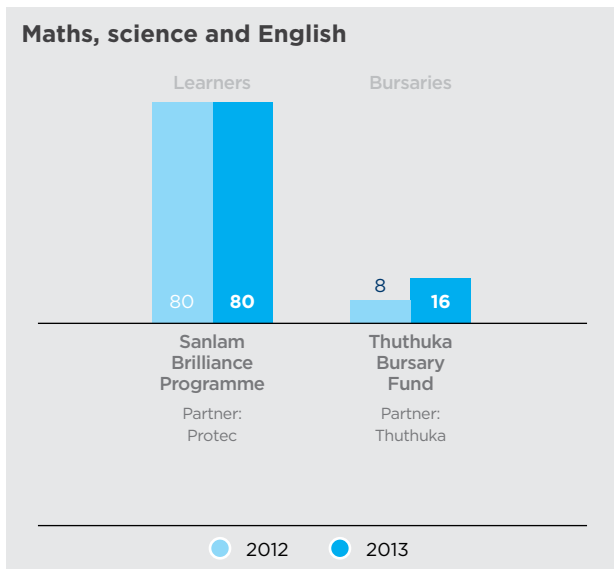


The Sanlam Foundation Business Challenge – This is an internet-based business simulation competition at NMMU, now in its third year. It was designed to encourage students to apply financial and business theory in practice and demonstrate their entrepreneurial flair. This year 106 (2012: 98) students competed in 27 teams. The Sanlam Foundation sponsored 20 of the teams while the Faculty of Business Economic Sciences sponsored the other seven.

Financial Literacy University Programme – The Sanlam Cobalt Financial Literacy Campaign reached 4 000 students through 21 lectures at 13 different tertiary institutions this year. University graduates are reached through lectures covering a range of financial literacy topics. The objective of this series of interactions is to provide graduates with financial knowledge to guide their financial decisions when they graduate and earn their first salaries. We have also extended this programme to include Thuthuka bursary students at the universities in our operating areas.

MATHS, SCIENCE AND ENGLISH

Sanlam Learner Brilliance Programme (LBP) – In 2012 the Foundation partnered with the Programme for Technological Careers (Protec) to launch the LBP. In its first year of operation the LBP provided additional maths, science and English lessons to 80 previously disadvantaged grade 10 to 12 learners at 14 schools in Mogwase (North West) and Tzaneen (Limpopo). The average marks for maths, science and English across the schools improved remarkably. Furthermore, 60 teachers from the same schools attended workshops to support and strengthen their teaching skills. Within the Western Cape we have partnered with the



University of the Western Cape (UWC) on a maths research programme. It builds on understanding the way that maths concepts are taught and learnt. The pilot consists of 15 diverse schools.

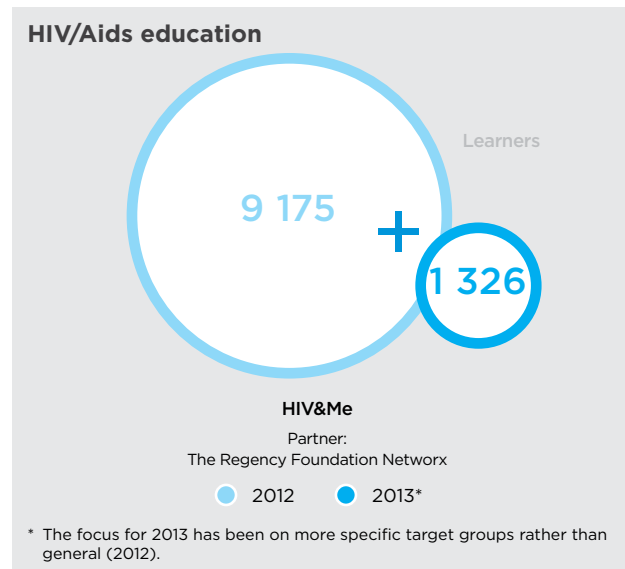
Thuthuka Bursary Fund – The Sanlam Foundation is in the second year of a five-year agreement with the Thuthuka Fund to financially support eight students. These students are given an opportunity to apply for the Sanlam Chartered Accountant Training Programme hosted by Sanlam's Group Finance department. In total three Thuthuka bursary beneficiaries are currently completing their three-year internship at Sanlam. Our trainees receive dedicated training in all the South African Institute of Chartered Accountants' specified competencies, which include financial management, internal audit, risk management and governance, taxation, and management decision-making and control.

HIV/AIDS EDUCATION

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 province this year. These eight schools participate in a comprehensive two-year programme that aims to entrench HIV/Aids knowledge and awareness at beneficiary schools. This year, the programme reached 1 326 grade 9 learners through 22 trained educators.



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



ENVIRONMENTAL EDUCATION

The WWF-Sanlam Partnership works towards conserving freshwater and marine protected areas in South Africa. The freshwater programme addresses water security in South Africa, with the aim of protecting the 8% of the South African landscape that provides half of the country's water supply. Various marine programmes challenge the fishing industry to reduce their catch of endangered fish, keep seafood lovers informed about their food choices and help the entire fishing supply chain to reduce its impact.

In a partnership spanning six years, Sanlam has committed more than R35 million and has already spent R20 million on addressing water scarcity in the country. More detail about the project can be found on page 98.

ENTERPRISE DEVELOPMENT

The three projects with an enterprise development focus are discussed in more detail in the section under "Responsible procurement and enterprise development" on page 82. Through our sponsorships we also support the Entrepreneur of the Year Award in partnership with Business Partners. Please see page 81.

CONSUMER EDUCATION

Avocado Vision – The Sanlam Foundation has partnered with Avocado Vision to conduct consumer education and life skills training in various regions across South Africa. The project is still in pilot phase until 2014. Targeting urban and rural communities countrywide, the project uses innovative bottom-of-the-pyramid delivery methods, such as embedding trainers into growing micro-enterprise training companies and delivering picture-based learning content in local languages.

ASISA Foundation (consumer financial education) – The ASISA Foundation's objective is to effectively inform, educate and empower consumers of financial products and services. Informed customers are able to manage their finances better and reduce their exposure to financial risks. We support and contribute to the ASISA Foundation.

EMPLOYEE VOLUNTEERISM

The Sanlam Foundation is committed to giving Sanlam employees an opportunity to participate in the Foundation's activities and projects. The opportunity for employees to participate in organised solutions ensures a better employee-employer "fit", enhances employee engagement, and boosts morale and satisfaction in the workplace.

Employee involvement in CSI is structured in two ways:

- Business unit-level involvement – A back-to-school project was initiated in 2012. The project encourages business unit CEOs to adopt the schools they attended and then to provide support where needed.
- Individual involvement in Sanlam's CSI projects – Sanlam employees volunteer their time to support initiatives such as the financial literacy programme, Banking on our Future.

OTHER

Executive Back-to-School project – This initiative allows Chief Executives of our business units to adopt a school of their choice, on behalf of their whole business unit, for three years. Each of our business units are then required to build a relationship with the school and provide it with equipment and other necessities not provided by the Department of Education. During 2013 nine schools across the country benefited from this initiative.



> SPONSORSHIPS

We engage in sponsorships that speak to the passions of the people we service. True to Sanlam, we get to understand and embrace what is important to these people and engage in a responsible way.

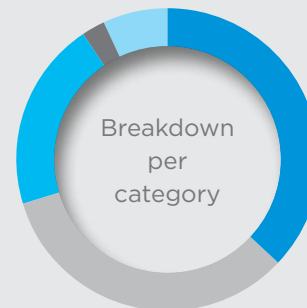
We measure the impact of our sponsorships against a predetermined set of requirements to determine the “return on objectives and investment” of each. The most important factors remain the awareness and association it creates with the Sanlam brand.

The extent to which we serve the different market segments is shown below.

Sponsorships (% spend)

Breakdown per market segment

Entry level 39%	Mid-income market 26%	Affluent market 35%
--------------------	--------------------------	------------------------



- Sport **37%**
- Education **33%**
- Culture **20%**
- Entrepreneurship **7%**
- Media **3%**

Our key sponsorships

Programme	Description	Reach	Developmental return 2013
Sports			
Sanlam Kay Motsepe Schools Cup	An annual national schools soccer tournament aimed at reviving the culture of school soccer, investing in our youth and nation-building	<p>2 500 schools from nine provinces, exposing 42 500 children and their parents to the project</p> <p>3 000 high school pupils and the community of Umlazi attends the finals of this tournament</p> <p>Readers of media covering the tournament</p>	<p>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</p> <p>22 top players in the tournament invited to soccer camp of Mamelodi Sundowns Soccer club for permanent club employment</p> <p>Four boys selected and signed to play for the PSL Club's U/19 team</p> <p>Media exposure for winning schools and top players to the value of R14 million</p> <p>Winning schools became known for excellence and see an increase in enrolment every year</p>
Sanlam Cancer Challenge	In partnership with the Cancer Association of South Africa (CANSA), this is an annual countrywide amateur golf tournament	37 000 amateur golfers participate	<p>Raised R3,5 million for cancer research, prevention programmes and patient care</p> <p>Heightened awareness on the prevention of cancer among the 450 000-strong golfing fraternity</p> <p>R6 million worth of media exposure for CANSA and 450 golf clubs and their contribution to CANSA</p>



Programme	Description	Reach	Developmental return 2013
Education			
Takalani Sesame TV and Radio programmes	An award-winning children's educational television and radio programme, developed in partnership with the National Department of Basic Education's curriculum	Over two million South African children and their parents	A documented improvement in early childhood development, specifically in literacy and life skills, in support of national development imperatives
Takalani Sesame Club	Schools selected to participate in the club. Through class and birthday activities, children in grade 2 get exposed to additional interactive educational activities based on the high standard of <i>Takalani Sesame</i> content	100 schools participated 8 691 children participated with communication on cost of education to their parents 5 573 children became club members	A documented Improvement in early childhood development, specifically in literacy, numeracy and life skills, all in support of national development imperatives
Culture			
Sing'it Lyrics Competition	Online lyric writing competition in collaboration with four local bands to identify the best lyrics and music to be broadcast on MTV	40 100 followers on Facebook 64 Jay Jays Retail stores with 100 000 visitors in one month 2 174 entrants, 8 500 online fans	Lyric writers not only get to work with local artists, but had extensive exposure to 40 000 followers on Facebook Four bands exposed to the same followers and 100 000 heard their songs in 64 retail stores The bands' songs were downloaded 3 554 times The winning band gets free exposure on MTV to the value of R1,3 million Winning songs get taken up in bands' CDs and then bought by the public. The whole of the music value chain benefit from music produced and played
Sanlam Investments Food Wine Design Fair	A three-day Food Wine Design fair in Hyde Park, Johannesburg, showcasing the best of local artisanal content	One-on-one engagement with 12 000 visitors to the fair Media exposure takes the 94 exhibitors countrywide to thousands of lifestyle followers	Exposure for exhibitors resulted in an average increase in turnover of 40% following their participation at the fair Cape Town exhibitors now have a presence and following of keen buyers in Gauteng among the affluent target market Media exposure for exhibitors' goods to the value of R4 million

Programme	Description	Reach	Developmental return 2013
Woordfees	A ten-day national cultural festival promoting the Afrikaans language through different music genres	100 588 visitors	<p>Growth from 255 in 2011 to 375 music platforms in 2013, creating more platforms to more local musicians to showcase their work and generate interest that will lead to a bigger support of their music</p> <p>Due to Sanlam's investment we saw a growth from R3,4 million to R5 million in exposure value, generating even more exposure for our musicians</p> <p>The town of Stellenbosch benefits from the influx of attendees, especially the accommodation and food sectors</p> <p>Additional value was created for the musicians through coverage received through media partners Kyknet and <i>Die Burger</i></p>
Media			
Financial Journalism Awards	Rewards excellence in financial journalism, and honours the vital role of financial journalism in modern business life and the high standards required by this profession	<p>The competition has been announced to all journalists across the print and electronic media in South Africa</p> <p>110 entries received</p>	<p>Acknowledgement in the various categories for excellence in financial journalism</p> <p>Journalists benefit from a reputation, growth and future employment point of view</p> <p>Responsible reporting has a positive impact on the economy as readers are educated by top journalists on financial matters</p>
Entrepreneurship			
Entrepreneur of the Year	In partnership with Business Partners, the competition awards small- and medium-sized enterprises in South Africa	<p>Close to 39 million people were exposed to this competition through a very successful PR campaign</p> <p>177 entries received</p>	<p>Winners received exposure value for their businesses to the amount of R6,4 million</p> <p>Prize money to a total value of R1,34 million was won and propelled the growth of the respective winners' businesses</p> <p>Opportunity for winners to expand their business networks resulting in greater interest in their businesses with an increase in employment opportunities</p>

More detail regarding all our sponsorships is available at www.sanlam.co.za/sponsorships



RESPONSIBLE PROCUREMENT AND ENTERPRISE DEVELOPMENT

Increased scrutiny of business behaviour has led to rising expectations that companies are responsible for the environmental, social and governance (ESG) practices of their suppliers. At Sanlam we believe that a sustainable supply chain is cost-efficient and representative of the demographic profile of the communities in which we conduct our business activities. Furthermore, a sustainable supply chain contributes to societal objectives such as employment creation, social transformation and the protection of environmental assets.

Our procurement function is centrally managed by Group Sourcing and resides within Santam as the subsidiary with the greatest demand for, and the most efficient system to manage, procurement. Smaller suppliers that excel have the opportunity to expand their services to multiple business units within Sanlam. This reduces our cost through bulk procurement and allows small enterprises to grow incrementally.

PROCUREMENT REQUIREMENTS

Our Group Procurement Policy reflects our commitment to responsible procurement. Supplier selection criteria promote sourcing from B-BBEE-accredited suppliers, black-owned businesses and suppliers that incorporate ESG best practices into their operational processes. We share our key selection criteria with potential suppliers and score suppliers accordingly. All spend greater than R500 000 is subject to our strategic selection criteria and agreements longer than three years are subject to reviews in the form of a formal tender process or contract negotiation.

Where relevant, we include elements of sustainable business practice in the selection criteria and suppliers are required to illustrate how they manage their business in line with these. In some cases we require monthly environmental reporting.

Our procurement-related opportunities are linked to our B-BBEE scorecard's enterprise development (ED) component. However, ED beneficiaries do not automatically qualify for procurement-related contracts. Those that do qualify are awarded contracts based on how well they meet the selection criteria.

To improve the efficiency of our procurement systems we introduced two new systems in 2013. Our new spend management tool allows for a detailed analysis of our procurement spend across the business from a central system. Our B-BBEE preferential procurement tool allows us to measure our B-BBEE performance on a business cluster level. This allows us to identify and address areas of weakness. In 2014 we will embed and finalise the implementation of these systems across the organisation.

ENTERPRISE DEVELOPMENT

Supplier development is an integral part of our procurement policy. Through our purchasing we are able to develop, in particular, small black-owned enterprises. Ensuring the viability of these suppliers remains a significant challenge.

We currently have three primary enterprise development programmes to which we allocate a total of R10,2 million per year. Further to this we contribute to supplier development by assisting with cash flow through means such as soft loans and early payment terms, as well as through a business-oriented educational television programme for entrepreneurs and entrepreneurial competitions. We also partner with Cobalt to provide free health checks and advice for small businesses.



SANLAM/ASISA ENTERPRISE DEVELOPMENT PROJECT

This project has three streams focused on developing business capacity within our distribution network and in our supply chain with selected suppliers.

Stream 1: BlueStar businesses

As an extension of Project Catalyst, this is focused on the way that 15 of the BlueStar businesses engage with their partner accountants. Phase two of this stream will recruit five new black-owned BlueStar businesses.

Stream 2: Financial planning practices

This stream is focused on 60 financial planning practices in our distribution network, to deliver practice management support with a focus on productivity and transformation. The majority of these financial planners are black.

Stream 3: The Sanlam Group supply chain

Five high-potential businesses are benefiting from structured business development support with the aim of growing their capacity, creating additional jobs and providing greater supply levels to the Group.

With all three project streams we have identified very specific measurement and evaluation metrics. We have also included a communications and media work stream.

SANLAM/SHANDUKA BLACK UMBRELLAS

Shanduka Black Umbrellas is a non-profit company which supports the development of 100% black-owned emerging businesses, primarily through an incubation process. The objective of this partnership is twofold.

Firstly, it aims to identify and grow mid-level enterprises with an annual turnover of around R5 million, with the hope of incorporating them into our supply chain.

Secondly, it endeavours to identify black female-owned enterprises that are ready to expand their businesses and serve multiple business units within Sanlam and to integrate them into our Group supply chain. This will also benefit Sanlam in terms of the preferential procurement element of our scorecard.

We intend to support 20 enterprises through the Shanduka Black Umbrellas incubator and identify and support at least five supply-chain ready enterprises. The geographic focus will be across the Western Cape and Gauteng.

TERTIARY SCHOOL OF BUSINESS

ADMINISTRATION (TSIBA) IGNITION CENTRE

The focus of our partnership with the TSiBA Ignition Centre is to support small enterprises in the incubation phase to grow their businesses to the point where they can be incorporated into the Sanlam Group supply chain or become service providers to larger businesses outside the financial services industry.

The pilot phase will start with five small businesses (R1 million turnover) with a proven track record. These entrepreneurs will participate in an eight-month developmental programme with the TSiBA Ignition Centre. Specific deliverables will focus on five tightly interrelated activities with proven success as part of a supportive model with mentorship at its core.

Sanlam recognises successful entrepreneurial businesses by sponsoring the Entrepreneur of the Year Award in conjunction with Business Partners. See page 81 for more details.

PROMOTING TRANSFORMATION AND EMPOWERMENT

Sanlam acknowledges the critical importance of transforming the South African economy to ensure the inclusion of all our people and affording everyone the opportunity to participate meaningfully in the mainstream economy. For Sanlam, this is both a social and a business imperative.

With our large presence in the South African market we know that transformation is good for our business success in the long term. B-BBEE contributes to the diversity of our organisation, broadens our range of skills and perspectives, gives us a better understanding of more market

segments and affords us access to new business networks and opportunities.

Transformation is, therefore, one of the five key pillars of Sanlam's business strategy and will remain one of the cornerstones of our approach to sustainable development.

Over the past five years we have officially measured our progress on transformation against the Department of Trade and Industry's B-BBEE Codes of Good Practice (the Generic Code) as required by the Broad-based Black Economic Empowerment Act 53 of 2003.

Sanlam's B-BBEE scorecard

For the period 1 January 2008 – 31 December 2012, verified*, June 2013.

	% Weighting	2012 Total dti scores	2011 Total dti scores	2010 Total dti scores	2009 Total dti scores	2008 Total dti scores
Ownership	20	20,49	19,34	17,33	18,2	16,65
Management control	10	8,61	8,96	8,16	7,54	7,74
Employment equity	15	4,52	7,04	6,71	4,04	3,83
Skills development	15	12,23	9,91	9,49	9,46	1,36
Preferential procurement	20	16,59	17,02	17,16	15,46	17,56
Enterprise development	15	15,00	15,00	15,00	15,00	15,00
Socio-economic development	5	3,48	3,81	2,36	2,84	3,04
Total score	100	80,92	81,08	76,21	72,54	65,18
B-BBEE procurement recognition level		110%	110%	110%	100%	100%
B-BBEE status level contributor		3	3	3	4	4
Black ownership		30,50%	29,92%	28,09%	25,45%	23,59%
Black female ownership		7,28%	7,37%	1,67%	2,75%	1,66%

* (verified by AQRate)

The above table demonstrates the steady progress we have made against our transformation objectives over the past five years. Our ownership, which includes ownership through mandated investments, also saw a steady increase and we have shown good improvement in our black female ownership component. We also maintained our Level 3 rating in 2012 despite the introduction of more stringent employment equity and preferential procurement targets.

CONVERTING TO THE FINANCIAL SECTOR CODE

In November 2012 the Minister of Trade and Industry gazetted the Financial Sector Code (FSC). In light of this we have started measuring our transformation performance against this industry-specific code from 2013 onwards.



Sanlam's verified FSC scorecard

For the period 1 January – 31 December 2013, verified March 2014

	FSC weighting	2013 Total FSC scores (verified)
Ownership	14	15,90
Management Control	8	7,07
Employment Equity	15	7,07
Skills Development	10	9,13
Preferential Procurement	16	14,04
Enterprise Development	5	5,00
Empowerment Financing	15	15,00
Access To Financial Services*	14	11,59
Socio-economic Development	3	2,74
Total	100	87,54

* Please note: Consumer Education is included as part of Access to Financial Services (as a sub-element) in terms of the FSC .

During 2013, we placed a significant focus on improving our performance against each of the elements of the FSC through the various areas discussed separately throughout this report. As a result, we have achieved a verified score of 87,54 and have thus attained a Level 2 contributor status for the first time.

LEVEL
2

While improvement has been achieved across all measures of the scorecard, we have performed exceptionally well in the areas of ownership, enterprise development and empowerment financing, scoring full points in these areas. Our total black ownership percentage, as per the FSC rules, was 33.59% as of 31 December 2013. This includes both the UB transaction as discussed in detail on page 67 and the impact of mandated investments. The past year also marked the first year that the Group applied the access to financial services measure and our performance indicates that we are well on our way to being able to service the lower end of the market. We are committed to continuously improving our performance against

the FSC scorecard and will continue to focus our efforts on closing the gaps that still persist.

Products and Services – Empowerment Financing and Infrastructure on page 66 in detail.

While continuing to report on the requirements of the scorecard, we remain committed to our long-term vision of moving beyond compliance to a more meaningful outcome-based measurement of transformational initiatives. We aim to foster a deeper appreciation across the business of the importance of transformation to our long-term viability, ensuring that our efforts continue to deliver worthwhile results.





Sanlam

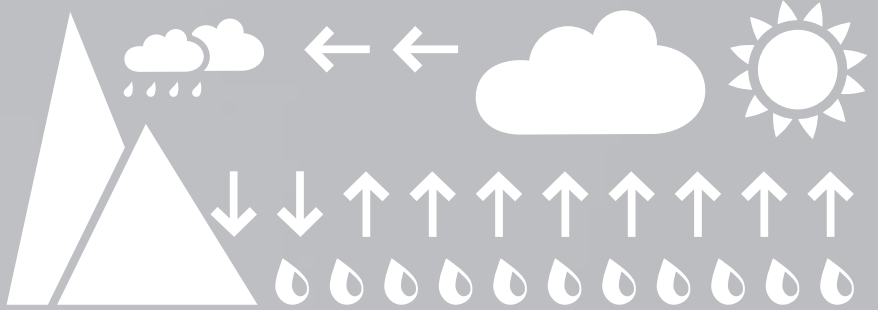


PEOPLE



SUSTAINABILITY

NATURAL CAPITAL



NATURAL ENVIRONMENT

RESILIENT ECOSYSTEMS



11%



ELECTRICITY SAVINGS



CLIMATE CHANGE



EARTH H(60)R



EFFICIENT

LIGHTENING OUR FOOTPRINT



ZERO-WASTE MANAGEMENT

IT'S OUR BUSINESS TO LOOK AFTER THE PLANET

CO₂



WWF

ENERGY



CHAPTER
05



NATURAL ENVIRONMENT

Sanlam acknowledges that sustainable business requires a sustainable environment and we have responsibly committed all areas of our business to a journey of proactive environmental stewardship. In 2011 Sanlam performed a market analysis that identified environmental issues as one of the key drivers affecting business going forward in South Africa. It is therefore imperative, from a business perspective, for us to have a strategic approach in addressing environmental and climate change issues.

As a financial services provider, our direct environmental impact is small compared to other industries such as the mining or consumer goods manufacturing sectors. Nonetheless, we believe in leading by example and actively work towards reducing our direct environmental impact.

We are cognisant of the influence our investment products and activities have. Considerable damage may result if we do not invest responsibly and consider the environmental impact of the companies and businesses that we invest in.



5.1 ENVIRONMENTAL MANAGEMENT

Our approach to incorporating responsible environmental principles across the business is captured in our Group Environmental Management Policy. Our approach comprises the following five key focus areas:

INVESTMENT MANAGEMENT ACTIVITIES

We are one of South Africa's biggest financial service providers and a major investor in South African companies. This allows us to influence the management practices of the companies we invest in through our investment decisions, proxy voting, and high-level engagement.

The environmental impact of the companies in which we invest forms part of Sanlam's responsible investment strategy. As a signatory to the United Nations Principles for Responsible Investing (UNPRI), we favour companies that demonstrate sound environmental practice. This is discussed in more detail on page 63.

PRODUCT DEVELOPMENT

Similarly, Sanlam is committed to considering environmental benefits during the development of new products. We discuss product development on page 55.

SUPPLY CHAIN

We plan to extend our influence across the supply chain by encouraging our supplier network to adopt leading environmental practices and to reward those suppliers that do. To this end we have updated our Procurement Policy in 2012 to ensure that Group Sourcing supports the Group's Environmental Policy and includes environmental criteria in purchase decision-making, where appropriate.

INFLUENCING BEHAVIOUR THROUGH RESEARCH AND AWARENESS

Our employees, clients and business partners play a crucial role in our ability to reduce our impact on the environment. To reach our 2015 energy, water and waste management targets we continue to educate and raise awareness among our employees and business partners through our monthly *Inside Sanlam* magazines and other communication tools.

SANLAM OFFICES' ENERGY, WATER USAGE AND WASTE GENERATION

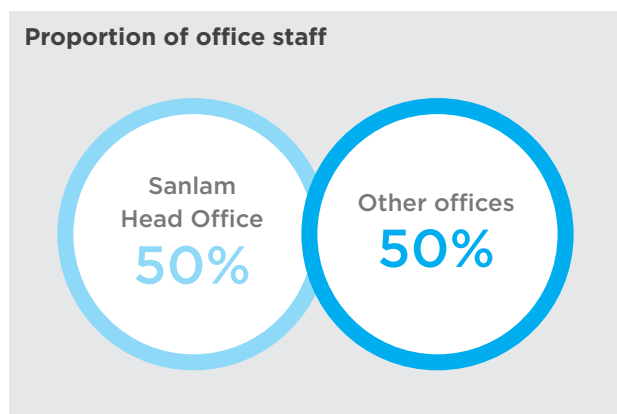
The bulk of our direct environmental impact consists of energy and water usage and waste generation in Sanlam's six office facilities across South Africa. We address this impact by continuously improving our monitoring systems in line with leading reporting standards. We are committed to predetermined reduction targets in energy usage, water consumption and waste generation, which we measure against a baseline set in 2010. For more information, refer to the sections on "climate change and energy" on page 92, "sustainable water use" on page 97 and "material and waste management" on page 100.



Sanlam's Environmental Management Policy is endorsed by the Sanlam Board of Directors, the Board Sustainability Sub-committee, Sanlam's Group Chief Executive and his executives. Sanlam Group Environmental Sustainability Committee (GESC) ensures that the environmental principles are integrated into relevant policies across the business and oversees the implementation of, and adherences to, our Environmental Management Policy. Sanlam's individual business units are changed with the implementation of our policy directives. The Group Sustainability Management Office (SMO) engages with the business through the GESC providing feedback on environmental performance.

To strengthen activities, and to ensure transparency in our actions, we engage NGOs, such as WWF-SA, regulators, such as National Treasury, and industry associations, such as the NBI, on environmental issues. These range from policy developments, such as the proposed Carbon Tax paper, environmental stewardship and enhancements to our own environmental management practices. Communicating to our staff on the importance of acting in an environmentally responsible way remains a top priority. We realise the value in creating environmental "ambassadors" out of our large staff base.

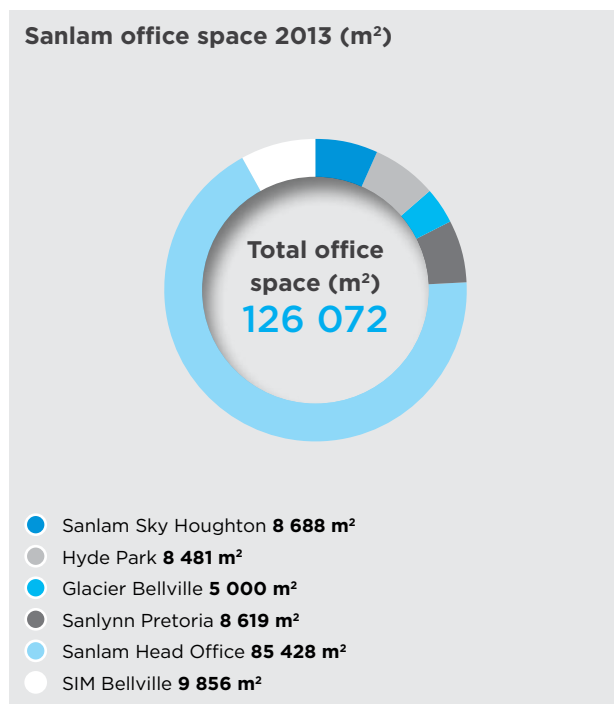
As an actively committed corporate citizen, we will continue to support conservation efforts such as the WWF-Sanlam Freshwater and Marine programmes and other projects aimed at preserving critical ecosystems and protected areas.



MEASURING AND MITIGATING OUR ENVIRONMENTAL IMPACT

Accurate measurement of energy and resource consumption is critical to understanding our consumption patterns and anomalies within our buildings. To this end we have set up improved environmental monitoring procedures across the business. The Environmental Dashboard is updated on a quarterly basis with the information supplied by Corporate Facilities. Records are kept on a monthly basis. The intention is to be able to track results against progress, and assist with quarterly and annual reporting.

Sanlam Head Office is home to 50% of our full-time office-staff component in South Africa. Of the six buildings it therefore has the largest environmental footprint and warrants the focus of our environmentally protective initiatives. Initiatives that are successful at Head Office are rolled out to smaller offices.



4-STAR GREEN-RATED BUILDING

The new Glacier by Sanlam headquarters in Tyger Valley is a 4-star green-rated building. The building uses resource-efficiency techniques including:



- Rainwater harvested from flat building surfaces to flush toilets reducing demand by 85%
- Water-efficient fittings in bathrooms and tea kitchens that reduce demand by 39%
- Endemic plants with low irrigation requirements in landscaped gardens
- Secure bicycle parking and showers for cycling staff
- Paint and adhesives with very low emission levels of volatile organic compounds used for interiors to ensure high indoor air quality
- Energy-efficient lighting (automatic controls that switch off perimeter zone lights when there is enough natural light and controls to dim lights to levels just enough to supplement natural light)
- Heating ventilation and air conditioning system with variable speed drives with heat recovery to reduce energy consumption
- High-performance glass to reduce glare and solar heat gains
- External shading and high-performance glazing on eastern and western façades to balance increased natural lighting and access to outside views.

Corporate Facilities is currently implementing a space acquisition strategy for the larger buildings. The principle is to investigate the possibilities of consolidating office space from inefficient buildings into green buildings. Sanlam is in the process of consolidating offices in Gauteng into the 4-star green-rated building in Sandton.



CLIMATE CHANGE AND ENERGY

Carbon, electricity and travel reduction targets for 2015

Environmental indicator	Reduction target*	Unit
Carbon	15%	tCO ₂ e/FTE
Electricity	20%	kWh/m ² of total office space (including common areas, but excluding consumption by external tenants)
Business travel (air travel, car rental and hotel accommodation)	15%	Air travel – km/FTE Car rental – km/FTE Hotel accommodation – bed nights/FTE

* Baseline 2010 with targets set for 2015

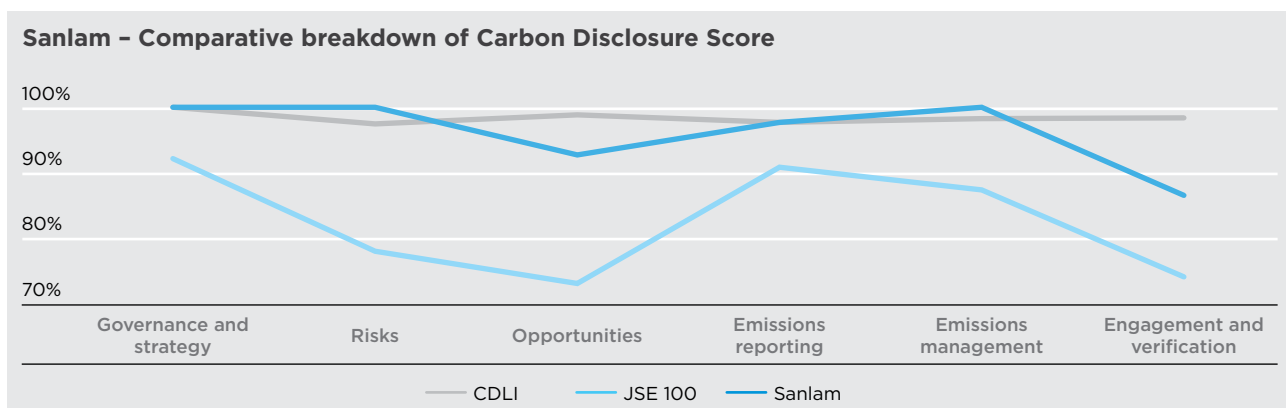
Although Sanlam is viewed as a low-impact business, our operations are not exempt from environmental concerns. We emit carbon both directly and indirectly through the resources we consume, the waste we produce and the suppliers with whom we do business through our procurement activities. Furthermore, we acknowledge the leadership position financial services firms play within the economy, and therefore aim to live up to this responsibility. For example, our annual Benchmark Symposium was hosted for the first time during 2013 as a carbon neutral event.

As a means of supporting efforts to minimise climate change, Sanlam has been a signatory of the Carbon Disclosure Project (CDP) since 2007. In terms of our carbon footprint, we report on

Scope 1, 2 and 3, although our Scope 1 emissions are minor. Our biggest resource use is that of purchased electricity, which represents 72% of our total carbon footprint. In this area Sanlam's Head Office is the biggest contributor⁴. Our other impacts are derived from paper, business travel, courier transport and staff commuting.

During 2013 we once again participated in the CDP evaluations. We achieved a disclosure score of 96%, missing the CDP leadership index by 1% (the base for entry increased to 97% for the Top 100 JSE-listed companies). This result is still well above the average disclosure rating for financial services companies, which is 85%.

Below are our 2013 CDP results across various categories.



⁴ This has not changed significantly over the past four years.

OUR CARBON FOOTPRINT

Our carbon emissions for 2013 were 53 955 tonnes CO₂e. In terms of intensity, this is equivalent to 9,77 tonnes CO₂e per FTE. The results of our carbon footprint assessment for the past four years are set out in the table below.

2013 Carbon footprint

	2013	2012	2011 (note: 7)	2010 (Baseline)
Organisational boundary	Head Office (note 8); Hyde Park; Sanlynn; SIM; Glacier; Sanlam Sky	Head Office (note 2); Hyde Park; Sanlynn; SIM; Glacier; Sanlam Sky	Head Office; Hyde Park; Sanlynn; SIM; Glacier; Sanlam Sky	Head Office; Hyde Park; Sanlynn; SIM; Glacier; Sanlam Sky
Scope	Tonnes of CO ₂ e	Tonnes of CO ₂ e	Tonnes of CO ₂ e	Tonnes of CO ₂ e
1 – Direct emissions from sources that we own or control	68* (notes 3, 4)	42 (notes 3, 4)	103	41
2 – Indirect emissions from purchased electricity	38 988* (note 5)	41 540 (note 5)	42 294	44 535
3 – Indirect emissions from all other indirect sources that result from our activity	14 712	10 576	10 792	11 677
Other – Non-Kyoto GHG emissions (note 6)	187	519	510	1 926
Total carbon footprint	53 955	52 677	53 699	58 179
Emissions intensity				
Emissions/FTE	9,77	10,56	10,88	11,77
Emissions per m ²	0,42	0,43	0,5	0,48

Note 2: Sanlam Head Office usage is reported as 91,77%.

Note 3: Bellville reported petrol usage of an Opel Corsa but petrol was recorded under equipment owned as it was understood that Sanlam did not have any fleet vehicles and fleet vehicles have not been incorporated in past reports from Sanlam.

Note 4: 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 Investment Management, Glacier, Hyde Park, Sanlynn and Sanlam Sky.

Note 5: 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 Investment Management, Glacier, Hyde Park, Sanlynn and Sanlam Sky.

Note 6: Non-Kyoto Protocol GHG emissions are reported separately according to GHG Protocol.

Note 7: 2011 figures restated to reflect Sanlam Head Office usage at 91,77%.

Note 8: Sanlam Head Office usage is reported at 94%.

Electricity-related CO₂ emissions are down by 2 552 tonnes since 2012. This is equivalent to 2,69 million kWh, enough to power approximately 490 houses** for a year.

The increase in our Scope 3 emissions for 2013 is largely due to a change in the emissions factor used in the calculation of our commercial airlines carbon results.

Visit www.sanlam.co.za for our full 2013 carbon footprint report.

* Limited assurance engagement

**This is based on an estimate that an average household consumes 5 500 kWh of electricity annually.



> ELECTRICITY USAGE



As the biggest contributor to our carbon emissions, minimising our electricity consumption is a top priority. Sanlam Head Office contributes the greatest proportion by a significant margin and therefore it is the focus of our energy-saving initiatives. Here, we have installed

specialised energy measurement equipment that makes pertinent information available in “real time”. The information is continually analysed by technicians and an electrical engineer. The system provides an alarm system highlighting consumption outside of predetermined parameters, logging all these events for action and analysis.

Corporate Facilities established the Energy Management Forum with the sole purpose of analysing data, to discuss and explore opportunities to reduce energy consumption. The forum comprises both internal and external experts and meets on a monthly basis.

Our IT systems also have a role to play in reducing our electricity usage. Sanlam’s focus on Green IT is guided by the objectives of the Sanlam Sustainability Committee, the Group’s Environmental Policy, as well as principles that need to be enforced to comply with King III. The Information Technology Information System Services (ITISS) Green IT Policy was implemented in 2012, with the aim of reducing Sanlam’s environmental impact while also achieving commercial benefits.

FACILITIES MANAGEMENT

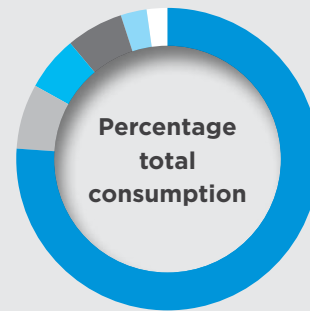
At the facilities level, we focus on technical and behavioural interventions to improve our energy performance. Activities such as lighting replacement and other housekeeping activities are helping us address the low-hanging fruit, and have resulted in significant energy reductions to date. We continue to investigate ways to make our heating ventilation and cooling (HVAC) systems more efficient. Furthermore, we target behaviour change and staff members are engaged regularly through our electronic communication channels and staff magazine. A combination of these initiatives should result in us achieving well above our reduction target.

Corporate Facilities is also planning to engage landlords at smaller regional sites to make their buildings more energy-efficient. The overall cost-to-company is considered with any new lease agreements to ensure environmental efficiencies

are taken into consideration. This includes a requirement to measure consumption.

Please note that Head Office is responsible for 94% of the total electricity consumption. The rest is liable by tenants. All other buildings are responsible for 100% of their electricity usage.

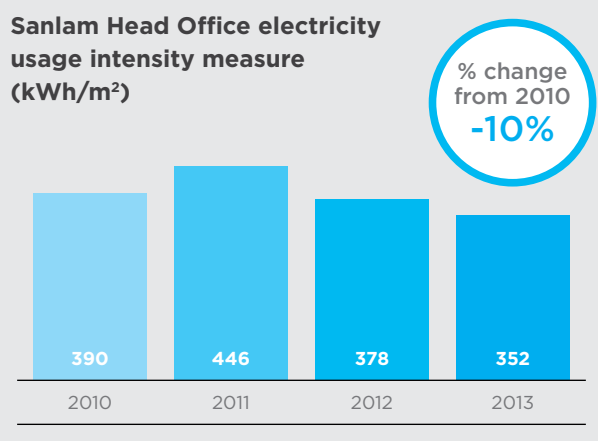
Proportion of total electricity consumption per office building 2013 (39,8 million kWh)

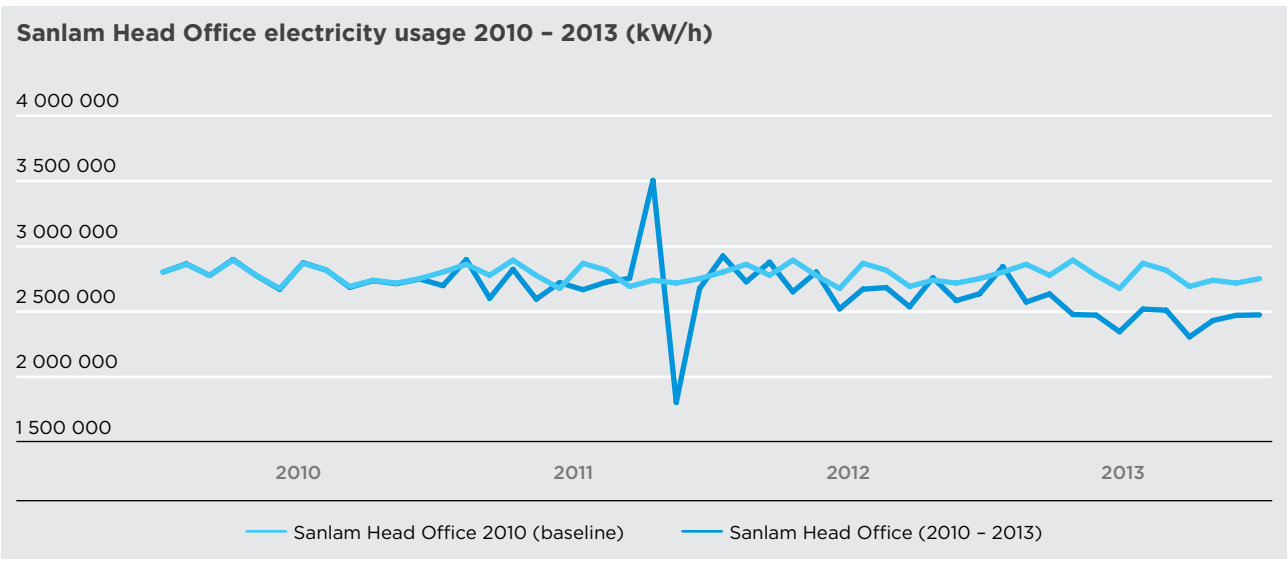


- Sanlam Head Office **77%**
- Sanlynn Pretoria **7%**
- Sanlam Sky Houghton **6%**
- SIM Bellville **6%**
- Hyde Park **2%**
- Glacier Bellville **2%**

By measuring and monitoring our consumption patterns, we have been able to implement initiatives that have resulted in significant savings over the last few years. Sanlam Head Office reduced its consumption by 10% (compared to 2010), with a total of 3,3 million kWh electricity saved. This is also reflected in the overall Sanlam saving, compared to 2010, of 11% (4,8 million kWh), in line with the general trend towards lower energy consumption as illustrated below.

Sanlam Head Office electricity usage intensity measure (kWh/m²)





GREEN INFORMATION TECHNOLOGY

Green information technology (Green IT) is defined as computing technologies that are energy-efficient and have minimal adverse impact on the environment. Through the right choice of products, vendors and processes, Sanlam is employing Green IT to reduce its environmental impact.

Sanlam's Information Technology Information System Services (ITISS) unit provides IT services to the majority of the Sanlam Group and some of our clients. The ITISS PSPG Committee formally approved the ITISS Green IT policy in October 2011.

During the year we embarked on various programmes to improve the energy efficiency of our datacentres and standardise the types of IT equipment used, such as RoHS and REACH compliant printers. Over 200 new printers have been phased in and a further 80 will be installed in the first quarter of 2014. These allow us to set printing defaults and track and manage all printing activity on a per employee basis. This new desktop

printer environment has so far resulted in an overall saving of two million pages per annum or an estimated 234 trees. The roll-out to the various business units will continue in 2014.



At year-end, over 5 000 machines have been added to our centralised and automated power management system, realising a total estimated energy saving of 19 000 kWh.

All obsolete equipment is disposed of via eWaste Association of SA (EWASA)-certified companies and we require disposal certificates for all IT equipment that is scrapped. Wherever possible, we opt to sell or donate equipment we no longer use. Approximately 2 500 devices, with an estimated weight of five tonnes, were disposed of during the year. More than 75% was either sold or auctioned off to employees.

Our approach to Green IT aims to:

- reduce our environmental impact by carefully selecting our supply chain products, services and operations, and responsibly retiring or recycling old equipment;
- support and shape the behaviour of our business units and client businesses, focusing on power consumption, carbon emissions and responsible disposal of assets; and
- engage our service providers and vendors around our Green IT objectives, including the need to develop appropriate Green IT targets, disclose product information, such as energy-efficiency ratings, level carbon emissions, and reduce landfill waste that stems from the manufacturing processes.

> CORPORATE TRAVEL

We have started to limit business air travel as part of our efforts to bring about behavioural change among our employees and take their impact on the environment seriously. The basic rules of engagement have shifted towards strong consideration of improved efficiency by, for example, avoiding unnecessary flights and ensuring multiple appointments are organised to maximise on travel miles.

Going forward, we continue to focus on additional efficiencies in our travel procedures. For instance, as alternative options to intercontinental or inter-regional meetings or projects, we continue to support either teleconferencing or video-conferencing. Compared to the 2010 baseline, we have seen a 12% reduction in total kilometres of business air travel.

Corporate travel consumption

Description	Variable	2013	2012	2011	2010
Business travel - rental cars	Total kilometres travelled	1 323 478	1 318 168	1 424 530	1 406 627
Business travel - commercial airlines	Total kilometres travelled	36 076 074	35 929 397	34 279 405	40 254 294
Business travel - hotel accommodation	Bed nights	13 986	18 751	14 347	13 467

Corporate travel intensity measure (km/FTE)

Description	2013	2010	% change
Business travel - rental cars	187	193	-3%
Business travel - commercial airlines	5 104	5 519	-8%
Business travel - hotel accommodation	1.98	1.85	7%

> PLANS AND TARGETS

Our objective is to realise a 20% reduction in our electricity consumption and a 15% reduction in CO₂ emissions by 2015. Since Sanlam Head Office in Bellville represents close to 80% of the Group's total electricity consumption, a 25% saving here would allow us to achieve this target. Projects proving successful can then be replicated at our other facilities.

5.3 SUSTAINABLE WATER USE

While Sanlam is not a water-intensive business, we understand the materiality of this resource to the South African economy. We therefore aim to lead by example to ensure the preservation of water for future generations. We have a strategic partnership with WWF-SA, which helps us to mitigate our day-to-day water impacts and risks, while also working on greater awareness and conservation efforts in South Africa.

In October 2013 we launched the Journey of Water campaign with WWF-SA, which aims to connect urban water users to their water sources with the objective of protecting South Africa's water-producing areas.

At present we largely rely on municipal water reports to track our water usage. We have installed water pulse meters at Sanlam Head Office as well as at our Houghton and Hyde Park offices in Johannesburg. These are currently being tested and validated while we build up an accurate database of information. It is important for us to fully understand our own water footprint. We estimate that Sanlam Head Office accounts for more than 50% of our total water usage.

As most of our water usage can be attributed to the air-conditioning system (HVAC), this is where we are focusing our consumption reduction activities. We are currently investigating how the electricity consumption reduction interventions we have implemented in regard to our HVAC system is impacting on our water consumption. There appears to be a positive relationship in this respect.

We work to reduce our water consumption on a number of levels. These efforts include retrofitting water systems with more water-efficient fittings, such as push taps and dual flushing systems, continued harvesting of rainwater for irrigation, as well as recycling efforts on unused drinking water in our large training centre. We also have grey water systems to reduce potable water usage. These are the low-hanging fruit that we have been able to address, largely at Head Office. Promoting awareness about preserving this natural capital is important to us. In our endeavour to support WWF-SA's stance on discouraging the use of bottled water, we rolled out a water filter tap

Water reduction target 2015

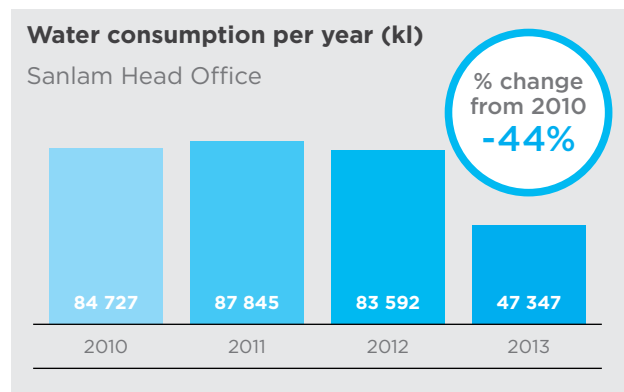
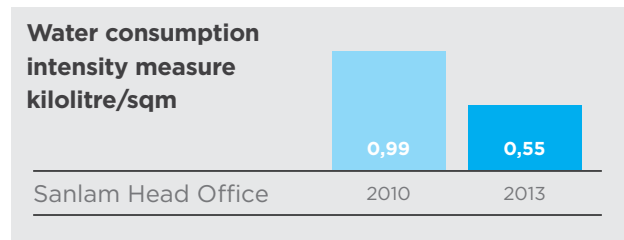
Environmental indicator	Reduction target*	Unit
Municipal water	10%	kl/m ² of total office space (including common areas, but excluding consumption by external tenants)

retrofitting programme at all our offices. We are happy to report that this has been successfully completed beyond the six buildings in scope, extending to other Sanlam-owned regional offices as well.

Based on our current municipal data, the water-saving initiatives implemented at Sanlam Head Office have resulted in significant savings of 44% during 2013, compared to the 2010 baseline.

PLANS FOR 2014

We plan to install three additional meters at Sanlam Head Office in order to obtain more accurate readings on individual parameters including drinking water, toilet water and hydrant systems. Furthermore, we will be participating in the Global Water Disclosure Project in 2014.



PROTECTING SOUTH AFRICA'S WATER SUPPLY

Sanlam's relationship with the World Wide Fund for Nature South Africa (WWF-SA) started in 2007, with the five-year partnership known as the "Living Waters Partnership". For the second phase of this relationship, Sanlam and WWF decided to enter into a Transformational Partnership, the ethos of which is to conserve and ensure the healthy functioning of South Africa's water ecosystems, focusing on its Freshwater and Marine programmes. The partnership relates to conservation efforts and joint communications. It also challenges Sanlam to reduce our direct and indirect environmental footprint. This is Sanlam's largest CSI project, with a budget of R16 million planned for the three-year period from 2012 to 2015.

While Sanlam's funding goes towards robust conservation and awareness efforts, the transformative aspect of this partnership involves WWF-SA helping Sanlam to increase its level of sustainability maturity, enabling us to become a leader and an innovator in corporate water stewardship. From Sanlam's perspective, water-related issues create both risks (increasing insurance claims and exposure to investment risks) and opportunities (in the form of the development and sale of products which help mitigate the risks). Furthermore, the partnership is generating insights that link water security back to financial services. These include an understanding of water risks that drive better investment and insurance practices. The projects started in 2013 and continue into 2014. The one material project focuses on insurance, by working with the South African Insurance Association

(SAIA) to understand the impacts of water risk on short-term insurance and to promote better catchment management.

Sanlam, through the WWF Sanlam Leaders for Living Waters Programme, supported the development of environmental leaders by funding seven professional interns as part of the WWF Graduate Development Programme between 2011 to 2013. This programme works towards supporting the development of creative, dynamic new leaders committed to securing the integrity of our freshwater and marine environments. A key principle underpinning the programme is transformation in the sector. This includes addressing the demographic representation of all South Africans in aquatic ecosystem management, a movement away from traditional protectionist to more inclusive approaches to securing our ecological assets and ecosystems.

As a further benefit Sanlam is able to leverage the powerful WWF-SA brand to make a difference to environmental sustainability in a number of ways. These include sharing in research areas to generate business advantage, finding ways to save water and therefore costs, and receiving significant public recognition in the process. The South African Government declared the Prince Edward Islands a Marine Protection Area (MPA), ensuring that an area of 180 000 km², approximately the combined size of the Free State Province, Lesotho and Swaziland, is protected from pillage. Sanlam sponsored WWF to undertake the initial research necessary to support the declaration of this area as a MPA.

The management of our finite water resources is recognised as one of the greatest risks to the global economy. Water risks play out even more significantly at a national scale within South Africa, since the country is listed as one of the 30 most water-stressed countries in the world. For instance, of the top 40 companies that responded to the CDP Water Disclosure survey, 75% felt that their business was exposed to physical water risk.

To date the partnership has seen the following benefits:

- It has created more than 330 job opportunities.
- It has trained about 2 300 people, developing leaders and agents of change in water conservation.
- It has contributed to government and corporate policy on marine and freshwater conservation and rehabilitation.
- It has fostered research into water-related risks to society and business.

During 2013 the Sanlam-WWF partnership focused on key areas that will improve water security for the South African economy:

- We defined South Africa's Water Source Areas (in collaboration with the CSIR) and worked within the water sector to ensure that these areas were incorporated into the Department of Water Affairs' second National Water Resource Strategy.
- We collaborated with key players in the private sector to test and develop best practice in corporate water stewardship, including De Beers, SAB Ltd, Woolworths and Mondi.
- We also collaborated with the key sectors that impact water resources and began new work in agriculture with sugar and fruit to optimise water use, and contributed to the Mining and Biodiversity guidelines which raised the bar for South African best practice.

- We assessed water risk within the South African finance sector and demonstrated the WWF Water Risk Filter for investors with the Industrial Development Corporation.
- We worked towards strengthening water institutions and enabling sustainable water use with associations in Limpopo, Pongola and the Southern Cape.

We also launched the Journey of Water campaign with WWF-SA, which aims to connect urban water users to strategic water sources with the objective of protecting South Africa's water-producing areas. A highlight of the campaign was the Journey of Water walk, which took place from 4 to 7 November 2013. WWF-SA and Sanlam took a group of celebrities, the media and eight Sanlam staff on an 85 km Journey of Water from one of our strategic water source areas, the Boland Mountains – the headwaters of the Berg, Breede and Eerste rivers – into Cape Town.



We have combined this initiative with the launch of an easy-to-use interactive electronic tool which enables consumers to locate the source of their water directly, identify what the catchment area looks like and understand the threats it faces as well as what can be done at home to reduce consumers' water footprint.

See www.journeyofwater.co.za.

Please see the Sanlam/WWF-SA website for more details.



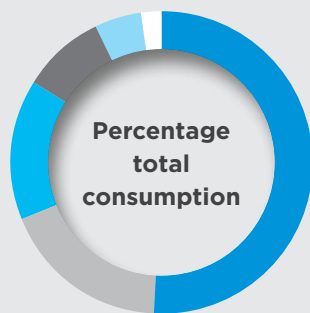
MATERIAL AND WASTE MANAGEMENT

Material and waste management reduction targets 2015

Environmental indicator	Reduction target*	Unit
Office paper (See below)	15%	kg/FTE
Total waste (See below)	15%	kg/FTE
Recycled waste (See below)	50% of total waste output	Percentage of total waste output
Recycled waste - Head Office - challenge	90% of total waste output	Percentage of total waste output

* Baseline 2010 with targets set for 2015

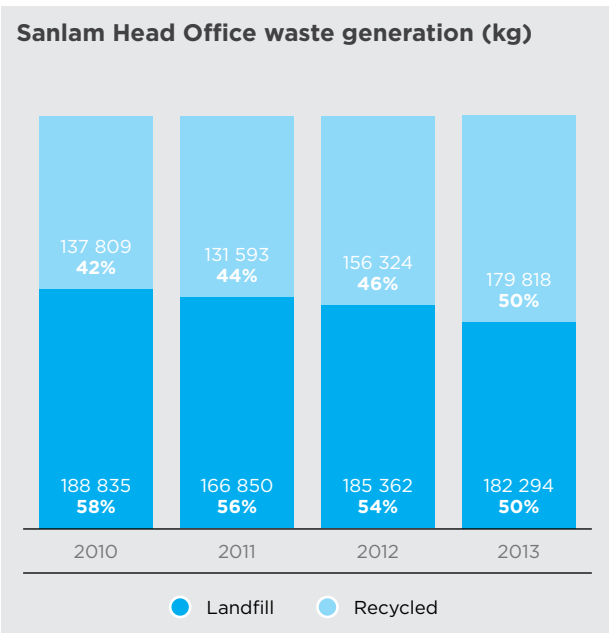
Proportion of total waste per office building 2013



- Sanlam Head Office **53%**
- Sanlynn Pretoria **17%**
- Hyde Park **15%**
- Sanlam Sky Houghton **8%**
- Glacier Bellville **5%**
- SIM Bellville **2%**

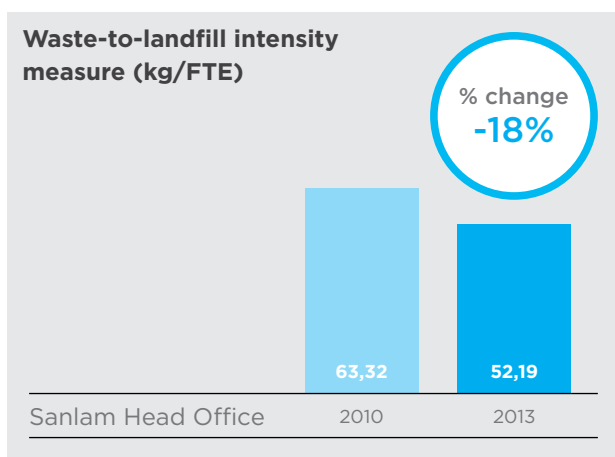
Since 2011 Sanlam has been making a concerted effort to divert waste from ending up in landfill sites. Towards the end of 2013 a waste evaluation audit was conducted at Sanlam Head Office, the major waste contributor, accounting for 53% of our total landfill and recyclable waste. This will form the basis of an integrated waste management plan. We also consulted key stakeholders in the business for input into the first Draft Waste Policy for the Group, which will be finalised during 2014.

An Integrated Waste Management Plan will be drawn up to assist with the waste targets for all six measured buildings. We have established a need for building site managers and internal staff to undertake training on waste separation at source, as well as a need to promote the separation of organic waste for composting. At present it is only our Head Office and Houghton buildings that have a fully integrated waste management programme on site.



In the past year the recycling station at Sanlam Head Office undertook a campaign with the aim of challenging those that don't recycle to participate for two weeks. At present four of the six measured buildings are recycling a portion of their waste. Hyde Park and Sanlynn Pretoria are yet to implement recycling programmes.

Our biggest recyclable is paper. All paper is Forest Stewardship Council (FSC) certified. During 2013 ITISS implemented a printer upgrade project. This aims to assist with the Think before you Print campaign to promote more conscious printing habits. All IT waste is disposed of in accordance with the Green IT Policy.



Paper consumption

	Tonnes of paper 2010	Tonnes of paper 2013
Total	253	335
Tonnes of paper/FTE	0.03	0.05

Our total paper consumption has increased by 33% since 2010. As part of our Green IT Policy over 200 new printers have been phased in and a further 80 will be installed in the first quarter of 2014. These allow us to track and manage all printing activity on a per employee basis. We are also replacing paper-based communication with electronic communication to clients and intermediaries.

PLANS AND TARGETS

We aim to recycle 90% of our waste by the end of 2015 for our Head Office building. The focus is now on promoting recycling at source, as a further drive to change staff behaviour and encourage employees to recycle in their personal capacity as well. In November 2013, 16 recycling stations were rolled out at key staff "hot spots" at Head Office. The focus for 2014 is to promote waste awareness and encourage behaviour change among employees.



Furthermore, we are exploring the possibility of becoming more actively involved within the Western Cape Industrial Symbiosis Programme (WISP), as part of Accelerate Cape Town. This resource-efficiency approach encourages waste trading among Cape Town businesses.



ASSURANCE REPORT

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF SANLAM LIMITED FOR THE YEAR ENDED 31 DECEMBER 2013

We have undertaken a limited assurance engagement of the Scope 1 and 2 carbon emissions included in the carbon footprint table in the 2013 Sustainability Report of Sanlam Limited for the year ended 31 December 2013. These Scope 1 and 2 carbon emissions have been highlighted for identification purposes in the sustainability report by a “*”. This engagement was conducted by a multidisciplinary team including assurance practitioners, engineers and environmental scientists.

SANLAM LIMITED’S RESPONSIBILITY FOR THE SCOPE 1 AND 2 CARBON EMISSIONS

Sanlam Limited is responsible for the preparation of the Scope 1 and 2 carbon emissions in accordance with the management-defined criteria disclosed on page 93. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Scope 1 and 2 carbon emissions that is free from material misstatement, whether due to fraud or error.

Greenhouse gas (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.

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, 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, Ernst & Young Inc. 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 Scope 1 and 2 carbon emissions based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements* (“ISAE 3410”), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Scope 1 and 2 carbon emissions are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3410 involves assessing the suitability in the circumstances of Sanlam Limited’s use of the management-defined criteria as the basis for the preparation of the Scope 1 and 2 carbon emissions; assessing the risks of material misstatement of the Scope 1 and 2 carbon emissions whether due to fraud or error; responding to the assessed risks as necessary in the circumstances; and evaluating the overall presentation of the Scope 1 and 2 carbon emissions. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the 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 enquiries, 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:

- Through enquiries, obtained an understanding of Sanlam Limited's control environment and information systems relevant to emissions quantification and reporting, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Evaluated whether Sanlam Limited'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 Limited's estimates.

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 Limited's Scope 1 and 2 carbon emissions have been prepared, in all material respects, in accordance with the management-defined criteria applied.

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 Sanlam Limited's Scope 1 and 2 carbon emissions for the year ended 31 December 2013 are not prepared, in all material respects, in accordance with the management-defined criteria.

OTHER MATTER

The maintenance and integrity of the Sanlam Limited's website is the responsibility of Sanlam Limited's 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 assurance report that may have occurred since the initial date of presentation on the Sanlam Limited website.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Jeremy Grist
Registered Auditor
Chartered Accountant (SA)
Ernst & Young House
35 Lower Long Street
Cape Town
3 March 2014



GLOSSARY

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

CONTACT DETAILS

If you have any queries or comments about this report or Sanlam's sustainability performance, please contact:

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FUTURE