



sustainability report 2014



Insurance

Financial Planning

Retirement

Investments

Wealth

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About this report

This report represents our overview of Sanlam’s sustainability performance for the 2014 calendar year. It addresses a range of stakeholders, including regulators, providers of financial capital, clients, employees, agents and brokers, and the broader society in which we do business. It should be read in conjunction with the 2014 Sanlam Annual Report.

What we do

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

We have been a prominent member in the South African business landscape since 1918, and currently provide a broad range of financial solutions and products to retail (individual) and institutional clients:

- ④ Life Insurance
- ④ General Insurance
- ④ Investment Management
- ④ Credit and structuring
- ④ Administration, Health and Other Financial Services.

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

Scope and boundary

Sanlam business	Extent of activities included		
Sanlam Group Office	Included	Includes only our South African-based operations that represent the bulk of our business activities.	
Sanlam Personal Finance (SPF) cluster	Included		
Sanlam Investments (SI) cluster	Included		
Sanlam Emerging Markets (SEM) cluster	Partially included		Our emerging market footprint is growing and is responsible for 18% of our total net result. We will continue to improve our SEM sustainability disclosure in this report where appropriate.
Santam	Excluded		Santam is separately listed on the Johannesburg Stock Exchange (JSE) and therefore reports on its performance separately.

Sanlam’s annual reports and reporting standards

Our annual reporting comprises two reports, prepared in accordance with the frameworks shown below. Downloadable and interactive versions of these reports are published on www.sanlam.com.

	Contains	Reporting standards applied
Sanlam’s 2014 Annual Report www.sanlam.com/investorrelations	Sanlam Integrated Report	<ul style="list-style-type: none"> ④ IIRC <IR> Framework ④ King III* ④ JSE listings requirements**
	Shareholders’ information report	<ul style="list-style-type: none"> ④ King III ④ Sanlam’s basis of presentation
	Corporate governance report	<ul style="list-style-type: none"> ④ King III ④ Companies Act*** ④ JSE Listings Requirements
	Remuneration report	<ul style="list-style-type: none"> ④ King III ④ Companies Act ④ JSE Listings Requirements
Annual financial statements		<ul style="list-style-type: none"> ④ IFRS ④ Companies Act
Sanlam’s 2014 Sustainability Report www.sanlam.com/investorrelations	Sanlam’s sustainability performance	<ul style="list-style-type: none"> ④ IIRC <IR> Framework ④ Financial Sector Code (FSC) ④ JSE’s SRI Index Requirements ④ Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines

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

** JSE – Johannesburg Stock Exchange Limited Listings Requirements.

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

Assurance

Internal assurance	Independent assurance
<p>The Sanlam Board has reviewed the content of this report and is confident that the information presented here is a true reflection of Sanlam's performance.</p>	<p>EY Inc. has been engaged to provide independent assurance on the following aspects of our annual reporting:</p> <ul style="list-style-type: none"> ④ Audit opinion on the shareholders' information ④ Audit opinion on the annual financial statements ④ Limited independent assurance on specific elements of the performance information in the Sustainability Report. ④ The audit opinion can be found on page 217 of the Annual Report and the limited independent assurance conclusion can be found on page 117 of this report. <p>Information relating to our Financial Sector Charter (FSC) scorecard was assured by AQRate.</p>

Feedback

We need your feedback to ensure we report on aspects that matter to you, our stakeholders. Contact us with your queries or comments at sustainabilitymanagement@sanlam.co.za or +27 21 947 2548.

Navigation

For ease of use, the following icons are used as reference points throughout the Annual Report and this report.

Group strategy pillars	
	Earnings growth
	Operational efficiencies
	Optimal capital usage
	Diversification
	Transformation
Strategic enablers	
	Sound governance
	People development
	Responsible products and services
	Prosperous society
	Environmental impact
Supplementary information	
	Investment Management
	Life Insurance
	General Insurance
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	Case study
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2014 performance at a glance

1 Sound governance

- Embedding a sustainability culture across all businesses within the Group.
- Integrated Shriram Capital Board's Chairman onto the Social, Ethics and Sustainability (SES) committee.
- 66% of all SPF staff completed our online ethics and compliance training.
- Implemented an emerging markets governance framework policy.
- 100% King III compliant.
- Sanlam was included in the JSE's Socially Responsible Investment (SRI) Index for the ninth consecutive year.
- Sanlam is the only South African Life Insurance company to be included in the Robecom SAM Dow Jones Sustainability Emerging Market Index.

2 People development

- 55,6% of all targeted staff participated in the Sanlam *Blueprint for Success* employee engagement initiative.
- Turnover of office staff increased to 11,6% (2013: 10,7%), while adviser staff turnover decreased to 41,4% (2013: 42,0%).
- Employment equity ratios improved by 9%, with 67,3% black staff overall.
- 18% increase in total training and development spend to R170,2 million (2013: R144,5 million).
- 96% of all staff received training during the year (2013: 89%).
- 27% previously disadvantaged individuals in senior management positions (2013: 23,0%).
- Graduate development programmes benefited 71 graduates.

3 Responsible products and services

- Achieved a 77,8 customer satisfaction index score in the South African Customer Satisfaction Index (SACSI).
- 2,4% decline in new business sales of products to clients in the entry-level market segment.
- Launched five new or improved products.
- Voted on 3 028 resolutions, engaged three companies in accordance with our responsible investment policy.
- 20% decrease in the number of complaints referred to the Ombudsman for Long-term Insurance.
- Market value of our total empowerment and infrastructure financing at year-end amounted to R15,9 billion (2013: R13,8 billion).



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

➤ Creating lasting value as Wealthsmiths™

Sanlam is tirelessly committed to turning money into meaning – into whatever is important to our clients for their futures. We believe everyone deserves to live their best lives possible. Our new position as Wealthsmiths™ confirms our approach of taking the material we are given and turning it into something more.

As Wealthsmiths™ we are committed to building wealth for our clients over the long term. This means we are committed to building legacies to embed the right ethical climate, governance systems and practices in our business, and to transform our business to be representative of the communities around us. We take pride in our responsibility towards society. We contribute to economic stability by making responsible investment and business decisions to the long-term benefit of all our stakeholders. For our clients to prosper, the society in which we live also has to prosper.

In support of our view of the future, we strive to reduce our negative impact on the environment; to contribute towards developing entrepreneurial enterprises; to improve the level of education and financial literacy within South Africa through our corporate social investment initiatives; and to support the WWF's work to preserve a sustainable supply of water.

➤ Setting sustainability challenges

I am satisfied with the ethical climate that has been established by Sanlam's leadership, validated by our long-standing record of no major ethical breaches across the Group. Good ethics follow a virtuous cycle that begins with the ethical conduct of our employees. The more our clients value Sanlam's ethical conduct, the stronger we become, reinforcing the moral fibre of all concerned – employees, contractors and business partners.

Sanlam's Foundation report outlines the impact the foundation is having on society and it is pleasing to see that the consumer education and financial literacy programmes are beginning to take on scale.

We also continue to make progress towards transformation and diversity that is more representative of South African society. This year we further increased the proportion of previously disadvantaged groups now represented in our staff complement. At the higher echelons, the process is slower and we are setting ourselves more stringent targets to speed up the transformation process.

“We are not taking shortcuts, nor do we use quick fixes to show short-term performance.”

While our direct environmental footprint is not as significant as the impact of our investments, we take seriously our responsibility to improve energy and water efficiencies across all our buildings and systems. We want to become a zero waste-to-landfill business at our Head Office in Cape Town and continue to drive this ambitious target. During 2014 we adopted a waste management policy which resulted in us developing integrated waste management plans for key buildings. As a Group we continue to minimise our negative impact on water resources, and will be investing in the WWF SA Water Balance programme, aimed at replenishing water supply in South Africa. This will also enable us to offset our own water consumption going forward.

Embedding a sustainability culture across the business

SES committee matures

The task of the SES committee benefits from clear and consistent messaging from our executive leadership, supported by excellent management structures. The work of the SES committee in Sanlam has matured to the point where a focus on sustainability matters is not done in a single department, but integrated within the business, as it should be. Sanlam's SES committee consists of both executive and independent non-executive directors. Together with the Group's other board committees, it has a good understanding of the issues affecting Sanlam's ability to create value over the short, medium and long term.

We also benefit from South Africa's well-developed regulatory environment, which provides us with sufficient guidance as we develop our governance systems, and as we improve the management and reporting of our non-financial issues.

Refining our approach

During 2014, we continued to refine our understanding of the key issues affecting our sustainability by conducting an internal materiality review and revising our Sustainability Management Framework (SMF) accordingly.

Furthermore, we worked on improving our ability to measure our non-financial performance against some of our most material issues. In particular, our efforts over the past two years to put our Treating Customers Fairly (TCF) framework in place is starting to bear fruit. The aim is for each business cluster to use its own, tailored indicators to track performance and to ensure accountability at the executive management level. Already, our two biggest business clusters, Sanlam Personal Finance (SPF) and Sanlam Investments (SI), are now able to provide detailed progress reports on their TCF performance. This is discussed in more detail on page 68.

Going forward

Having successfully integrated the functions of the SES committee across the business, the next step is to embed sustainability practices as the default approach to doing business within each business cluster. We plan to tailor the SMF performance indicators to fit each business cluster's circumstances and integrate existing frameworks such as TCF into our SMF to provide one clear integrated view of our sustainability performance.

This will improve our ability to manage our non-financial issues and lead to more consistent and transparent reporting across our business clusters. Going forward, we intend setting clearer and more ambitious targets and progress milestones in dealing with our non-financial issues and impacts.

The SES committee is responsible for all subsidiaries worldwide across the Group, especially those entities that do not have their own social and ethics committees. In 2015, we will continue to actively engage the leadership of all the businesses within our emerging markets cluster to strengthen their governance systems, structures and practices. It is important that we deliver on our brand promises of business ethics and sustainability in all our spheres of influence.

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

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

In closing

The SES committee’s work and Sanlam’s approach to sustainability are founded on the concept of a holistic view of our stakeholders and their relationships with us. Our shareholders, policyholders, investors, regulators and society at large, will hold us accountable and expect us to have a positive impact on society as a whole and do the right thing. In our opinion an ethical, values-driven approach is the most effective way to ensure our long-term success. It instils a sense of pride among our employees, making them more capable, productive and loyal.

While much remains to be done, I believe we are making substantial progress in embedding sustainability across the business and, in doing so, improving our ability to think holistically and make informed decisions that will lead to improved prosperity for all our stakeholders.

Valli Moosa

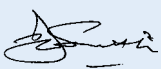
Chairman of the Social, Ethics and Sustainability committee

Statement from the Board of directors of Sanlam Group

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

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

This report was approved by the Sanlam Board of directors on 4 March 2015 and signed on its behalf by:



Desmond Smith
Chairman of the Board



Johan van Zyl
Group Chief Executive



Valli Moosa
Chairman of the Social, Ethics and Sustainability committee

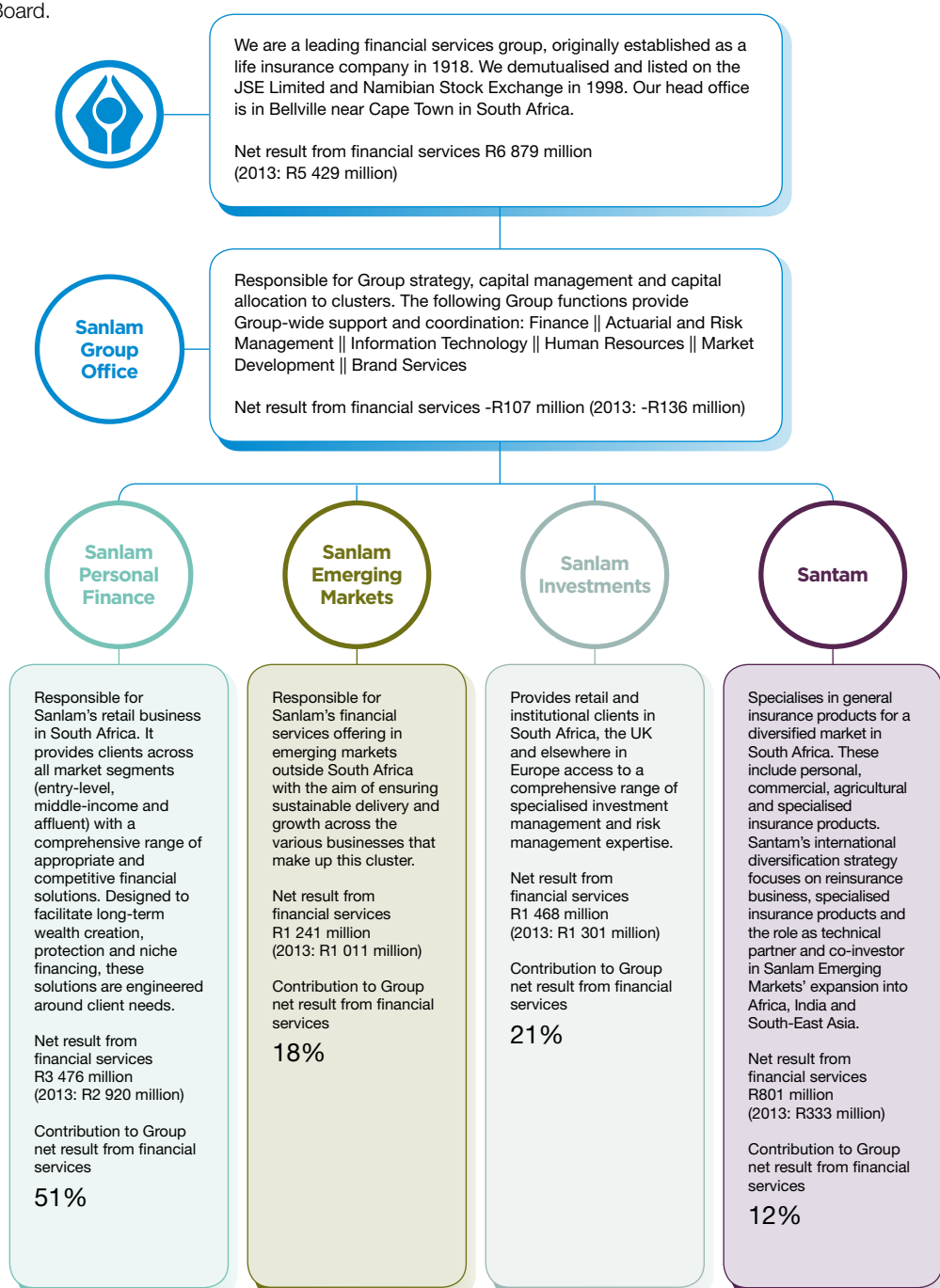
About the Sanlam Group

Operational structure

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

Our financial products and services are provided through four clusters, each containing a set of entrepreneurial business units.

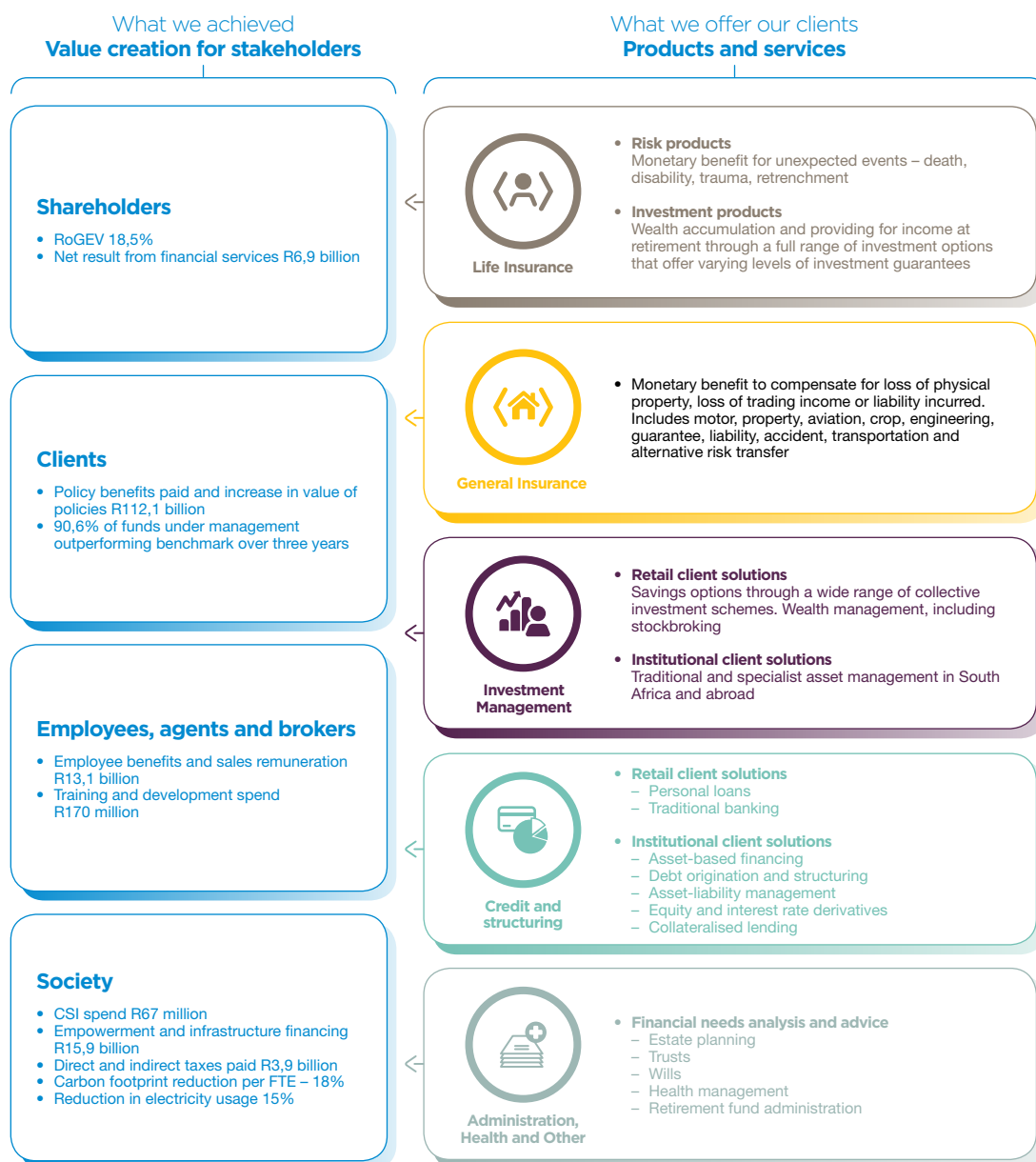
Each cluster has its own board of directors with delegated authority levels governing the execution of the principles and standards set by the Sanlam Board.








About the Sanlam Group continued

Our vision

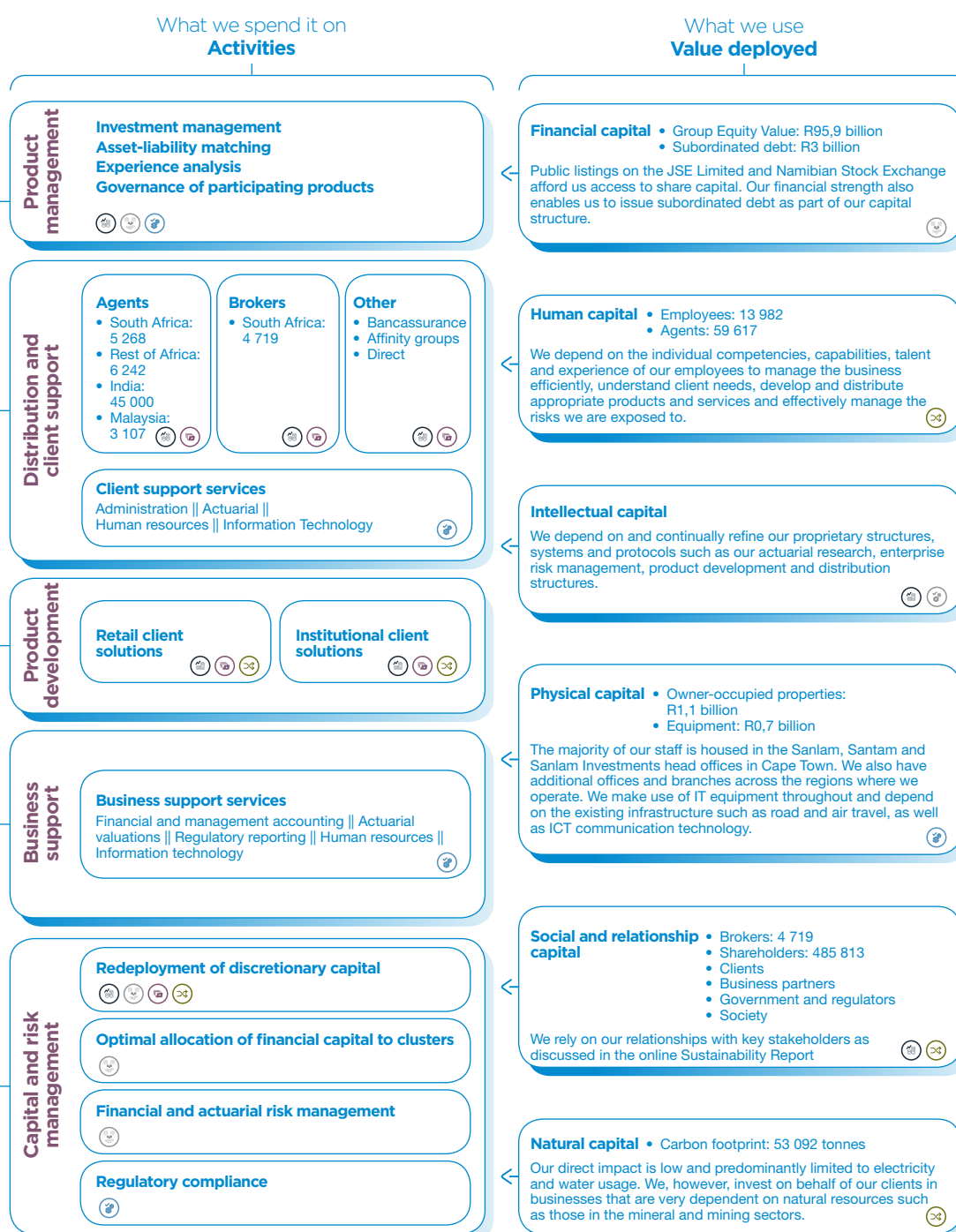
To be the leader in client-centric wealth creation and protection in South Africa, to lead that process in emerging markets, and play a niche role in developed markets.



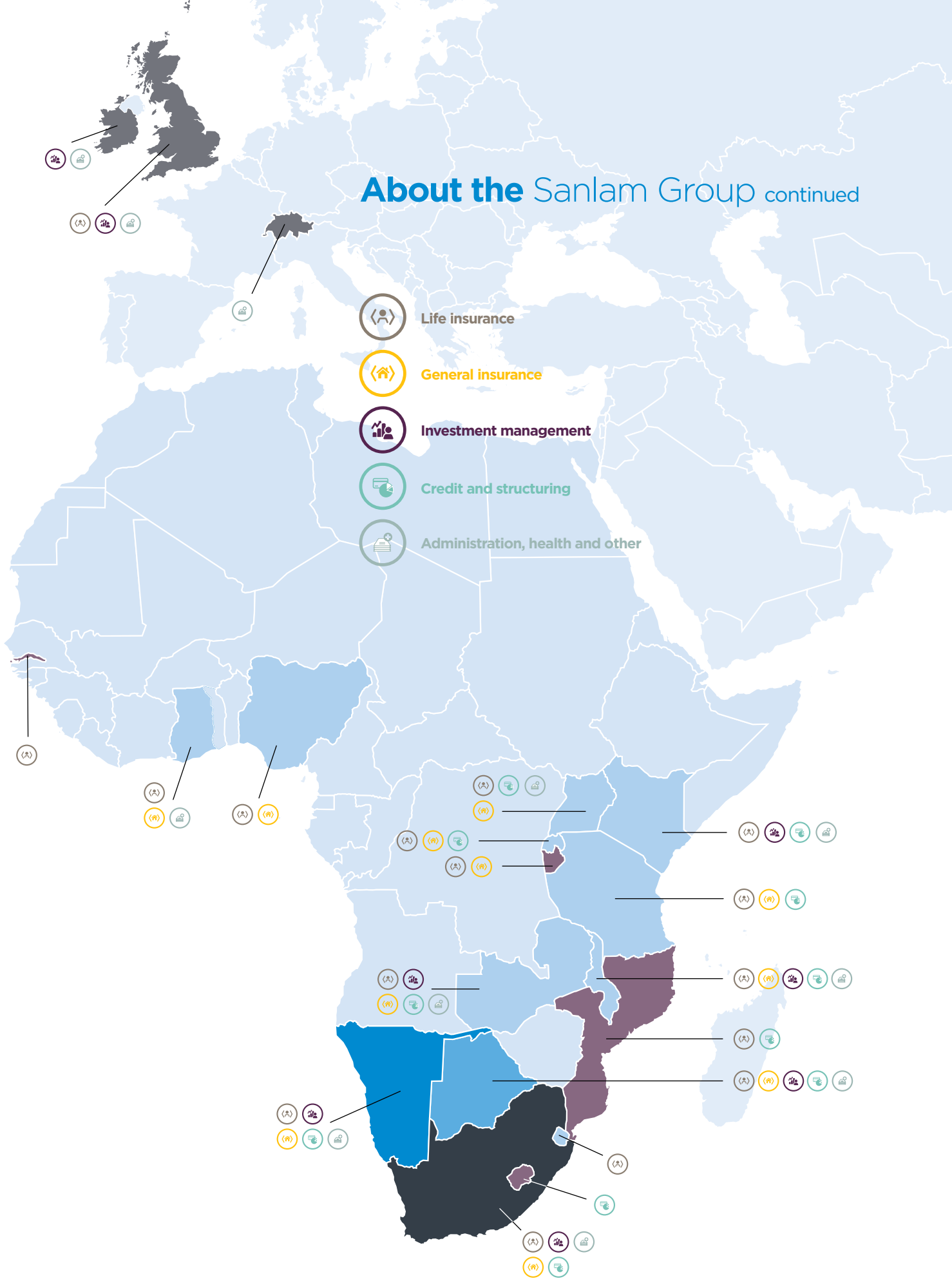
Focus areas of Group strategy:  Earnings growth  Optimal capital utilisation  Operational efficiencies  Diversification  Transformation

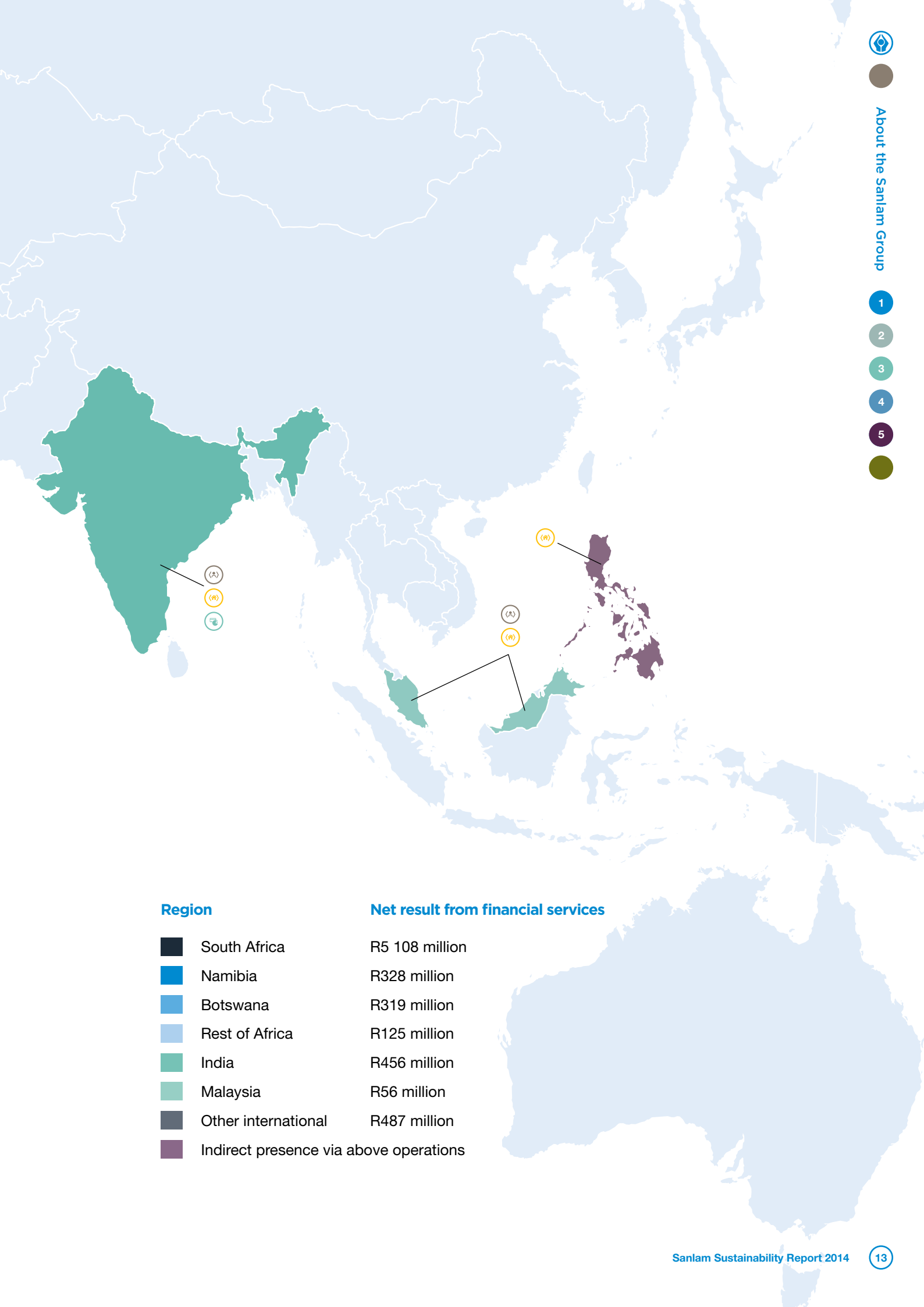
Our business model

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



About the Sanlam Group continued





Region

Net result from financial services

	South Africa	R5 108 million
	Namibia	R328 million
	Botswana	R319 million
	Rest of Africa	R125 million
	India	R456 million
	Malaysia	R56 million
	Other international	R487 million
	Indirect presence via above operations	





From business strategy
to sustainability

For over 96 years we've been grounded in a timeless, tireless work ethic. We stay true to our traditional set of values and the belief that when there's work to be done, it's worth doing it very, very well. And while we want to do well, we also want to do good. Because how much money we make will never be the sole measure of our success.

Business context and stakeholder engagement

The trends in our business environment and the concerns of our stakeholders define the state of our (and our industry's) reputation and goodwill within society, as well as inform our strategic response.

Key trends/business context

World economies are still in the process of recovering and digesting the after-effects of the 2008 Global Financial Crisis. Central Banks worldwide led the effort to stave off a global recession by stimulating their economies through Quantitative Easing (QE) programmes. The third quarter of 2014 marked the end of the US QE programme. The decrease in liquidity is likely to affect emerging markets, dissipating one of the underlying supports for asset valuations. The South African equity market is also likely to be affected, reducing the investment industry's ability to show revenue growth at the same levels as over the past few years.

Following international practice, South African regulators are implementing more intrusive regulations across the industry. This has led to an increase in the cost of implementation, but has also created opportunities for some Sanlam businesses. Distribution in both retail and institutional markets is heavily influenced by the pressure being exerted on custodians of clients' funds and finances to exhibit higher levels of independence.

The measurement of BBBEE scorecards is set to increase in 2015 when the new Department of Trade and Industry (dti) scorecards will take effect. Business will have to adapt to the new circumstances. Progress against the new scorecard requirements will be influenced by our ability to grow talent from outside and inside the business over the short, medium and long term.

Pressure on fees and margins is increasingly being experienced throughout the investment businesses, both locally and offshore. Increased regulatory interventions, higher client activism and scrutiny from the financial press have combined with increased levels of competition and more self-directed client-buying patterns (the result of access to knowledge and tools available through the digital media).

Under particular scrutiny is the total cost for clients and investors of financial products and advice. Following reviews of the

retirement and savings industries, the government is leading the reform of the active asset fund management industry. While the full value chain across financial services is affected, the investment industry in particular is a key target for fee reduction. Regulators are favouring passive investments with low-cost structures as a potential solution, severely impacting on the business model for active retirement fund management. On the other hand, the positive returns generated by financial markets over the past few years have resulted in improved funding levels of retirement and other liability funds. This has created a unique opportunity to remove significant liabilities from the balance sheet.

Alternative asset classes continue to see strong growth. In South Africa, renewable energy (partly created by energy shortages) and infrastructure development are ideal targets for long-term liability institutions.

Opportunities for Sanlam

South Africa is ranked 7th in financial market development*, indicating an efficient and trustworthy financial system. Sanlam is one of the foremost institutions leading the development of business solutions in this market. Despite the economic and political uncertainty inherent in our markets, we are well experienced at adapting to changing and challenging operating environments. Some of the opportunities that arise from these challenges are:

- ① Develop solutions for relatively untapped lower income markets.
- ② Respond to a growing population of people who are living longer.
- ③ Create relevant solutions for people with diminishing disposable incomes.
- ④ Develop solutions that adapt to issues which range from generally negative consumer faith in financial instruments, political governance and leadership challenges and increasing scarcity of natural resources.
- ⑤ Invest in technology – especially technology appropriate to aspirant lifestyle in a resource-scarce world.
- ⑥ Invest in products and services that reduce the risk of lifestyle diseases (such as obesity and HIV/Aids) and pandemics.

*Source: World Economic Forum Global Competitiveness Report 2014 – 2015

MI Stakeholder engagement

> Stakeholder engagement at Group level

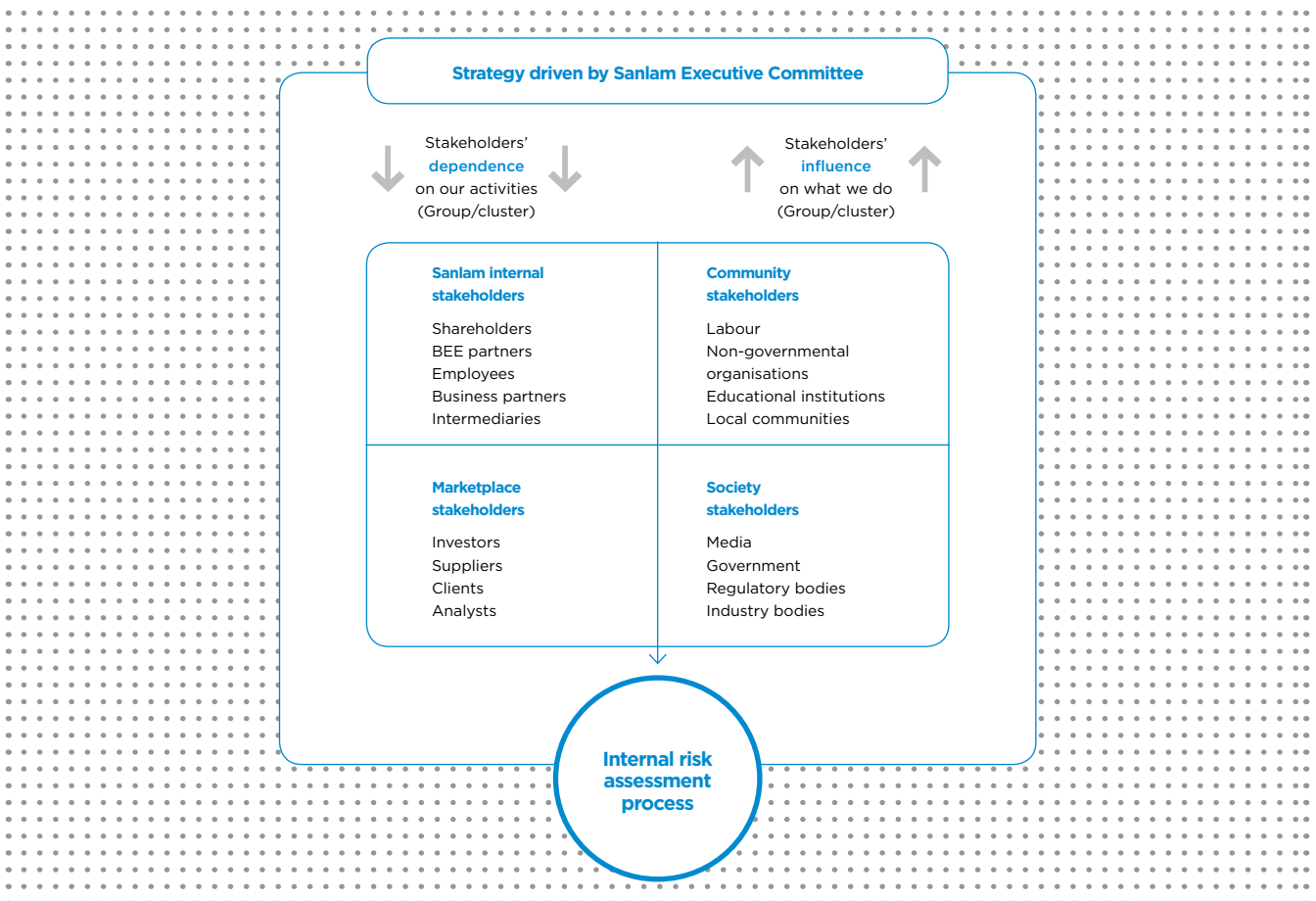
Sanlam has a documented stakeholder engagement strategy to guide how we engage with stakeholders. This strategy is in line with the King III principles. We developed a stakeholder communication policy that was signed off by the Social, Ethics and Sustainability (SES) committee in 2013.

Every business cluster reports quarterly to the Sanlam stakeholder hub on all stakeholder engagement activity and concerns raised. This is collated and reported to the SES committee, which reviews the Sustainability Management Framework (SMF) for ongoing relevance and alignment.

The stakeholder hub is a centralised stakeholder database that also serves as an issue log. The database is being developed into an internal software system and will serve to track both stakeholder engagement and the issues raised by stakeholders.

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

In 2014, a dedicated person was appointed to manage intergovernmental (national, provincial and local) and trade union engagement at Group level.



Business context and stakeholder engagement continued

➤ Stakeholder engagement roadshows

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



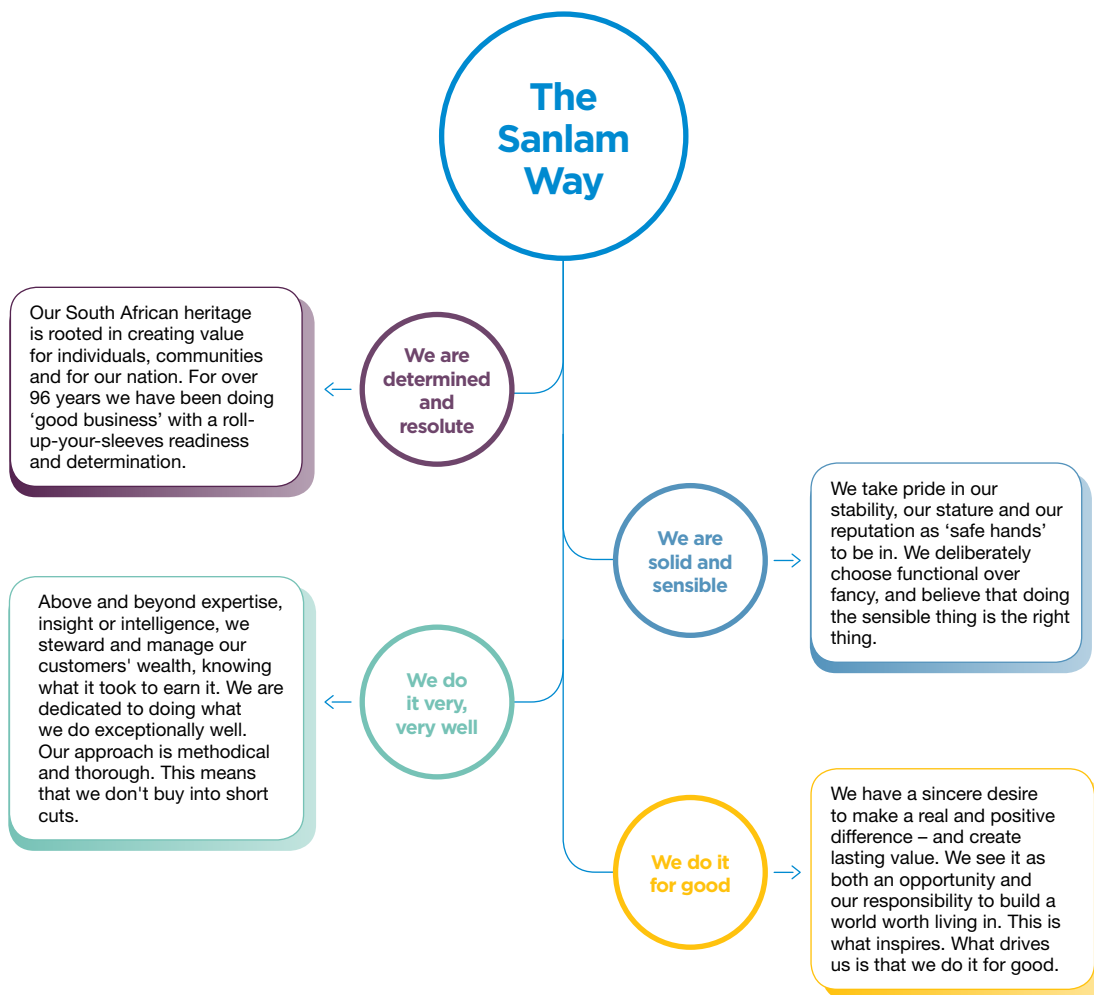
To ensure that we play a constructive role in the development of national policy and regulation, we engage actively with government, primarily as a collective through industry associations such as the Association for Savings and Investment South Africa (ASISA), Business Unity South Africa (BUSAs), Business 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 chairman of ASISA and represents the industry at the highest levels of policy-making and regulation, and Sanlam executive and senior managers 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.

From business strategy to sustainability

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.



➤ Wealthismiths™ – our business philosophy

The Sanlam Way

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

Our values

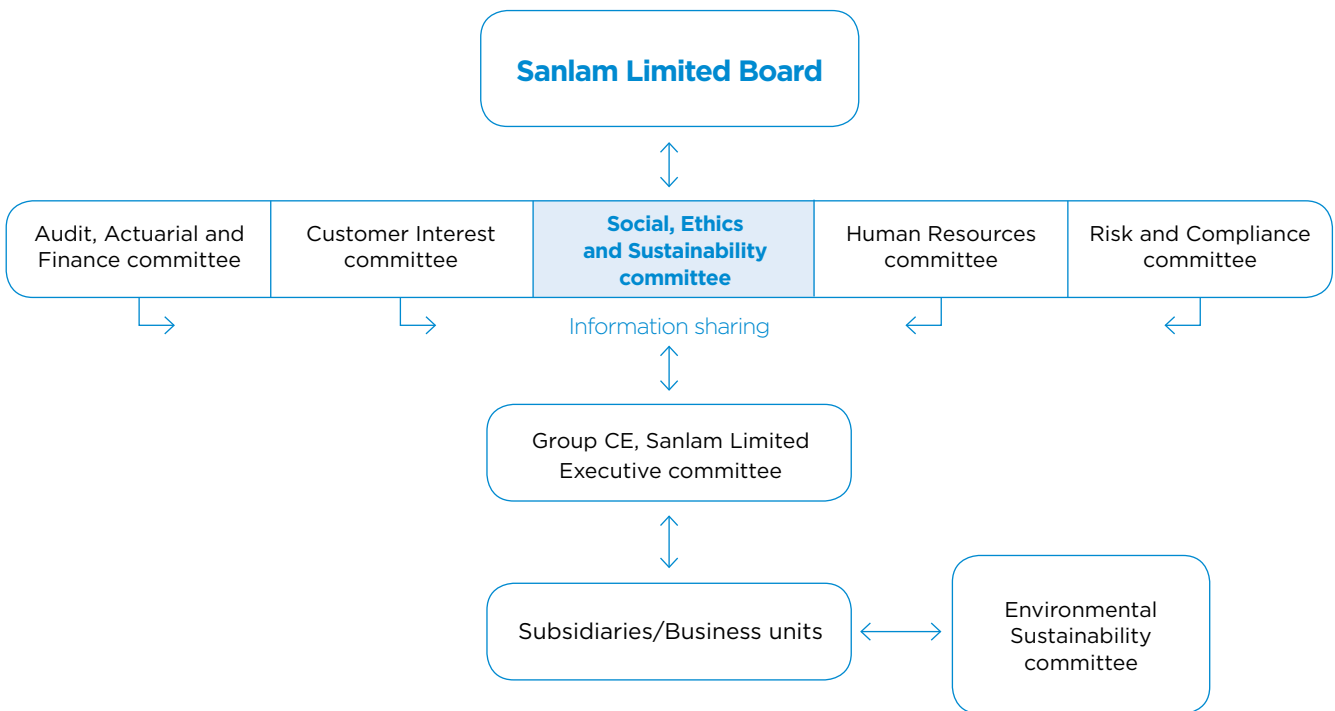
- Acting with integrity
- Growing shareholder value through innovation and superior performance
- Leading with courage
- Serving with pride
- Caring because there is respect for one another.

From business strategy to sustainability continued

Ownership of sustainability

Sanlam Limited's Board takes ultimate accountability for the long-term sustainability of the business. Sustainability is central to the way we do business and forms an integral part of regular

business reporting. Our SES committee guides sustainability within the various business units, as well as monitors the progress of Sanlam's sustainability journey through the sustainability reporting process.



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.

Accountability is ensured through three mandated criteria that measure the effectiveness of the SES committee:

- ① Monitor whether Sanlam complies with relevant social, ethical and legal requirements and best practice codes.
- ① Bring to the attention of Sanlam's Board any relevant matters within the scope of its mandate.
- ① Report to Sanlam's shareholders on matters that fall within the scope of this mandate.

These three criteria form the basis of our fiduciary requirement described in the Companies Act of 2008 and King III.

In 2013, we introduced a new responsibility 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 issues onto the board agenda. The Chief Executive of GSP attends all SES committee meetings and serves on the boards of all our business units and subsidiaries to cultivate a unified approach to sustainability across Sanlam. As from 2014, we included representation of the chairman of the board of Shriram Capital, one of our Indian business partners, on the committee.

Sanlam's Sustainability Management Framework

Sanlam's Sustainability Management Framework (SMF) is the plan according to which the key material issues of the business are identified, managed and reported on. Deriving this plan and maintaining its relevance is key to the success of the business. Sanlam embarked on its sustainability journey a number of years ago. Our progress thus far and commitment to a sustainability culture are encapsulated in the essence of the Wealthsmiths™ brand.

In 2011, we established our first Sustainability Management Framework aimed specifically at managing the non-financial aspects of the business and monitoring our progress. This year, following a review of the framework for appropriateness and its link to Sanlam's core business strategy, the Group Sustainability Management Office (SMO) embarked on a multi-year plan to reposition the SMF as an internal management tool, beyond just a reporting framework.

Understanding our material issues

Sanlam's materiality matrix is the result of a process designed to prioritise the most material issues that require a strategic response from the Company in order to build sustainable value.

Identify issues	Prioritise issues	Review, seek approval and plan ahead
To develop a list of potential material issues we:	To understand the relative importance of the issues and to what extent we are responding to them, we:	To refine our approach to managing our material sustainability issues we:
<p>Conducted a gap analysis against key reporting standards. Reviewed the JSE SRI, the Dow Jones SRI, the GRI G4, the FSC scorecard, the UNGC, the CRISA (UNPRI), and the IIRC <IR> Framework.</p> <p>Benchmarked our findings against best practice to identify a list of issues material to the industry and Sanlam in particular.</p>	<p>Surveyed senior leadership. Using a materiality assessment survey, we drew on the knowledge of Sanlam's senior leadership to redefine the relative importance of issues according to its impact on financial performance, regulatory compliance, stakeholder expectations and our ability to innovate and grow.</p> <p>Evaluated our current business response. We conducted a self-assessment survey among Sanlam's management for their view of the extent to which Sanlam uses various tools and activities to manage each issue, i.e. policy/strategy, allocated resources, use of KPIs and targets.</p> <p>Constructed a materiality matrix. Plotting the findings of both the materiality assessment and business response allows us to be more strategic around our approach to sustainability going forward.</p>	<p>Engaged with business to refine our SMF. A materiality matrix was presented and debated internally. The management feedback obtained has led to a number of recommended refinements to the SMF and the materiality assessment process going forward.</p> <p>Submit findings for review and approval. The materiality matrix was submitted to the Executive committee and the SES committee for review and approval.</p>

This year our SES committee board reports have been aligned with the SMF to ensure holistic oversight of the Group's material issues. We hope to encourage integrated thinking by establishing the right linkages between the framework and existing internal structures, and making the framework relevant to each business cluster.

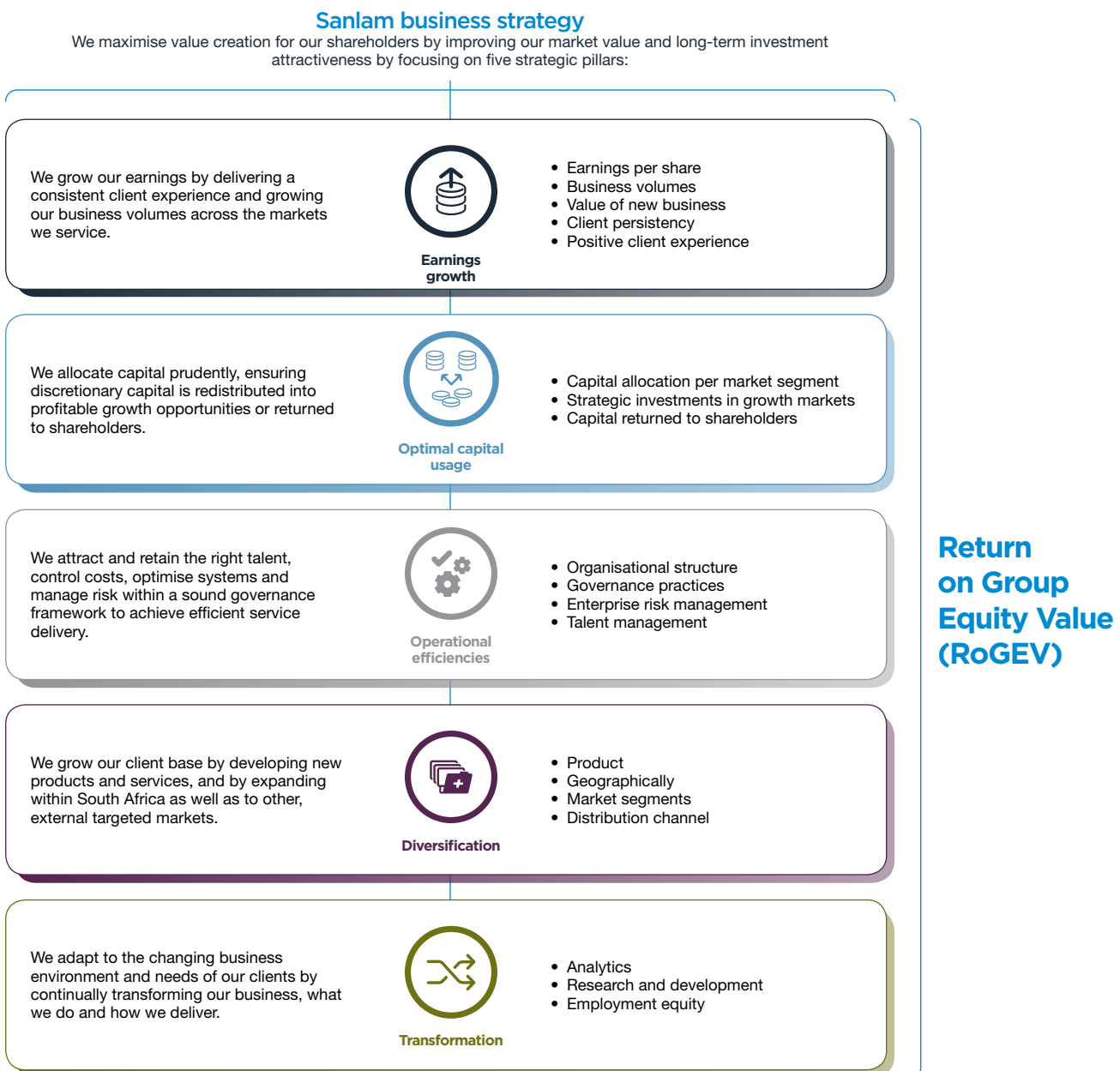
Going forward we plan to improve the materiality assessments process in both the scope and granularity and, through consultation with the business clusters, agree on a standard set of SMF-related key performance metrics.

From business strategy to sustainability continued

Our business strategy

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

Sanlam's business strategy has been in place for over 10 years – a period in which the Group has transformed itself from a mainly life insurance business to a fully fledged financial services group. Sanlam's business strategy, aimed at achieving adequate Return on Group Equity Value, is dependent on building its relationships and resources within the five sustainability themes of our SMF. The diagram below shows how our material issues link to business strategy.



Sustainability Management Framework (SMF) strategic enablers

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



Performance review

In the rest of this report we discuss each of the five Sanlam Sustainability Management Framework “pillars” in turn, highlighting the following:

- ① Why the pillar (and issues within it) is important.
- ② How it links to Sanlam’s business strategy.
- ③ What Sanlam is doing about each material issue in terms of its strategic approach, actual performance and future plans.

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1

Sound governance

Our attitude is one of proper dedication and our approach is methodical and thorough: we know there are no shortcuts that don't cut you short. That's why we do things properly, with a deep resolve and a roll-up-your sleeves readiness to add lasting value.

Why sound governance is important

The financial services sector enables economic growth, job creation, the building of vital infrastructure and sustainable development. Any lapse or failure in the governance of an important financial institution erodes public trust and confidence. This not only affects the reputation of the institution, but also impacts negatively on the economy.





Corporate governance ensures that the set of principles and obligations by which companies are managed and controlled are embedded in the culture and behaviour of its management and employees, and thereby results in sound operational practices.

Following the global financial crisis of 2008, various regulatory reforms have been implemented to strengthen board practices. The revised code of governance principles for South Africa (King III) broadened the scope of corporate governance with a focus on leadership, sustainability and corporate citizenship. The Financial Services Board (FSB) plays a supervisory role in controlling the activities of non-banking financial services, overseeing market conduct, market abuse, the safe custody of securities, driving the development of the TCF framework and principles and other regulatory issues related to the non-banking financial services industry.

The governance function is becoming more challenging as Sanlam's operations grow across jurisdictions and become ever more complex. This is further exacerbated by product and technological innovation, placing further pressure on risk management processes. Global and local regulatory reforms, including development relating to the Twin Peaks model of financial regulation, being split into prudential and market conduct, place a greater burden on compliance.

Therefore, our long-term performance and the economic well-being of the societies in which we operate, depend on us employing sound governance practices and systems.

Linkage to business strategy

<p>Earnings growth</p> 	<p>Managing risk, capitalising on opportunities and incentivising performance through appropriate executive remuneration, incentives and benefits guarantee long-term sustainable earnings growth.</p>
<p>Optimal capital usage</p> 	<p>Robust and efficient management structures, processes and policies, such as our enterprise risk management, actuarial research and active stakeholder engagement, enable us to make informed business decisions and deliver diversified and stable growth.</p>
<p>Operational efficiencies</p> 	
<p>Diversification</p> 	
<p>Transformation</p> 	<p>Sound governance, led by top leadership, ensures we transform in step with a constantly changing world.</p>

What we are doing to ensure sound governance

The Board of directors has adopted an integrated approach to managing the Group to ensure that the governance structure actively identifies, responds to and communicates those material issues that impact on our capacity to create value.

The Board further promotes and supports high standards of corporate governance and, in so doing, endorses the principles of the third report on corporate governance in South Africa (King III). Sanlam also complies with the requirements for good corporate governance stipulated in the JSE SRI Index.

Sanlam subscribes to a governance system whereby ethics and integrity set the standards for compliance. It constantly reviews and adapts its structures and processes to facilitate effective leadership, sustainable business practices and corporate citizenship in support of the Group strategy. Our system of governance reflects national and international corporate governance standards, developments and best practice.

The Board remains committed to the full implementation of King III throughout the Group, including the smaller operations as appropriate.

We work hard at delivering on our promises to all our stakeholders. This means embedding sound governance principles and practices into our corporate culture and business processes.

Similar to past reporting years, a comprehensive corporate governance report is available in our 2014 Annual Report. This report summarises the full governance report, expanding, where necessary, on the most material governance aspects identified in our Sustainability Management Framework.



www.sanlam.com/investorrelations

Key performance indicators

	2012	2013	2014
SABES Ethics Survey results: Effectiveness* (%)	na	76,03	na
Ranking for best management team**	1	1	1
Incidence of disciplinary action***	173	110	177
Number of calls to the ethics hotline****	190	227	254

* The South African Business Ethics Survey (SABES) is conducted bi-annually, with the first one in 2013.

** Financial Analyst and Fund Managers annual survey results, conducted by Swiss investment bank – UBS. This includes depth of management.

*** South African businesses, office staff only.

**** Cumulative number of calls per year.

Note:

We are developing a pipeline analysis of ethical concerns raised internally in order to develop key performance indicators that meet the appropriate scope, boundary and significance.

> Group and cluster response

- ④ Provide oversight and strategic guidance to Sanlam through the following Board committees:
 - Audit, Actuarial and Finance
 - Risk and Compliance
 - Human Resources and Remuneration
 - Nominations
 - Non-executive directors
 - Customer Interest
 - Social, Ethics and Sustainability.
- ④ Approve cluster strategies and performance targets.
- ④ Establish 'tight' management principles for the entire Group.
- ④ Maintain, monitor and enforce compliance to Sanlam's Code of Ethical Conduct and its policy for combating financial crime.
- ④ Ensure adequate grievance and disciplinary procedures are in place.
- ④ Group Compliance, together with the compliance function of the business clusters and entities, manages, monitors, and provides assurance on the Group's compliance to applicable laws, industry regulations, codes and Sanlam's own ethical standards and internal processes.
- ④ Group Forensic Services unit, together with the forensic services departments of the business clusters, has implemented systems to prevent, detect and investigate incidences of financial crime and unlawful conduct.



- All:
- ④ A chief executive, supported by an executive committee and support functions that are appropriate to their particular operational needs, manages each business cluster.
 - ④ Cluster boards (not all are statutory) exist with their own Financial and Risk, Human Resources and Remuneration (HRRC) and other cluster-specific committees (or forums).
 - ④ Execute the Sanlam Board-approved strategy.
 - ④ Function within a set of Group-wide 'tight' management principles.
 - ④ Adhere to Sanlam's Code of Ethical Conduct.
 - ④ Quarterly report to the Group on ethics and compliance.

Cluster level



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

Business unit

SEM: We communicate our policies to partners in which we have non-controlling shares, and encourage them to comply with Sanlam's ethical standards. We do, however, factor in governance and ethical aspects into all due diligence evaluations prior to investing. We also continue to actively engage the leadership of all the businesses within our emerging market cluster to strengthen their governance systems, structures and practices.

Scope

What we are doing to ensure sound governance continued



Privacy protection project

The privacy protection project is aimed at ensuring Sanlam's compliance with data protection regulations and specifically the Protection of Personal Information Act (POPI) of 2013.

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

In the interim, Sanlam has prepared for implementation of the POPI Act while we wait for the promulgation of the effective date of the Act. Draft versions of relevant documentation were prepared to align with the POPI Act principles and the draft ASISA code. These documents include a Sanlam Group privacy policy, privacy statements for use by Sanlam, disclaimers for use in contracts and electronic communications, as well as consent statements to be used in respect of customers, employees and service providers. These have been prepared and discussed with all stakeholders in the Group. The Group Compliance Office has also assisted Sanlam's business clusters in their response to queries from external stakeholders regarding our approach to meeting the requirements of this legislation.

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

Sound governance material issues

We focus on the following material issues:

Material issues	How we address them
<p>MI</p> <p>Executive leadership selection and training</p>	<p>Our leadership is responsible for communicating our vision and setting and implementing strategy under the direction of the Board. It is therefore vital that we select and train the best possible leadership candidates as part of our structured succession process.</p> <p> Page 166 to 179. www.sanlam.com/investorrelations</p>
<p>MI</p> <p>Risk management</p>	<p>Our risks are managed through comprehensive risk management processes. Risk and capital management is an integrated process within the Group. As the risk profile rises, so does the level of capital required.</p> <p>The more robust the risk management process, the more accurately we understand the risk downside and thus the capital adequacy required. The Group holds significant levels of capital in relation to its risk profile to safeguard our clients and other stakeholders.</p> <p> Page 218 to 263. www.sanlam.com/investorrelations</p>
<p>MI</p> <p>Stakeholder engagement</p>	<p>Stakeholder engagement raises and prioritises the issues of interest that could affect either party. Sanlam's key stakeholders are currently identified as:</p> <ul style="list-style-type: none"> • Shareholders • Clients • Employees, agents and brokers • Society (media, government, regulatory bodies, industry bodies, suppliers and business partners). <p> Page 17 to 18.</p>
<p>MI</p> <p>Business ethics</p>	<p>An ethical organisation cannot focus on regulation alone. Our directors, executives and senior managers take the lead in creating, fostering and promoting a positive organisational culture and we broadcast Sanlam's values and business ethics through all our channels and publications.</p> <p>Embedding the right cultures and values requires that we educate and instil the importance of integrity, ethics and professionalism into our employees as they embark on their careers within the Group.</p> <p> Page 32 to 35.</p>
<p>MI</p> <p>Executive remuneration, incentives and benefits</p>	<p>The structuring of remuneration schemes should reward long-term performance and encourage sound risk taking.</p> <p> Page 166 to 179. www.sanlam.com/investorrelations</p>
<p>MI</p> <p>Consumer protection and data privacy</p>	<p>We have a responsibility to protect the personal information of our clients and other stakeholders against loss or misuse; control access to all personal information; perform data analytics and customised content for clients; provide explicit opt-in/out consent for 'profiling'; provide IT system security, data backup, storage and retention.</p> <p> Page 35.</p>

Sound governance material issues report

MI Business ethics

➤ Fostering a culture of compliance and ethical behaviour

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 via our core values and our Code of Ethical Conduct (the code).

Our core values are:

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

The key ethical principles encapsulated in the code, include:

- 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.

All employees are provided with a copy of the code at induction. It is also visibly displayed at key locations across our offices and biannually included in our Group-wide compliance training and sign-off process. In addition, the monthly *Inside Sanlam* magazine, the primary communication tool to keep employees informed, regularly publishes ethics-related content.

In addition, 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.

Accountability structures

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.

Since 2009, Sanlam's Group Compliance Office (GCO) has facilitated and coordinated the work of the compliance functions across the Group.

Apart from these formal Group-wide structures, all levels of management and employees have a responsibility to ensure good corporate governance, ethical business practices and compliance with all mandated requirements.

Regulatory compliance is reported on in more detail in the 2014 Sanlam Annual Report.

Culture of compliance training

While individual business operations are responsible for ethics training, the GCO supports their endeavours in this regard. Mandatory monthly electronic ethics and compliance training programmes are run through our SAP HR system. The system is also an effective platform to keep employees abreast of the latest regulatory developments.

During 2014, 66% (2013: 62%) of all SPF employees took part in one or more of the following Culture of Compliance programmes: Treating Customers Fairly (TCF), Compliance policy, Conflict of Interest (COI), Operational Health and Safety (OHS), Code of Ethical Conduct (the code), Competitions Act, Complaints policy, Know your business exams and FICA among others.

Reporting ethical breaches

Anyone working for Sanlam, directly or indirectly, 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
Business unit, HR departments and line management	Primarily handle employer-employee concerns. Management regularly reviews internal reports concerning ethical and fraud-related concerns.
Business unit and Group-level compliance and legal departments	Manage Sanlam's compliance-related matters and occasionally receive reports of potential breaches.
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.
Forensic departments	Well positioned to receive reports on fraud-related matters linked to both clients and employees from both internal and external reporters.
Sanlam's Fraud and Ethics Hotline	Managed through KPMG's ethics line, the hotline allows individuals to anonymously report potential ethical breaches and fraud.

Over the past 10 years, we have had only 254 calls to the hotline out of a staff complement of over 10 000. Of these, less than 10% of all callers felt the need to subsequently remain anonymous. No confirmed material breaches of ethics with a potential impact on the Group were reported in 2014.

The GCO serves as the entry point for all reports received via the Sanlam Fraud and Ethics Hotline. Group HR monitors the number and type of disciplinary measures, hearings, dismissals and CCMA cases as a measure of our ability to instil a value-based culture that adheres to our ethical and operating standards. All cases are investigated and a process is in place to track, report and close out all reports received.

Disciplinary actions taken as a consequence of resulting investigations include termination of employment and cancellation of contracts in the case of suppliers and contractors.

Disciplinary actions taken

During 2014, we recorded 177 (2013: 110) incidents of disciplinary action. The majority of the cases were immaterial and considered to be low risk incidences.

Five (2013: 12) employees were dismissed for reasons ranging from poor performance to ethical breaches. Four cases proceeded to the Labour Court, and are currently being resolved.

The various disciplinary actions resulted in a total financial impact on the company of R350 446 (2013: R1 322 186).

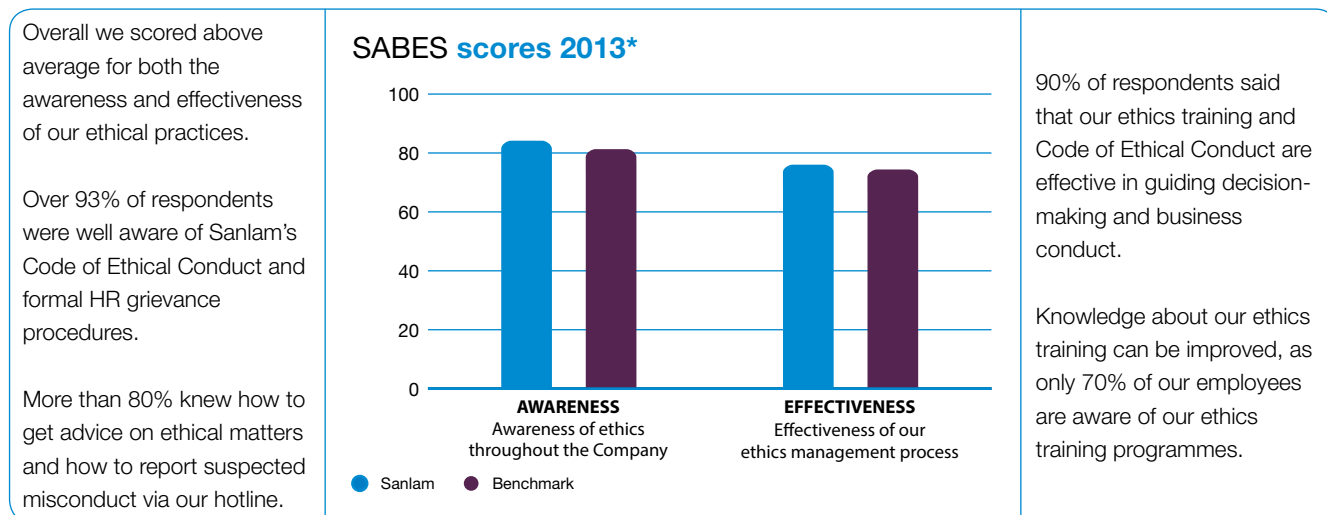
Note: These results are for office staff only, and excludes advisers.

Benchmarking our ethical performance

Since 2003, Sanlam has conducted ethical risk assessments once every two years. In 2013, we switched to the South African Business Ethics Survey (SABES) as our primary ethical benchmark study.

Sound governance material issues report continued

According to the results of SABES 2013, we returned the best results of the four financial services sector companies surveyed and second best across all sectors in participating South Africa. The key findings are shown below:



* 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.

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

The next assessment will take place in 2015.

Financial crime and forensics

Sanlam's Group Forensic Services unit oversees the prevention, detection and investigation of incidents of financial crime and unlawful conduct in accordance with the Sanlam Group financial crime combating policy.

Quarterly reports are submitted by Group Forensic Services to the Sanlam Risk and Compliance committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Emerging markets ethics and compliance

Sanlam Emerging Markets (SEM) drives the development of our business in emerging markets. Our strategy is to gain access to markets through a trusted implementation partner, using their distribution footprint and locally identifiable brand. Sound ethics and compliance with local regulations are at the forefront of our concerns. In countries where we do not have a controlling stake, we are in a position to influence behaviour, but not dictate procedures. Our response is to conduct extensive due diligence on each of our partners and ensure that our core values and goals are aligned before we enter into long-term agreements with them.

Our SEM governance framework policy, which we apply in our emerging markets, was developed and adopted by the Sanlam Board in 2014 and has four main elements:

- ④ Internal audit and compliance
- ④ Reporting
- ④ Risk and capital management
- ④ Information technology



SEM aims to ensure regulatory compliance in emerging market businesses in line with the rest of the Group, which operates under the guidance and authority of King III and South Africa's Companies Act. These world-class standards for ethics and corporate governance are the benchmark we aim to achieve for all our operations. The level of influence in ethics programmes and training varies depending on the strength and maturity of the target investments in the different emerging markets. The objective is to implement the required level of ethics training as well as create an appropriate channel to raise any concerns relating to ethics and compliance.

The extent to which we monitor compliance, and require businesses to adopt Sanlam's frameworks and policies, differs per business, and depends largely on the current structures they already have in place. We assess the quality of those structures against our standards and principles and assist 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.

We expect subsidiary boards to adopt the Sanlam Group Code of Ethical Conduct (the code) and establish appropriate channels to raise concerns and to report incidents, which we respond to. As at the end of November 2014 most of our emerging market entities had successfully localised, customised and adopted the code. This refers to those entities based in Botswana, Kenya, Malaysia, Namibia, Tanzania and Zambia. Our Uganda-based entity will adopt the code at its first board meeting of 2015. Our associates in Ghana and Malawi have also adapted the code to meet their business requirements.

In addition to adopting the code, the CEOs or Chairmen are expected to undergo ethics training focused on creating appropriate channels for reporting instances of non-compliance. SEM Risk and Compliance Management will be facilitating in-house ethics training workshops during 2015 for these entities and associates.

For more information, please refer to the 2014 Sanlam Annual Report.

Consumer protection and data privacy



Party due diligence

The PDD project is aimed at improving Sanlam's ability to combat money laundering, the financing of terrorism, corruption and bribery, and tax evasion.

Our main obstacle to finalising the PDD project remains the uncertainty around local regulatory reforms. The National Treasury (NT) and the Financial Intelligence Centre (FIC) are preparing draft legislation to cabinet for approval, which is intended to align South African anti-money laundering (AML) regulations with international standards. This draft legislation will be published for public comment after cabinet approval is obtained.

Implementation of the Foreign Account Tax Compliance Act (FATCA) remains a challenge due to difficulties in interpreting the terms of FATCA and varying dispensations applicable to the multiple jurisdictions in which Sanlam does business. These difficulties are compounded by a parallel initiative by international tax authorities to implement a global system of sharing tax information based on FATCA. System and process changes made to implement FATCA will at best be transitional arrangements as the global exchange of information model will have substantially different requirements.

In October 2014, 51 countries signed an agreement at the Organisation for Economic Development and Co-operation (OECD) to share tax information on a global scale by 2017. The agreement reached at the OECD will have far-reaching compliance and reporting implications for financial institutions.

For an update on the privacy protection project, please refer to the  case study on  page 30.



2

People development

We appreciate the skill and dedication that go into being a Wealthsmith™ and we know we're only as good as our people. That's why we inspire and encourage continual learning and growth.

At the same time, we also strive for greater growth: growth that touches more lives and has a bigger impact in the world.

Why people development is important

Our clients entrust us with their earnings, their savings and their investments. In delivering this service to society, we depend on the knowledge and expertise of our employees and their full engagement.

Sanlam is built on having respect for what people are worth and an appreciation for what they can become. It is imperative that we secure the right people and ensure their continual learning. Wealthsmiths™ are characterised by their professionalism, discipline, technical capability and the ability to deliver sustained, high quality results to all stakeholders. It is their excellence that enables Sanlam to deliver authentically on the brand promise.

We see value and opportunity in building a diverse and equitable workforce that is representative of the communities we serve. We are also committed to ensuring that we treat people fairly, promote equal opportunity and avoid unfair discrimination.

Keeping our promises requires that we care about our people. We care about what we do, how we do it, who we do it for and above all, why we do it. We know that a diverse workforce enhances excellence and that the culture and passion of our people will continue to drive our long-term success.

The 12 781 employees across South Africa, as well as our associates in emerging markets, are our single most important resource. With this in mind, Sanlam's value proposition is designed to attract key skills that represent the diversity of our markets. It seeks to retain staff by developing careers within an organisational culture that delivers on our client-centric approach.

Our employees aim to:

- ① Contribute to a world worth living in.
- ① Treat clients' money with respect.
- ① Work in a determined, resolute and caring manner.
- ① Deliver sustained high quality results to all stakeholders.

Linkage to business strategy

<p>Earnings growth</p> 	<p>Developing the expertise and experience of our people improves our ability to develop a range of complementary products, operate efficiently, deliver positive experiences, diversify and grow.</p>
<p>Optimal capital usage</p> 	
<p>Diversification</p> 	
<p>Operational efficiencies</p> 	<p>We strive to attract the right people, retain key skills and manage the talent value chain in order to ensure business excellence. Employee engagement and commitment cultivate a high performance culture.</p>
<p>Transformation</p> 	<p>Our commitment to employment equity and diversity, with a particular emphasis on middle and senior leaders, ensures our ongoing transformation towards a workforce that is representative of the communities in which we operate.</p>

What we are doing to develop our people

We employ a diversity of top talent who deliver on our key business objectives. We create opportunities for our people to make the most of who they are and to be recognised, respected and rewarded for what they are worth.

Key performance indicators

	2011	2012	2013	2014
Number of employees*	11 557	11 550	12 031	12 781
Percentage black employees** (%)	60,9	63,3	65,4	67,3
Percentage female employees (%)	58,7	59,1	59,7	59,8
Turnover (overall) (%)	23,27	25,24	23,75	24,43
Turnover (office employees)*** (%)	11,12	15,51	10,93	11,68
Turnover (advisers in the field)*** (%)	42,62	40,09	42,05	41,43
Skills development spend**** (R million)	58,2	115,4	144,4	170,2
Employees participating in skills development training	9 626	10 546	10 461	11 994
Absenteeism (%)	1,76	1,88	1,91	1,96

* Employee figures include all SA-based employees, but exclude Santam.

** Black employees refer to African, Coloured and Indian employees.

*** Turnover is calculated by dividing the total number of exits by the average employee headcount.

**** Skills development spend includes all SA-based employees excluding Santam.

Our HR structures at Group and cluster levels

Group Human Resources (Group HR) reaches across the entire organisation. It provides strategic direction, ensures governance, legal compliance and controls relevant statutory reporting. It also plays a pivotal role in driving synergies between the clusters through fostering collaboration and searching for opportunities for

alignment. Group HR seeks to position the Sanlam Group as an employer of top talent, inspiring and enabling its people to live their best possible lives.

Beyond these Group-related issues, Sanlam's federated business model promotes independent HR management at cluster and business unit level.

Group and cluster response

How we manage people in accordance with our federated business model:

Group HR:

- Develop Group-wide HR policies and strategies, such as our Employee Value Proposition, overarching employment equity (EE) plan and the Group's approach to succession planning.
- Implement Group-wide strategic projects, such as regulatory compliance training and our Group-wide leadership development programmes.
- Engage business clusters on Group-wide policies and strategies and oversee their implementation.
- Attract key resources, especially among the young professionals and graduates.
- Provide centralised payroll and administration support to the clusters.
- Drive and support internal engagement platforms designed not only to drive key initiatives, such as our Treating Customers Fairly awareness campaign, but also to foster collaboration and alignment across the broader Group.

We align and optimise functions such as payroll, recruitment and leadership development through four human resources-related forums across the Group. Our Group HR forum is chaired by the Head: Group HR and attended by the respective executive HR business heads. Three technical HR forums ensure alignment of the HR functions with the Group strategy and project implementation. These are training and development, talent, and the remuneration and benefits forum.



Group level

Independent HR management at cluster and business unit level:

- Conceptualise and implement HR strategies, activities and initiatives specific to the cluster and in support of Sanlam's overall business strategy.
- Embed Sanlam's *Blueprint for Success* culture framework and implement cluster-specific initiatives to improve performance.
- Satisfy the business unit's specific technical, regulatory and compliance training needs.
- Identify and nurture key talent as part of each business unit's particular skills requirements in accordance with the Group's approach to succession planning.
- Implement Group policies and plans tailored to the clusters and their business units. These include EE plans, executive remuneration and employee incentives, employee recruitment and training.

Cluster level



What we are doing to develop our people continued



Our Group Chief Executive succession plan

Ian Kirk, former CEO at Santam, has been appointed Sanlam's Deputy Group Chief Executive, with effect from 1 January 2015. He is responsible for Group operations and will report to the Group Chief Executive.

The position of Deputy Group Chief Executive is part of Sanlam's succession planning strategy aimed at implementing a smooth leadership transition. The Sanlam Board intends to appoint Ian as Group Chief Executive when Johan van Zyl retires at the end of 2015.

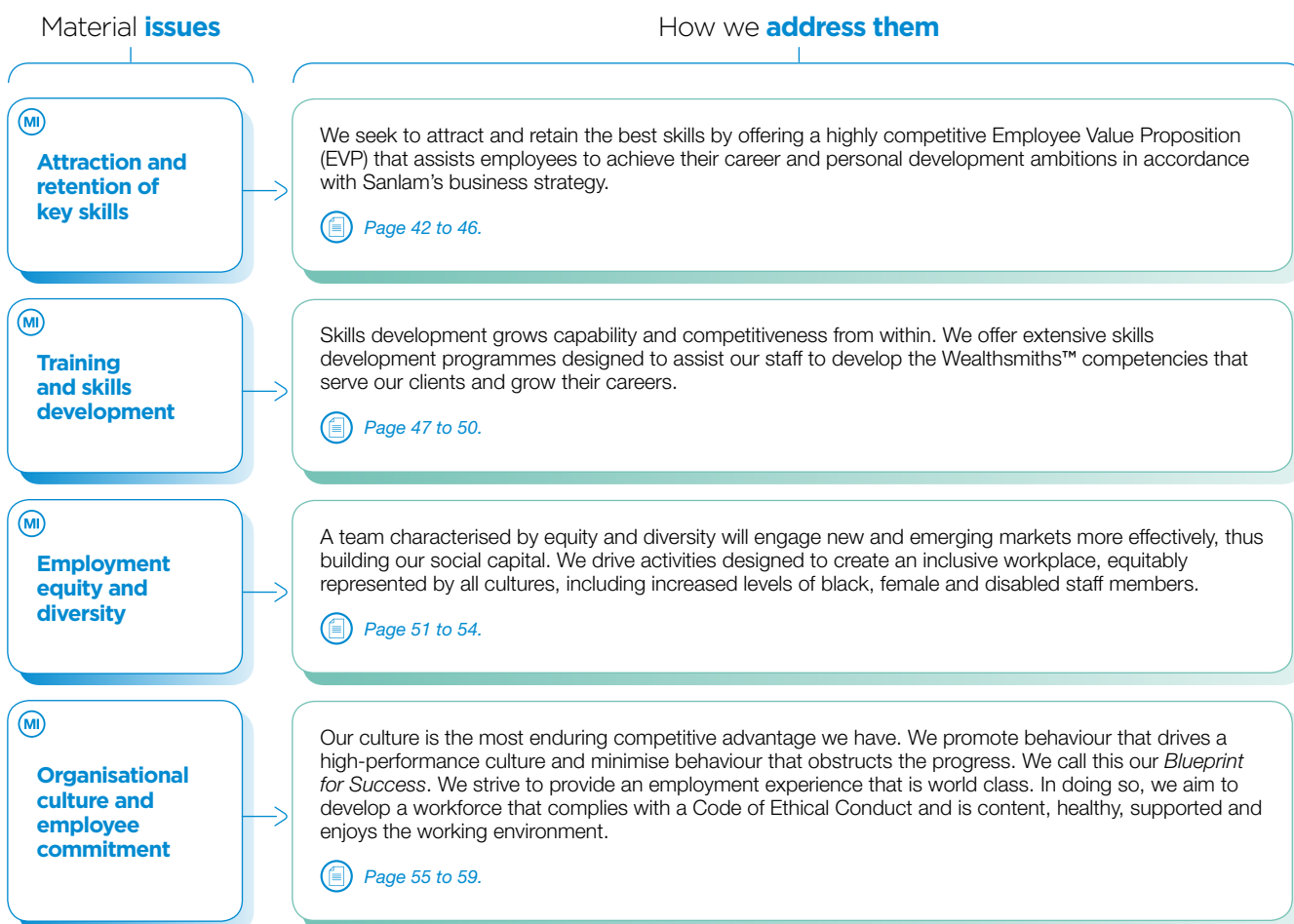
Ian joined Sanlam in May 2006 as Chief Executive: Strategy and Projects. He then took up the role of CEO at Santam in June 2007. Under his leadership, Santam has been a leader in the general insurance industry and has seen profitable growth in South Africa, as well as in the expansion of its footprint in the Rest of Africa, India and South-East Asia.





People development material issues

We focus on the following material issues:



In driving these focus areas, we comply with relevant legislative frameworks, notably the Employment Equity, Labour Relations and Skills Development Acts. We also subscribe to the Financial Sector Code (FSC) and ensure that employees who provide financial advice to clients comply fully with the Financial Advisory and Intermediary Services (FAIS) Act. We discuss our culture of compliance on page 32. (Refer to the governance section: 'Culture of compliance'.)

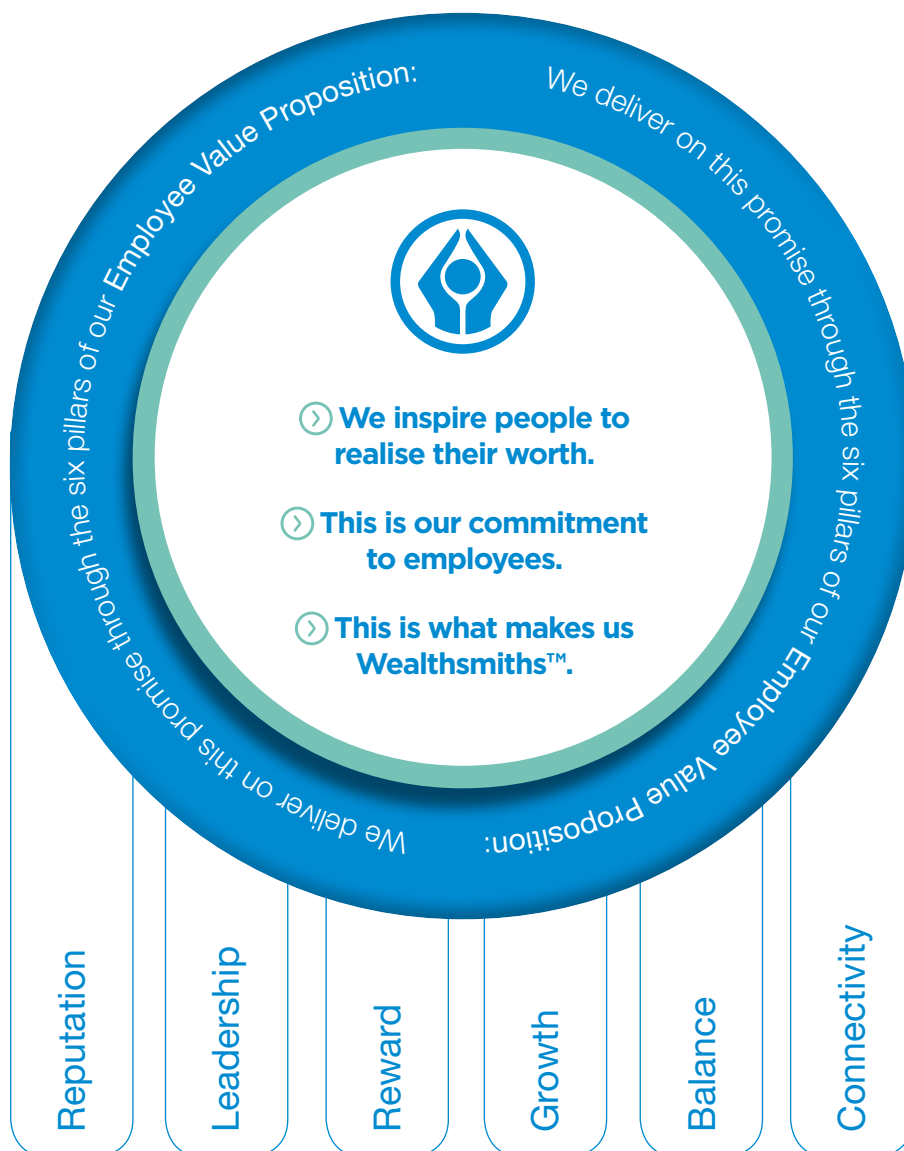
People development material issues report

MI Attraction and retention of key skills

> Our Employee Value Proposition

Sanlam is a company built on a respect for what people are worth and an appreciation for what they can become. This is why we give each and every employee the opportunity to make the most of who they are, and to be recognised, respected and duly rewarded.

We deliver on this promise through the six pillars of our Employee Value Proposition: Reputation, Leadership, Reward, Growth, Balance and Connectivity.





balance

We have a sincere desire to make a real and positive difference to the lives of all South Africans and, most importantly, to the lives of the people who work for us.

While we are driven to excel because we are Wealthsmiths™, we know that balance is crucial to the well-being of our employees. We're fair and flexible in our expectations and we offer a range of ways to manage the balance of work and life for our staff.

The different clusters give expression to the concept of balance in a variety of ways. Our wellness programme is, however, a core offering throughout the Group and is viewed as pivotal to holistic employee health.

reputation

We are in the business of building legacies.

Ours is a history cast in the belief that everyone and everything is worth more. Since our inception in 1918, we have held true to our founding purpose of empowering South Africans to lead their best possible lives.

We are committed to transformation and are as relevant today as we were 96 years ago. We have transformed ourselves from a life insurance company to a fully diversified financial services business offering comprehensive and tailored financial solutions for a broad range of market segments both locally and internationally.

Sanlam's strategic focus on transformation, lifting its employment brand and fair labour practices are fundamental to our reputation.

connectivity

Ours is a culture rooted in sincerity, respect and care for one another and our extended communities. This culture we've fostered is focused on doing things right and doing them together.

We believe in the power of collaboration, embracing diversity, celebrating our differences and building on our collective strength. We constantly encourage staff interaction, collaboration and team building at all levels and across all business units in our Group. Externally, volunteerism and community involvement play an essential role in our culture.

Our culture is our competitive advantage. It has developed over decades and continues to evolve as we grow and diversify. It is the unique way we do things in the organisation and has its roots in our vision, purpose, strategy and values. We cherish and nurture it.

leadership

Ours is an attitude of proper dedication. Our teams work tirelessly and with a roll-up-your-sleeves readiness to execute our strategy, deliver on targets, drive innovation and inspire industry firsts.

For more than 96 years, we've been committed to achieving at the highest level, to doing what needs to be done, time and time again.

We take leadership seriously and commit to continuously nurture and grow our own leaders at all levels of the business.

Across the Group, we give life to our commitment around nurturing and growing our leaders through our leadership succession and development processes.

reward

We have an ethos of respect and appreciation for the commitment, diligence, care and attention that goes into being Wealthsmiths™. This is why we offer market and performance-based remuneration packages and incentives that aim to recognise individual need and effort.

We reward exceptional performance and provide an environment in which excellence can flourish and be recognised. That's how we attract and retain the best talent, add value to the lives of our employees, and show our people the respect they deserve.

growth

Growth means never being satisfied with where you are and wanting to do more and do it better.

As Wealthsmiths™ we know that our work is never done. And we know we are only as good as our people. That is why we inspire and encourage continual learning and growth within an environment that is challenging and stimulating.

We underpin this offering to our employees through the provision of an extensive range of technical, leadership and personal development programmes. These are designed to assist our staff to develop the Wealthsmith™ competencies that both serve our clients and grow their careers.

People development material issues report continued

➤ Movement in our workforce

Employee numbers

	2011		2012		2013		2014	
Number of employees	11 557		11 550		12 031		12 781	
	Office	Advisers/ Field	Office	Advisers/ Field	Office	Advisers/ Field	Office	Advisers/ Field
Number of appointments	959	2 119	750	2 110	924	2 393	952	2 896
Number of terminations	779	1 875	1 087	1 839	758	2 042	833	2 217

Employee turnover

%	2011	2012*	2013	2014	Bench- mark**
Office staff turnover	11,12	15,51	10,93	11,68	14
Advisers (field) turnover	42,62	40,09	42,05	41,43	
Overall turnover	23,27	25,24	23,75	24,43	

* Since 2012 we separately monitor and report on adviser turnover as the concerns affecting adviser turnover differ from those related to permanent office-based employee turnover.

** Source: Remchannel Labour Turnover survey 2013. Financial industry average is applicable to office staff only.

During 2014 our staff complement increased by 6% to 12 781. The increase of 750 employees is primarily due to an 11% increase in the number of advisers and a 13% increase in the number of fixed-term contractors.

External appointments across the Sanlam Group increased by 16% to 3 848 and fixed-term contractors comprised 9% of all appointments. Internally we promoted 434 employees, 201% more than in 2013. This increase was mainly due to the advisers in the Sanlam Sky business who successfully completed their Regulatory Examination (RE) qualifications.

The overall turnover for 2014 was 24,43%. Office staff turnover increased to 11,68% compared to 10,93% in 2013, significantly lower than the industry norm of 14%. The turnover rate among advisers dropped to 41,43%, a slight decrease when compared to 42,05% in 2013. The adviser labour market is traditionally volatile and relatively higher turnover rates are expected.

Over the last three years the percentage of black staff members has increased steadily to 67,3% of the total headcount.

➤ Recruitment platforms

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

In 2014, our career site was refreshed to align with the new brand positioning and attracted over 150 000 unique visitors.

The online professional recruitment platform, LinkedIn, provides a further platform for strategic sourcing, finding ideal candidates and engaging them seamlessly. From 2015, we will leverage LinkedIn to position the company brand and to improve applicant quality and quantity.

Attracting graduates and young professionals

During 2014, Sanlam continued its campaign to increase awareness of the employment brand among young professionals and graduates. The objectives of this campaign are threefold: to recruit high potential future leaders who meet Sanlam transformation and growth targets; to position Sanlam as a preferred employer; and to create brand awareness in the young professional and graduate market.



Sanlam participated in a variety of events and publications, engaging with top investment graduates and actuarial science students. Through our graduate recruitment campaign, career fairs were hosted at the six biggest universities between April and August. Over 5 000 graduate applications were received on our dedicated graduate microsite. Of these, 21 graduates were extended employment contracts and commenced with the graduate programme in February 2015.

Further to this, our stories of success are published in a number of different publications to showcase our employment brand. Young professionals shared their personal stories of the opportunities they were exposed to at Sanlam in the Universum Top 100, Mail & Guardian, as well as in the Careerssa.net publications. In 2015, we will increase the number of platforms in which we participate to reach a wider target audience, both in South Africa and the Rest of Africa.

Participation in Sanlam's **graduate development programmes**

Programme	Description	Duration	Number of participants
Graduate Development Programme	A development programme which offers permanent and contract placements and focuses on the personal and professional development of graduates with no prior work experience.	18 months	14
Actuarial Graduate Programme	A comprehensive programme that focuses on invaluable industry knowledge, knowledge of Sanlam's products and systems as well as hands-on experience.	12 months	6
CA Trainee 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
Graduate Vacation Programme	A programme for final year students to develop self-reliance and an understanding of careers in the investment industry.	3 weeks	42

Employee remuneration and benefits

In order to attract and retain key skills, Sanlam provides competitive remuneration, bonus and benefit packages. Sanlam employees have access to a range of Group benefits including:

- Retirement savings through Sanlam's Staff Umbrella Fund
- Medical aid
- Preferential rates for life, disability and family cover
- Annual, sick and occasional leave
- Flexible work hours depending on the employee's role within the business
- Training programmes and personal development support in the form of study bursaries or interest-free study loans
- Employee wellness initiatives, including access to financial advisers and free health screening.

We pay for performance through our performance bonus incentive scheme. In total, 86% of our permanent office-based employees receive variable pay based on performance reviews. To promote internal collaboration, a significant proportion of an employee's bonus is linked to the Group's performance. The assessment of our executive leaders' performance combines a focus on measurable past performance as well as progress against long-term strategic initiatives. This ensures a focus on the long-term sustainability of the organisation.

A comprehensive remuneration report can be found in our 2014 Annual Report www.sanlam.com/investorrelations. We also discuss the main methods employed to develop our performance-driven culture on page 55.

Succession planning

Group HR has defined the core principles and philosophy underlying succession planning for key leadership roles across the Group. The Group CE, in consultation with Group HR and each cluster's Executive committee, oversees succession planning for key executive roles in order to drive talent mobility and improve the depth of leadership across the broader Group.

Each business cluster conducts an annual review of the main leadership and technical positions within their businesses. The succession plan involves maintaining a list of high-potential talent, earmarked to fill these positions in the future. Through regular assessments and targeted training initiatives, these individuals are given special attention to develop the required competencies to lead the business into the future.

In 2015, emphasis will be placed on the establishment of a central talent committee (TC), driven by the Sanlam Limited Executive committee, and designed to facilitate crucial talent conversations for the Group.

MI Training and skills development

Skills development

The quality of our Wealthsmiths™ is our key differentiator in the marketplace. Retaining this competitive edge and achieving our market development goals require ongoing skills training with a strong emphasis on investing in young black professionals and building competencies which will assist us to penetrate new and emerging markets. The key indices that follow demonstrate our commitment to this strategy.

Training and skills development spend*

	2011	2012	2013	2014
Total (R million)	58,2	115,4	144,4	170,2
Average spend per employee (R)	6 042	10 941	13 810	14 199

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

Training and skills development beneficiaries

	2011	2012	2013	2014
Number of employees*	9 626	10 546	10 461	11 994
– of which are black (%)	55,4	65,7	61,4	65,4
– of which are female (%)	56,8	60,6	60,9	59,8%

* This includes our advisers (tied agency).

Investment in the development of Sanlam's Wealthsmiths™ has quadrupled over three years, indicating the importance Sanlam places on investing in the development of its staff.

Training and skills development spend amounted to R170,2 million this year, with 96% of all employees participating in our training and development initiatives. On average, we spent R14 199 (2013: R13 810) per employee. As far as the recipients of training are concerned, 64% of the total recipients were middle (14%) and junior management (50%). Of this majority, 56% were female employees.

Good progress is being made against the FSC score for training and skills development; our FSC score increased to 9,16 (2013: 9,13) out of 10 and 63% of our training and development spend was allocated to training programmes for 7 849 black employees.

People development material issues report continued

Cost summary **January to December 2014**

Cost type	Black male	Black female	White male	White female	Foreign	Grand total	Total black
Direct spend (R)	10 910 091	12 759 371	9 531 588	7 798 501	282 699	41 282 251	23 669 462
Indirect cost (R)	24 508 003	58 627 942	15 851 758	29 798 800	229 975	129 016 477	83 135 945
Grand total (R)	35 418 095	71 387 312	25 383 346	37 597 302	512 674	170 298 728	106 805 407
% spent by race	20,80	41,92	14,91	22,08	0,30		62,72
Recipients of training (%)	24,89	40,55	14,87	19,24	0,45		
Number of staff trained	2 985	4 864	1 783	2 308	54	11 994	7 849
Average cost per person (R)	11 865	14 677	14 236	16 290	9 494	14 199	13 608

Recipients of training **January to December 2014**

Occupational level	Black male	Black female	White male	White female	Non-SA	Grand total	Total black	Percentage of total staff
Top management	2	1	5	1	0	9	3	0,1
Senior management	56	32	208	57	1	354	88	3,0
Middle management	338	264	526	480	21	1 629	602	13,6
Junior management	1 446	1 982	1 007	1 578	19	6 032	3 428	50,3
Semi-skilled	1 135	2 551	36	192	13	3 927	3 686	32,7
Unskilled	8	34	1	0	0	43	42	0,4
Grand total	2 985	4 864	1 783	2 308	54	11 994	7 849	100

Our training and development forum

Our Group-wide training and development forum is responsible for fostering alignment and collaboration among development specialists across the Group and for the sharing and development of relevant learning strategies, policies and solutions. The forum meets monthly and there is wide representation from the respective businesses.

➤ Leadership development programmes

Our core leadership programmes are driven at Group level. In addition, each cluster will embark on a range of complementary initiatives and programmes, largely designed to address specific continuity needs for a specialised skill set or business objective. The Group programmes serve multiple objectives. They provide a critical platform for cross-cluster exposure and networking and they provide an avenue for leaders to get exposed to new and innovative thinking.

Programme	Description	Duration	Number of participants	
			2013	2014
The Senior Management Development Programme	A partnership with the University of Stellenbosch Business School (USB) that aims to equip senior managers with leadership and change management skills to implement their business strategies.	10 months	28	51
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	60
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	32*	34**

* Completed during 2014.

** To be completed during 2015.

At a cluster level, customised leadership programmes are implemented with a specific focus on the cluster priorities.

New programmes include the following:

- ① **SPF - Sapphire II Programme** develops candidates to achieve cluster goals and grow individual careers, primarily into the leadership pipeline. Activities include mentoring and coaching by executives, as well as structured development courses.
- ① **SI - Sanlam Private Wealth Global Exchange Programme** puts high-performing future leaders to work in different global offices for 3 –10 weeks, where they gain wide experience, as well as exposure to cross-office collaboration. From their exposure to a diverse range of clients, they develop new skills and gain an appreciation of the diverse business environments and cultures across our global network.

- ① **Our Emerging Markets cluster** endorses a global exchange programme with many of our partnerships in Asia and Africa. Two future leaders in Distribution, IT and Strategy are on a two-year secondment at our head office. The programme enables them to gain and share knowledge that can be taken back to their respective businesses.

Over and above the leadership programmes noted above, we conduct a further 12 leadership development programmes across the business, as well as more generic courses aimed at all staff. These programmes saw almost 300 staff trained during 2014 (2013: 300).

People development material issues report continued

Learnerships, internships and bursaries

Learnerships are a key vehicle to transform the business. By offering year-long contracts to black individuals and individuals with disabilities, a pipeline is created at the entry level.

	2012	2013	2014
Total number of learnerships	38	145*	87**
Number with disabilities	30	34	34
Number of black learners	33	132	87
Total number employed	29	37	10

* 98 learners are staff employed on a learnership.

** 75 learners to complete their learnership during 2015.

During 2014, 10 learners successfully completed Sanlam's learnership programme. These learners will be placed on an internship during 2015. During 2014, 34 learners with disabilities were recruited to complete the Learnership in Long-Term Insurance.

Sanlam awards selected bursaries to talented young South Africans in order to support them during their studies.

The number of training interventions (2012 – 2014)

Training interventions	2014	2013	Comments
Tied agents and support staff	14 427*	7 286**	Including product accreditations
Brokers support staff	3 638	1 191	Including product accreditations

* The significant increase is a result of the new sales support tools launched this year.

** 2013 restated.

Most of the spend was allocated to technical training to ensure that our sales advisers achieve competence in representing our products in accordance with TCF principles and that our employees achieve compliance with the latest legislation governing the financial sector.

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

We focus on both potential staff and existing staff members. We support the Thuthuka Bursary Scheme, which offers bursaries to prospective chartered accountants. This provides a pipeline from which we are able to recruit for our CA trainee programme. From 2015, we will offer bursaries to five final year actuarial students, who will enter our 2016 actuarial graduate programme.

For community training and development initiatives, see Financial Literacy and education on page 97.

Training of our distribution network

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

The table below illustrates the number of training interventions provided to our distribution force.

Sanlam Sky Solutions trains intermediaries

Sanlam Sky Solutions trains intermediaries focused on the entry-level market. Attracting the right agents and investing in further development ensure we build a network that can offer appropriate products and the developmental advisory services for our entry-level clients.

Employment equity and diversity

Our transformation strategy

Transformation is viewed as an ongoing priority and forms one of the strategic pillars of the Sanlam Group's business strategy. Sanlam continues to foster diversity and inclusivity to enable our workforce to be increasingly representative of the demographics of our society and reflective of the environment within which we operate. Our increasing diversity drives productivity optimisation and inspires our people to realise their worth.

Our human capital transformation strategy sets out our internal transformation objectives across five strategic pillars: staff composition, people development, retention measures, culture and people management practices.

Clear employment equity (EE) plans and targets have been formulated at business cluster level and the responsibility for Sanlam's transformation rests with the Group Chief Executive and the Cluster Chief Executive Officers. Our EE targets have been incorporated into the key performance measures of executive leadership and reinforced through performance incentives. Progress against our EE targets is monitored quarterly at a cluster and Group level, reported to both the Group HR committee and the Social, Ethics and Sustainability (SES) committee, and

submitted on an annual basis to the Department of Labour. Our next EE plan review is expected to take place in 2015 for implementation in 2016.

Our Group employment equity consultative forum (SGEECF) meets on a quarterly basis and monitors the progress made with the implementation of our EE plan. Over and above this, the Group Chief Executive has established a Transformation Advisory Group (TAG), which advises him on matters related to transformation.

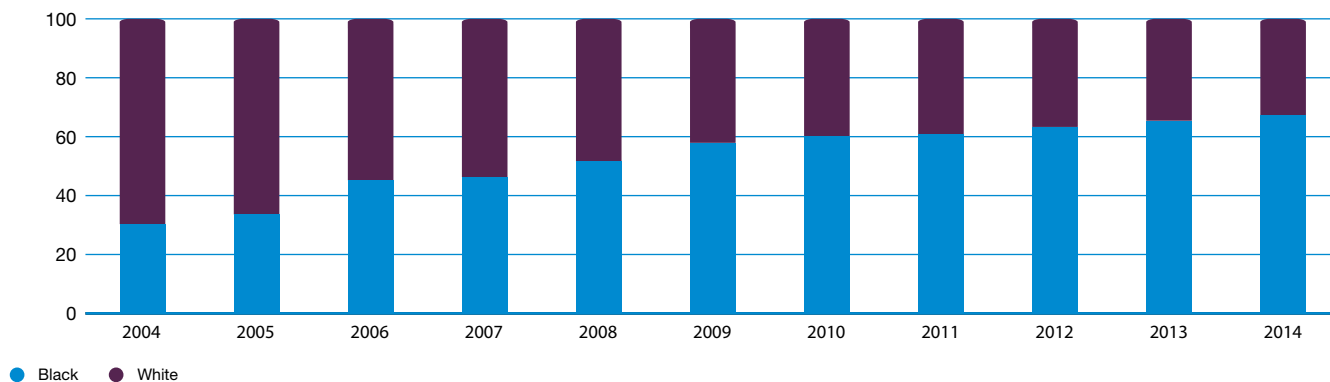
We have made good progress towards our transformation goals over the past 10 years. Over this period, our overall black staff complement has grown from 30,3% to 67,3%, with black Africans making up 45,5%. The businesses have developed accelerated plans focused on initiatives targeted at very specific management levels. These plans will be implemented more aggressively during 2015 and there should be a positive impact on the Financial Sector Code (FSC) scorecard. In terms of the FSC scorecard, we score 7,71* (2013: 7,07) out of 15 for employment equity.

For more information on our FSC scorecard, refer to page 94.

For a detailed breakdown of our employment equity demographics and progress, please refer to page 52.

Employment equity demographics and progress

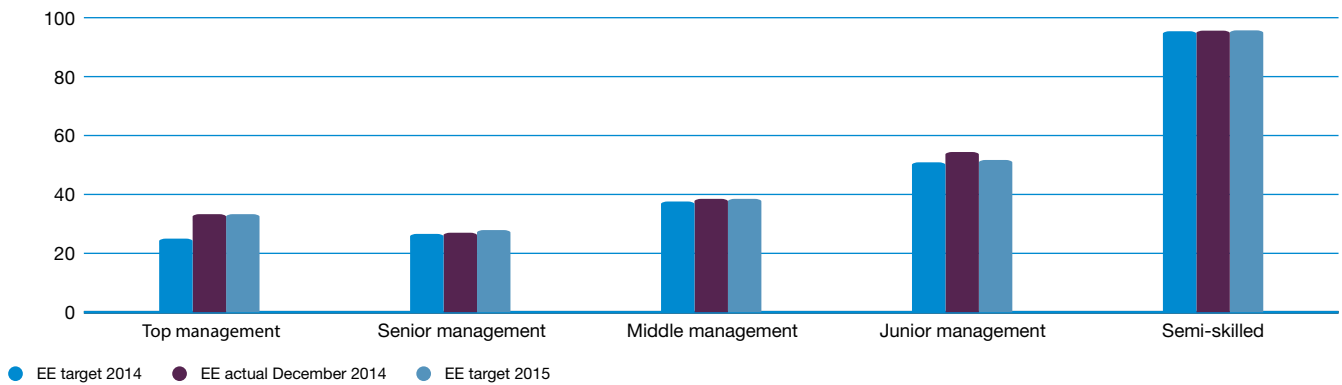
Black:White ratios 2004 – 2014**



* FSC score includes Santam.
** Excludes Santam.

People development material issues report continued

Employment equity **targets versus actuals*** (%)



Sanlam's South African workforce profile per the **Department of Labour's occupational levels based on the Employment Equity Act as at 31 December 2014***

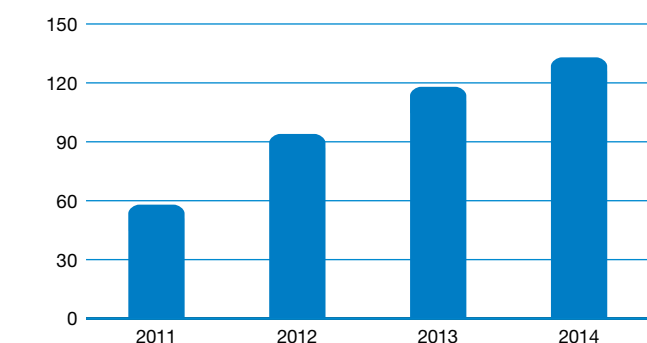
Occupational level	Male				Female				Foreign		Grand total
	African	Coloured	Indian	White	African	Coloured	Indian	White	male	Female	
Top management	2	0	0	5	0	0	1	1	0	0	9
Senior management	25	21	18	200	11	12	10	61	1	0	359
Middle management	123	148	86	522	87	110	72	461	16	3	1 628
Junior management	682	537	147	1 099	756	903	196	1 578	12	6	5 916
Semi-skilled	1 302	138	11	32	2 798	324	45	163	9	8	4 830
Unskilled	5	1	1	0	22	10	0	0	0	0	39
Grand total	2 139	845	263	1 858	3 674	1 359	324	2 264	38	17	12 781

* Excludes Santam.

Staff members with disabilities

Over the past few years, there has been a specific focus on increasing the number of staff members with disabilities. With this more focused approach, the number of staff members with disabilities has doubled.

Staff with disabilities

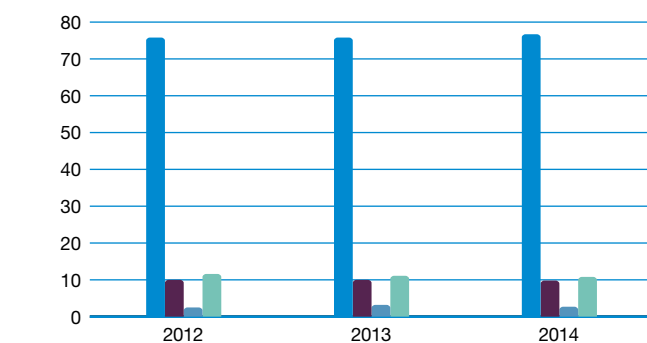


● Total staff with disabilities

In order to improve our employment equity ratios and meet our transformation targets, we have a strong focus on recruiting and promoting black employees. During 2014, 86,7% (2013: 82,4%) of new appointments and 81,3% (2013: 78,5%) of all promotions were black employees. And while 75,5% of the 833 (2013: 73,5%) employees that exited Sanlam were black, our overall black:white ratio continues to reflect good progress, with the total number of black employees' head-count increasing by 9% to 67,3% (2013: 65,4%).

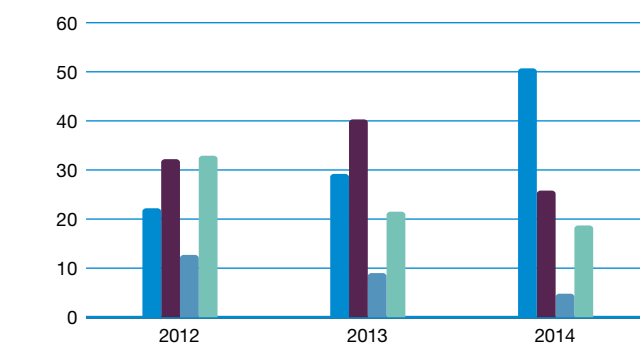
Staff placements and terminations

Appointments* (%)



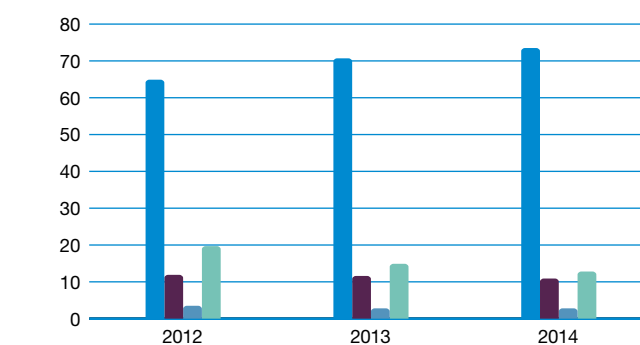
● African ● Coloured ● Indian ● White

Promotions* (%)



● African ● Coloured ● Indian ● White

Terminations* (%)



● African ● Coloured ● Indian ● White

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

People development material issues report continued

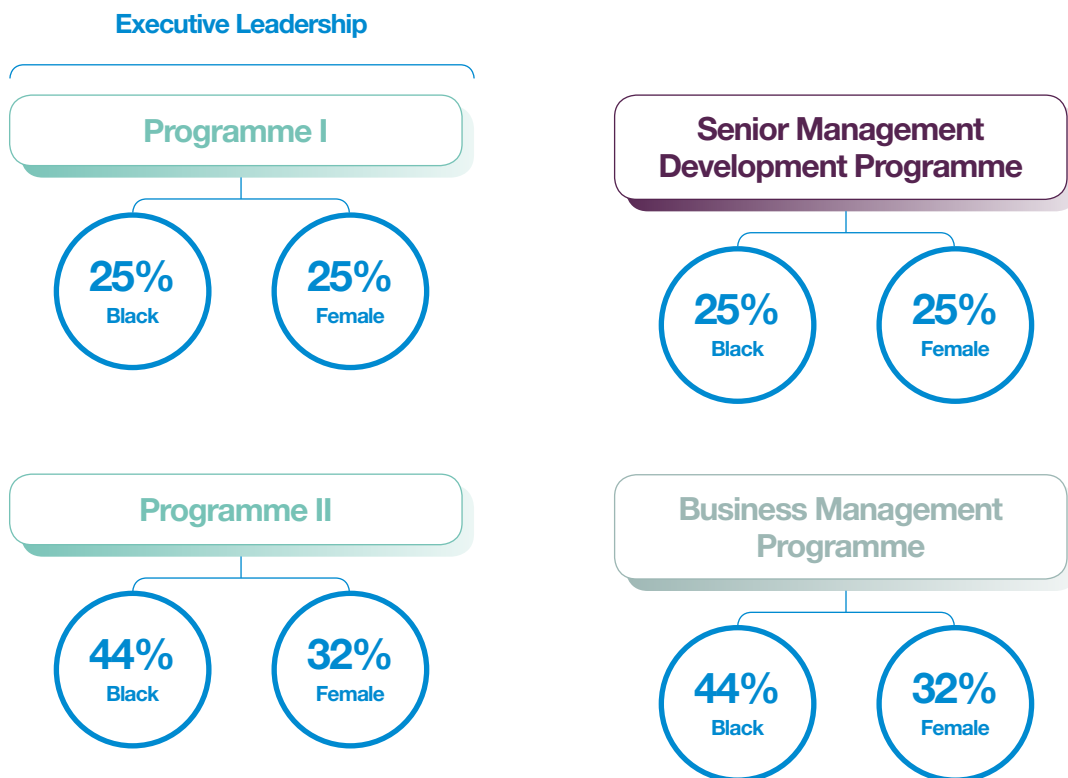
➤ Addressing the shortfall of skilled black management

Transformation within Sanlam at senior and middle management level remains a challenge. The shortage of black senior management is being addressed through a centrally managed initiative to secure and develop high-potential black employees for senior management.

All appointments of white employees in middle management and above require business cluster approval at Executive committee level. Sanlam's future leaders are subjected to careful assessment and targeted development initiatives in order to prepare them for specific leadership roles in accordance with our leadership succession plans.

Our comprehensive leadership development programmes offered across the Sanlam Group are discussed in more detail on [page 49](#). The demographics of the participants across these programmes are shown below.

Breakdown of our leadership development programmes



MI Organisational culture and employee commitment

We aspire to instil a performance-driven culture, while retaining our warm and traditional values-based character. This combination ensures that we drive the business forward without compromising our ability to deliver a superior client-centric experience. We promote behaviours that drive a high-performance culture and minimise behaviours that obstruct progress.

We regard high ethical standards as non-negotiable. All our business relationships must reflect our personal integrity, respect for human dignity and the rights of others. Sanlam stands for honesty and a commitment to do what is right, fair, reasonable, lawful and just.

In order to achieve this, we entrench our corporate values and our *Blueprint for Success*. This cultural framework requires all our businesses and employees to abide by our Code of Ethical Conduct, irrespective of the business or jurisdiction involved.

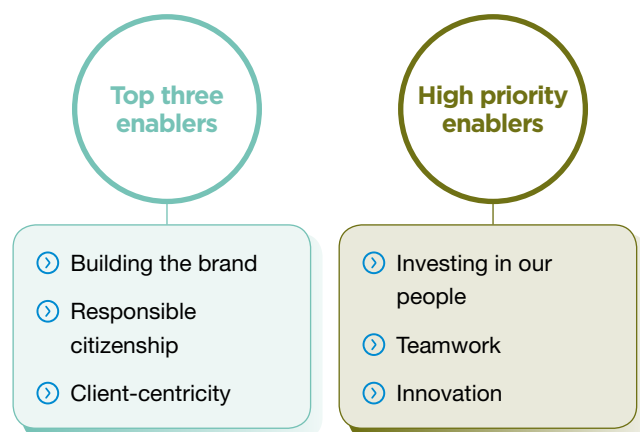
Our values	Our <i>Blueprint for Success</i>	Our Code of Ethical Conduct
<ul style="list-style-type: none"> ⌚ Acting with integrity. ⌚ Leading with courage. ⌚ Serving with pride. ⌚ Caring because there is respect for one another. ⌚ Growing shareholder value through innovation and superior performance. <p>Our values underpin every aspect of our business dealings and have been integrated into the <i>Blueprint for Success</i>.</p>	<p>Our <i>Blueprint for Success</i> culture framework is made up of 24 key constructs and behaviours that either promote or obstruct our ability to perform and evolve.</p> <p>It presents the joint vision of Sanlam and its employees that supports our business strategy and is used to embed a culture that will allow us sustained excellence in the long term.</p> <p>Annual measurements assist the businesses to assess progress and plan appropriate interventions.</p>	<p>Our Code of Ethical Conduct gives effect to the ethical ideals that all our directors, managers, employees, independent contractors, agents, service providers and business partners, irrespective of their legal status, must abide by.</p> <p>The code defines how we establish and manage the relationships between these entities to ensure we maintain the highest level of integrity and ethical conduct.</p> <p>On page 32 we describe how we foster and enforce a culture of compliance and ethical conduct.</p>

⌚ Embedding our *Blueprint for Success*

Blueprint for Success surveys have been conducted across the Group annually since 2012. The resultant index score measures Sanlam's progress in embedding behaviours that drive a high-performance culture (enablers) and diminishing those that detract from this (disablers). Sanlam's score has increased year on year from 1,5 in 2012 to 1,59 in 2014, indicating a stable, mature and successful culture with high levels of staff engagement and commitment.

The voluntary survey is open to all employees with the exception currently of our entry-level sales force. Participation remains high, with 5 038 staff members participating in 2014. We are confident that the high response rate is delivering an authentic score and useful recommendations.

The 2014 results showed a high level of approval from staff for the work done on the brand and they also affirm our responsible citizenship and client-centric approach. However, investing in our people remains a key priority. A snapshot view of the top-line results shows the following:



People development material issues report continued

“Everybody should run in the same direction. We should break down the silos in the Group, focus on what’s best for Sanlam and compete with competitors outside the business.”

Johan van Zyl, Group Chief Executive

During 2014, the businesses focused on the high priority enablers, in particular career management development, in support of the priority to invest in our people. Initiatives ranged from the provision of ‘career conversation’ tools for staff to equipping managers to engage more effectively with talent.

In 2015, we will focus on delivering our refreshed EVP and expanding EVP initiatives, such as on-site crèche and aftercare facilities, our wellness programme, and networks for minority/special interest groups (see Women’s Network).

Beehive survey

Every two years, we run the Beehive Survey with senior and future leaders. This survey is designed to measure the extent to which Sanlam has shifted from being an old economy to a new economy organisation. New economy organisations are characterised by participation, transparency, flat structures, high levels of engagement, responsiveness, ability to manage change well and effective talent management. Sanlam has been tracking progress against this measure for the past 10 years and has seen annual improvements. Our 2014 score positions us as a top-class organisation.

Women’s Network Initiative

In order to encourage cross-cluster collaboration, a Women’s Network Initiative was established in 2013, the purpose of which is to empower female employees through the delivery of projects, programmes and initiatives. It also aims to create opportunities for women to share and support each other through informal and formal networking initiatives.


Sanlam Investments Young Professionals Forum

The Sanlam Investments Young Professionals Forum has been functioning since 2012. The purpose is to create a platform for young professionals to network around topics of mutual interest and meet senior professionals and leaders within the organisation. In so doing, it enables them to facilitate their own career growth. This platform has been extended to the candidates on the Sanlam Graduate Programme. Plans are underway to establish a Group Young Professionals Forum and to extend the platform to Gauteng.




Recognition

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

Across the Group, business clusters reward managers and staff through the use of incentives and bonuses, and these are linked to regularly held performance appraisals. This is discussed in further detail under the section: 'Attraction and retention of key skills' on  page 42.

Fair labour practices

Through our Code of Ethical Conduct, we subscribe to the principles of the International Labour Organisation and to the United Nations Global Compact (UNGC). In accordance with the Constitution of South Africa, we protect the rights of our employees and prohibit all forms of forced, compulsory or child labour across our operations. All employees have the freedom to associate and to bargain collectively. The majority of our employees are professionally skilled individuals and Sanlam is not a highly unionised environment. In 2014, there was a further decline in the number of staff members who were unionised. Currently only 175 staff members (2013: 196), or less than 1,5% of our staff complement, are part of a union.

We have a formal grievance policy in place that is made available to all staff. The various reporting channels are discussed on  page 33.

Our emerging market partners subscribe and adhere to the Sanlam corporate governance framework and integrate our Code of Ethical Conduct into their business practices.

Employee wellness

Achieving employee wellness means that our staff are happier, more balanced, more energised, and ultimately more productive. We invest in both our people and the Company's future by offering a comprehensive wellness programme aimed at helping employees to become healthier and to remain healthier.

The programme was launched in 2012 and a total of 81% of Sanlam employees are currently enrolled in our personalised e|Care online health and wellness service that offers specialist health promotion content to employees through our dedicated online portal, weekly HealthByte emails, and various social media platforms used by our employees.

Our Employee Assistance Programme provides psycho-social counselling and support, as well as practical financial, legal and life-management services to employees. The service can be accessed via a 24-hour toll-free helpline.

Employees across South Africa have access to free health screenings and a total of 4 316 employees completed a wellness screening since 2012. Screening includes lifestyle measures, as well as voluntary HIV counselling and testing, for which over 500 employees opted to participate. The average percentage of HIV/Aids prevalence for Sanlam is 0,9% and therefore not considered to be a major wellness risk. In partnership with our food services provider, we launched a *Get Balanced* campaign in our head office's on-site canteens this year. Healthier meal options were introduced and healthy eating guidelines made available. The changes were well received by staff and plans are underway to roll this out to other staff canteens across the clusters.

People development material issues report continued

Long-term financial well-being of employees

In addition to physical and emotional health, the financial well-being of our employees is core to their capacity to enjoy balanced and comfortable lives.

Our vision, to be the leader in client-centric wealth creation and protection in South Africa, places a responsibility on Sanlam, as a leading financial services group, to ensure that our staff are financially astute. This means that our people should be empowered to make good financial decisions now and for their future. During 2014, we facilitated staff information sessions around sound retirement planning. A number of accredited Sanlam financial advisers were selected and placed on a training programme to understand the Sanlam Staff Umbrella Fund and the benefits to staff with access to the fund.

Moving forward

The Sanlam Group bWELL objectives for 2015 will include a re-launch of the programme, more in line with the refreshed employee value proposition. The three main components will be:

- ④ bHEALTHY, with a continued focus on awareness and staff access to weekly wellness emails, a wellness website, and the employee assistance programme aimed at providing psycho-social counselling, legal and financial assistance. The predominantly health-focused wellness programme will be enhanced to include financial wellness.
- ④ bAWARE will continue the momentum obtained with the health risk profiling through a significantly wide on-site campaign, supported by the pharmacy and self-reporting options.
- ④ bACTIVE, which will focus on an online Group-wide campaign aimed at addressing the significant sedentary lifestyle and obesity prevalence seen in the profiled staff cohort.

Sanlam Cape Town Marathon

More than 500 employees participated in the Sanlam Cape Town Marathon during September 2014. This was part of a campaign to get staff more involved in Sanlam-sponsored events, but also to address one of our major health risks, that of a sedentary lifestyle. In 2015, continued efforts will be made to increase staff participation, with a strong focus on adopting healthy lifestyles.





3

Responsible products and services

Turning money into meaning is our trade and we have a deep appreciation of the materials we work with. We know what went into earning it and, more importantly, what can be made of it. That's why we are dedicated to treating every rand entrusted to us with the utmost care and respect.

Why responsible products and services are important

Our products and services, sold to clients through our distribution networks, 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.

In order to regain client confidence following the financial crisis of 2008, the global financial services industry continues to strive for higher ethical standards and business behaviour. In South Africa, a transition to an increasingly strict regulatory environment is required – in particular Treating Customers Fairly (TCF), Twin Peaks model (prudential and market conduct), Basel III, National Credit Act (NCA), Financial Advisory and Intermediary Services Act (FAIS), Retail Distribution Review (RDR), Protection of Personal Information (PoPI), Solvency Assessment and Management (SAM) and the imminent Pension Fund Reform legislation. There is significant industry pressure to lower costs while maintaining and enhancing service standards.

These factors demand innovative products and services that improve people's lives. Client-centricity and efficiency in delivery are therefore imperative to drive the development of our business model. The preconditions for survival are to remain competitive without compromising value.

As Wealthsmiths™, we recognise the different needs of our various client segments and commit Sanlam to understanding their needs, treating them fairly and constantly working to provide affordable solutions that address their financial needs and deliver on their expectations.

Furthermore, as a large institutional investor, Sanlam Investments has sizeable interests in most of South Africa's companies. This places us in a position to influence and encourage the companies in which we invest to adopt sound governance and sustainability principles. As corporate citizens, we feel that this is not only our responsibility, but also makes long-term investment sense.

Linkage to business strategy

Earnings growth 	<p>A diverse portfolio of high-quality and responsible financial products and services, that are client-centric, affordable and accessible to low-income earners, will grow our client base and transform our business in step with changing markets.</p>
Optimal capital usage 	
Operational efficiencies 	
Diversification 	
Transformation 	<p>The world is continually evolving. In order for our products, services and investments to meet the future needs of our clients and other stakeholders, we work towards understanding what the world and our client base will look like in the future.</p>

What we are doing to offer our clients responsible products and services

We want clients to feel valued and confident in the knowledge that we are professional in our dealings, that we always treat clients fairly and provide responsible products that meet client needs and are free of unnecessary limitations.

Key performance indicators

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

* Commenced in 2013.

** Unverified.

*** Excludes Santam.

**** Please refer to the 2014 Sanlam Annual Report for more detail.

Group vs Cluster response

- Coordinate and develop a Group-wide response to client-centricity, Treating Customers Fairly and investing responsibly.
- Sign-off on a high-level product development process to be used across the business.
- Provide data analytics and insights to the various business clusters.



- Embed client-centricity within the business culture.
- Implement Sanlam's Treating Customers Fairly framework and report on a quarterly basis to the Sanlam Customer Interest committee (SCIC).
- Conduct market research and develop client insights.
- Revise and design new products, services and distribution channels.
- Generate new business via direct and intermediated channels.
- Engage and support intermediaries.
- Incorporate responsible investment principles in all investment decision-making processes.
- Report performance on a quarterly basis to the Group.

Cluster level



This chapter excludes both Santam and SEM.











My Choice funeral products as an example of cross-cluster collaboration

Cross-cluster collaboration requires personal networks and connectivity across our business clusters and units.

An example of such cross-cluster collaboration is SPF's Fuzion programme, aimed at strengthening collaboration and cooperation between Sanlam Individual Life and Segment Solutions (SILSS), Sanlam Sky Solutions and Distribution. Substantial investment was made to enable intermediaries across Sanlam Financial Advisers to understand the products, processes, marketing material and commissions associated with Sanlam Sky Solutions' new flagship funeral product, My Choice. Although developed to cater specifically for the low-income market, our My Choice funeral product has allowed us to provide a comprehensive funeral offering to all segments and changed the way we view funeral cover. The investment has paid back with growth in sales across all our market segments.

Responsible products and services material issues report

We focus on the following material issues:

Material issues	How we address them
<p>(MI)</p> <p>Client-centricity, satisfaction and retention</p>	<p>Client-centricity has always been at the heart of our business philosophy. We embed client-centricity into our culture (using our <i>Blueprint for Success</i>, discussed on page 55) and all aspects of our business. We use our needs-based segmentation model to structure our business activities and tailor our products and services. We also continue to implement our new Treating Customers Fairly framework in order to measure our ability to satisfy clients and provide them with appropriate products and services.</p> <p> Page 65 to 72.</p>
<p>(MI)</p> <p>Product development</p>	<p>Continually investigate ways in which we can expand upon and improve our existing financial product and service offering to clients in ways that are affordable and tailored to their specific needs. We actively review and update our existing products and services to ensure they meet the latest regulatory requirements.</p> <p> Page 72 to 76.</p>
<p>(MI)</p> <p>Distribution network</p>	<p>We seek out new and innovative ways to access markets more effectively, using both intermediaries and direct channels. We work hard to improve the way we support our intermediaries and equip them with the right knowledge, tools and capabilities in order for them to grow their businesses and better advise and service clients.</p> <p> Page 76 to 80.</p>
<p>(MI)</p> <p>Providing access to financial services</p>	<p>We develop and distribute solutions suitable for the entry-level market to improve market penetration, while supporting the South African National Development Plan. Addressing social upliftment needs and ensuring equitable access to financial services ensure more active participation in society and equitable wealth distribution in the long run.</p> <p> Page 80 to 81.</p>
<p>(MI)</p> <p>Embracing technology</p>	<p>We are steadily increasing the broad adoption of technology to access new markets directly and are rolling out a new and more efficient IT system to support our intermediaries.</p> <p> Page 82.</p>
<p>(MI)</p> <p>Responsible investment</p>	<p>We support the United Nations Principles for Responsible Investing (UNPRI) principles by exercising our proxy voting authority and engaging with those companies which we are invested in, on Environmental, Social and Governance (ESG) issues. This aligns to our Responsible Investment policy.</p> <p> Page 83 to 87.</p>

MI Client-centricity, satisfaction and retention

Client-centricity means:

- ① Understanding our clients and their financial services needs.
- ② Providing the right, tailored solutions to fulfil their needs and perform as expected.
- ③ Being fully accountable for our actions and client promises.
- ④ Getting things right for our client the first time every time (accuracy).
- ⑤ Taking responsibility, assisting and servicing clients efficiently and within an acceptable timeframe.
- ⑥ Providing clear and understandable answers.

① Our market-segmented approach

Client-centricity applies predominantly to our retail services offered to individuals.

Our needs-based segmentation model uses demographics such as income, qualification and the employment level of individuals as the key differentiating factors.

Developing client insights

We use a variety of ways to gain insight into client needs and keep abreast of shifting market trends. Market insight teams at Group level and within each business cluster conduct annual market research. This year our proprietary annual Consumer Tracking Study, commissioned by SPF, involved 1 000 participants. The research helps us understand the financial needs, behaviour and engagement preferences of consumers in markets we target. It also benchmarks consumer perceptions of Sanlam against key competitors.

External benchmarking studies such, as Brand Health Tracker and the Benchmark Study and Bureau of Market Research (BMR), are scrutinised and the insights tested against our own portfolio.

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

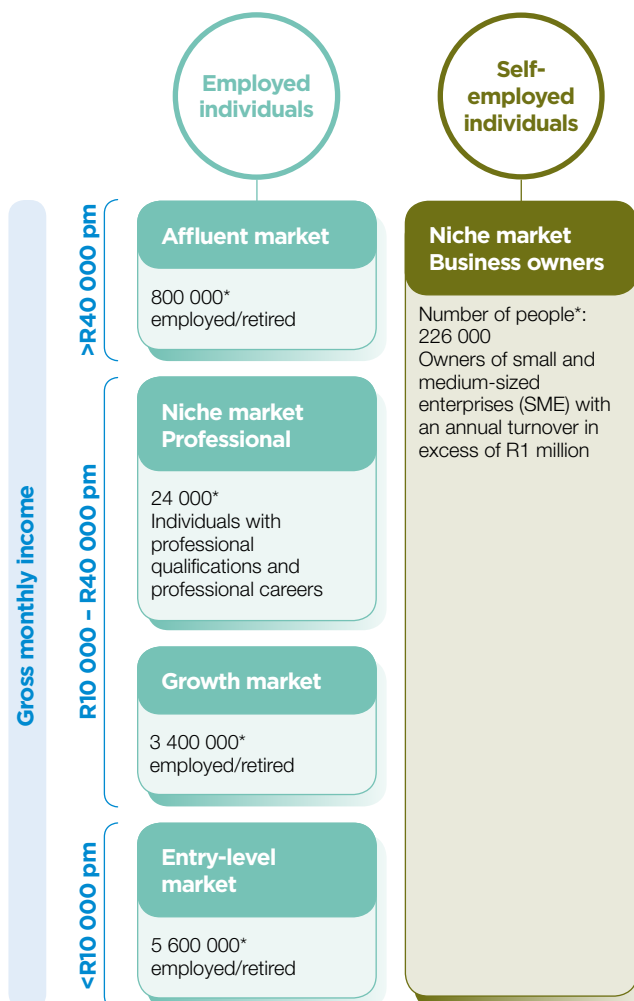
Business units designed to serve specific market segments

SPF cluster

Using consumer insights, we segment our consumers in order to develop appropriate client value propositions. We use five main retail client segments, three are income-based and two additional niche segments. Where appropriate, we adjust our market segments and sub-categorise them further to provide more tailored solutions to specific market segments.

We have developed specialist expertise to serve the various markets we target. By aligning the structure of our business clusters and distribution channels to these segments, we are more effective in delivering products and services that match the evolving needs of clients.

SPF Retail client segmentation



* Estimated number of individuals; statistics gathered from the Bureau of Market Research (BMR) 2014.

Responsible products and services material issues report

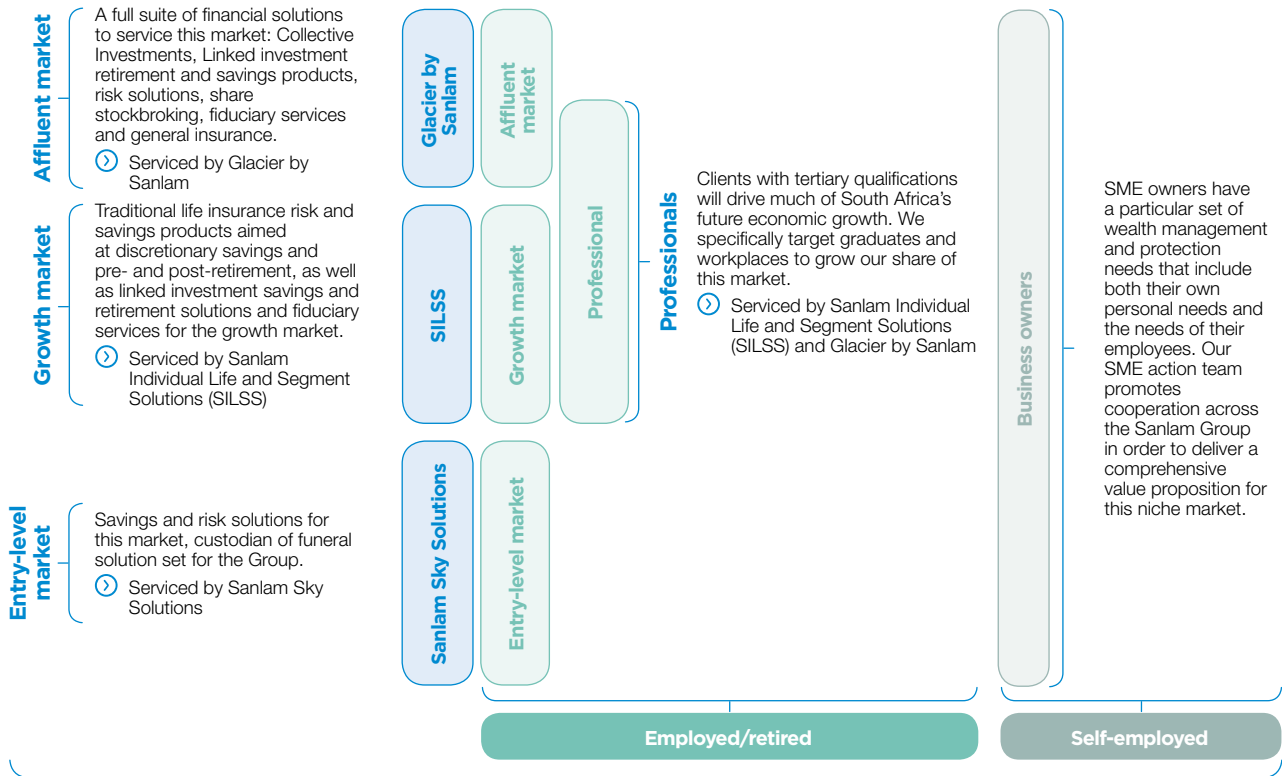
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Sanlam Personal Finance (SPF) provides mainly retail clients with financial solutions such as risk, investment, retirement, short-term (general insurance), health and fiduciary services. Each business unit acts as a solutions provider to a specific market segment. For the retail individual, we have the segmented approach which enables clients to address any of their financial needs out of our total product solution set. This arrangement is flexible and in some instances business units provide solutions for other market

segments. There is a niche positioning of business owners due to the multiple roles these individuals play. They have the particular set of wealth management and protection needs, which ranges from that of their own, their employees and their business. Our SME action team promotes cooperation across the Sanlam Group in order to deliver a comprehensive value proposition for this niche market.

We monitor the performance of our products in each market, identify new market segments and develop products accordingly. **Client and Market Insights Unit** monitors the external macro-economic environment to formulate client and market insights.

Client-centric structure of SPF cluster



Strategic Business Development unit works across all market segments and provides the following diversified services:

- ⓘ Sanlam Trust – estate and trust services
- ⓘ Multi-Data – electronic money-transfer activities
- ⓘ Sanlam Healthcare Management – medical scheme
- ⓘ Administration services
- ⓘ Sanlam Personal Loans – personal loans joint venture
- ⓘ Reality – Sanlam loyalty programme
- ⓘ Anglo African Finance – trade and bridging finance.

Sanlam Investments cluster

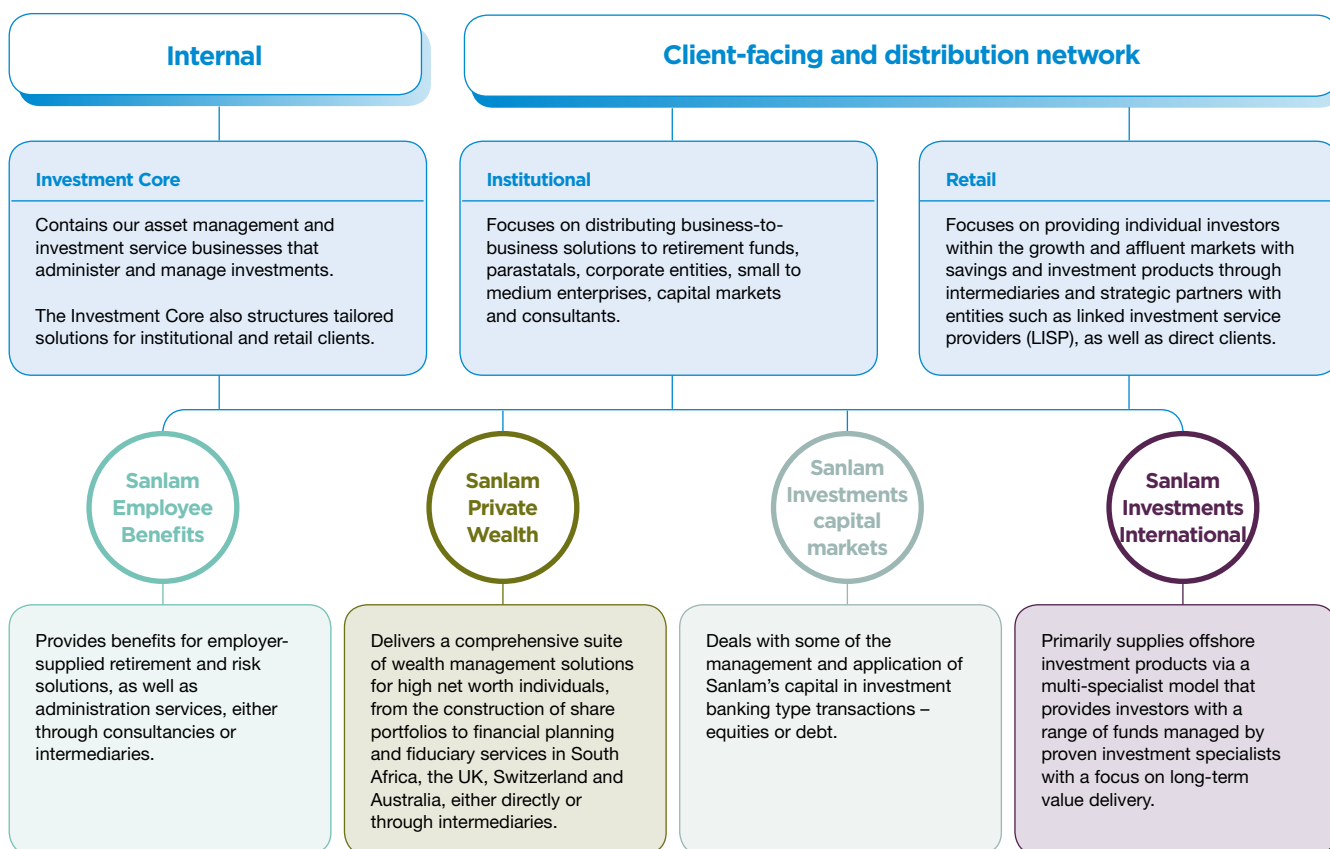
Sanlam Investments (SI) addresses the savings and investment needs of a wide range of clients, including:

- Ⓛ Individuals
- Ⓛ Pension funds
- Ⓛ Corporates
- Ⓛ Treasury
- Ⓛ Entrepreneurs.

From a retail perspective, SI focuses solely on the growth and affluent markets where clients have discretionary funds available for investment purposes.

Over the past two years, SI simplified its South African investment businesses and aligned them to its market segmentation strategy. SI now comprises two client-facing businesses: institutional and retail. These are served by a single investment unit, the Investment Core, which houses all onshore investment capabilities. Businesses which service other geographies or client groupings are currently unaffected by the arrangement, although we will continue to make changes to optimally align the business with the interests of our clients. Our International, Employee Benefits, Wealth and Capital Management businesses were unaffected by the repositioning.

Client-centric structure of SI cluster



Establishing optimal distribution channels

During the year, SI conducted an in-depth analysis of Sanlam's network of intermediaries using a similar segmented approach to better understand how SI can employ and support our intermediaries to improve and leverage off their client networks.

Our distribution networks are discussed in more detail on [page 76](#).

Responsible products and services material issues report

continued

Treating Customers Fairly

What is TCF?

Treating Customers Fairly (TCF) is a regulatory approach, introduced by the Financial Services Board (FSB). Originally earmarked to come into effect in January 2014, the FSB has opted instead to use a phased approach to its implementation.

It sets out to ensure that financial services clients are treated fairly, to improve client confidence in the financial services industry and protect clients from unscrupulous behaviour. Ultimately, the regulation will ensure that clients are provided with appropriate needs-based products and services, while the industry acts with improved discipline and transparency of communication.

The TCF regulation requires firms to assess client fairness at all stages, from product design and marketing through to advice, point-of-sale and after-sales service.

This principle-based regulation sets out to achieve six specific fairness outcomes:

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

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

The Treating Customers Fairly (TCF) regulation is a way to formalise our client-centric philosophy and embed it more firmly into our business practices. Although TCF applies mainly to retail clients, embedding client-centricity into our culture also benefits our institutional clients.

The purpose of our TCF project is to ensure that we interpret the principles published by the FSB as well as we can by defining metrics to track our compliance levels and put an implementation plan in place to ensure compliance within a reasonable timeframe.

The Sanlam TCF project covering the SI and SPF clusters was running at full capacity from January 2013 until 31 March 2014. At this point the remaining deliverables (less than 10%) were handed over as 'business as usual'. The project was structured into 31 work streams consisting of 436 deliverables and a total of 1 488 separate activities across business. Currently 411 (94%) of these deliverables have been signed off. The remaining 27 deliverables are all more than 80% complete and will be finalised by year-end.

With support from the TCF project team, business clusters have started implementing Sanlam's TCF framework. SI established a TCF Implementation committee, and SPF's client-facing arm, the Sanlam Financial Advisers (SFA), developed a charter for client-centricity and treating clients fairly. During 2014, the business clusters also started reporting their TCF progress to the Sanlam Customer Interest committee on a quarterly basis.

Key TCF milestones achieved over the past two years:

- ① Conducted a TCF gap analysis and formalised our view on the TCF principles.
- ② Engaged the FSB and other key stakeholders through ASISA in support of a common TCF regulatory framework that is consistent and clear in its interpretation of the TCF principles, without gaps and inconsistencies and which is aligned with international best practice.
- ③ Developed a TCF management indicator framework to track progress across the various clusters.
- ④ Rolled out a Group-wide TCF communication plan and training programme to ensure client-centricity and TCF are top priorities for all employees.
- ⑤ Updated key client disclosure documents.
- ⑥ Revised complaints process for improved benchmarking and complaint analysis.
- ⑦ Reviewed and amended key cluster-specific operational processes; removing barriers that may hinder client's ability to change between product/service providers.



Measuring our ability to treat customers fairly

In response to the proposed Treating Customers Fairly (TCF) regulations being introduced in South Africa in a phased process, we have developed a comprehensive management framework to form part of our overall Sustainability Management Framework.

We use a structured approach to deal with all new regulatory challenges, including TCF. Our approach can be summarised into the following six steps:

- ① Identify key new regulations, such as Treating Customers Fairly (TCF), Retail Distribution Review (RDR), Solvency Assessment Management (SAM), International Financial Reporting Standards (IFRS) and tax changes that can materially affect our business activities.
- ② Distribute related government discussion documents to executive leaders across our business clusters for internal debate.
- ③ Develop an official Sanlam view.
- ④ Submit our proposal to ASISA, the financial services industry body, for scrutiny.
- ⑤ Assist ASISA in formalising a coherent industry response, which is then submitted to the industry's main regulatory body, the Financial Services Board (FSB), for consideration.
- ⑥ Once the new regulations are gazetted, we develop formal policies and management frameworks to ensure that we proactively manage and maintain compliance.

For TCF, we conducted an in-depth gap analysis to understand how each of the TCF principles could impact on our business operations and what TCF measurement indicators have to be put in place for each of our business clusters. The analysis involved both internal and external stakeholders.

We used the findings to develop an overarching TCF management information framework, containing performance indicators across all six TCF principles. Where appropriate, additional cluster-specific indicators were developed.

During the year, each business unit started phasing in its tailored TCF management framework and targets. Staff awareness surveys were undertaken before and after implementation and are used to verify the efficacy of our response to TCF.

“The importance of ensuring that we treat our customers fairly will be conveyed, reiterated and reinforced at every possible opportunity.”

Johan van Zyl

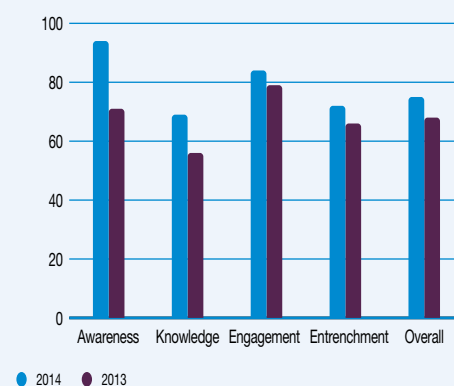
Group Chief Executive



TCF awareness survey

Our pre- and post-TCF implementation survey results shown below reveal the extent to which TCF has been entrenched in the Sanlam culture. This survey provides an indication of the effectiveness of our communication and training initiatives in increasing awareness and knowledge of TCF.

TCF awareness survey



* Survey participants totalled 1 411 office staff (2014). It includes the office staff of SPF (including Sanlam Sky Solutions, Glacier and ITISS), Group Office (GO) and Sanlam Investments (SI).

Responsible products and services material issues report

continued

The implementation of the TCF framework will continue at business cluster level in 2015, with special focus on the rollout of product training and the amendment of all client-facing communication. Business clusters have started quarterly reporting against our TCF framework and expect to improve our public disclosure of our TCF performance from 2015 onwards.

We expect that the TCF regulatory framework will evolve over time as both the industry and the FSB grapple with its consequences. As TCF and regulatory requirements relating to market conduct unfold, such as the recent publication of the

complaints management discussion document and the retail distribution review, we will initiate new projects or working groups to incorporate these new requirements.

Customer satisfaction

We use the South African Customer Satisfaction Index (SACSI) as our main customer satisfaction benchmark to assess clients' overall satisfaction with Sanlam in comparison to the industry.

South African Customer Satisfaction Index score for Sanlam Life*

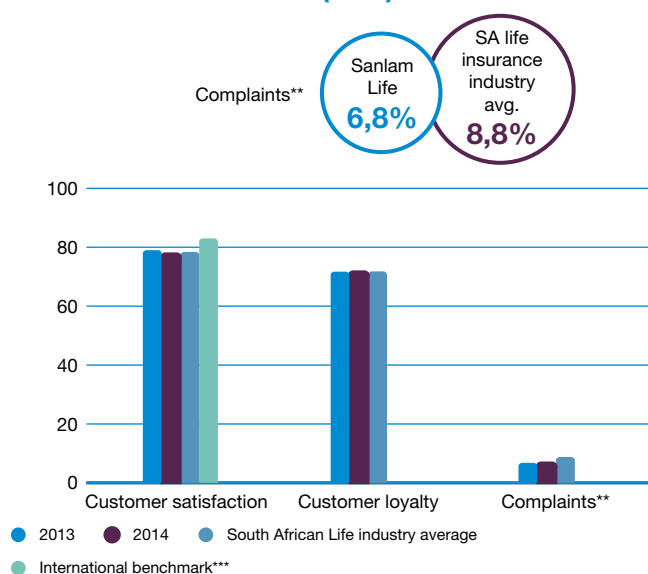
	2013	2014	SA life industry average	International benchmark**
Customer satisfaction	79,0	77,8	78,4	83
Customer loyalty	71,7	71,7	71,8	
Complaints***	6,8%	6,8%	8,8%	

* SACSI 2014 survey involved 2 665 customers within the life insurance industry across the six major life insurance providers in South Africa.

** The international life insurance benchmark is set by the USA at 83.

*** Percentage of respondents who indicated that they complained.

South African customer satisfaction index score for Sanlam Life (SPF)*



* SACSI 2014 survey involved 2 665 customers within the life insurance industry across the six major life insurance providers in South Africa.

** Percentage of respondents who indicated that they complained.

*** The international life insurance benchmark is set by the USA at 83.

According to the 2014 SACSI study, the six major life insurers are on an even playing field, as all scored on par with the industry average. Sanlam is still marginally the leading company in its sector and 40th overall across all sectors within South Africa. The international life insurance industry benchmark is set by the USA at 83 out of 100. SA scored second internationally, ahead of Indonesia, Korea and Singapore.

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).

Voice of the Customer survey

We augment SAcsi with our annual proprietary Voice of the Customer (VoC) surveys, which assesses the client's experience in terms of handling enquiries/requests, claims and complaints. This enables us to evaluate our own ability to provide a positive experience for both the client and intermediary, and provides a more detailed view of client and intermediary experience at specific client contact points within the SPF cluster.

Overall we are pleased with the results of the surveys as we consistently perform in the top quartile across the various areas, namely our client contact centre (which includes our call centre, walk-in offices, mail and email centres), policy administration departments and new business department, across the business. The 2014 survey involved more than 6 000 clients and intermediaries across the financial services industry. Over the last three years, we have met the world-class standard across all elements. This endorses our strategic objective to ensure that we deliver on the promise we make to our clients by constantly trying to improve on our client delivery in spite of an ever-challenging business environment. The client services centres have undergone a technology upgrade, as part of the continuous improvement commitment, particularly in the client contact centres, where the increased competition in the industry drives change. We are cognisant of the increased economic and competitive pressure being experienced by clients and intermediaries.

The survey revealed that we continue to offer our end clients and intermediaries an excellent experience. The view of independent brokers (those intermediaries who also support other financial services providers), is of particular importance to us. The survey revealed that independent brokers who deal with Sanlam still declare a better service experience at Sanlam with regard to the new business process, compared to our competitors. However, we are cognisant of the increased pressure from competitors, and the constantly raised service levels within our industry.

Client contact centres

We have three major client contact centres within SPF that deal with end consumers and intermediary queries. In total, these handle nearly 9 000 calls per day and close to 30 000 interactions.

SPF client contact centres

	Sanlam Sky CCC serving the entry-level market	SILSS CCC serving the growth market	Glacier CCC serving the affluent market
2013			
Average calls per day	2 526	5 600	788
Total interactions* per day	5 526	20 500	1 483
2014			
Average calls per day	2 363	4 300	822
Total interactions* per day	3 265	20 299	2 490

* Interactions include emails and walk-in clients.

The SILSS Client Care Centre participated in the 2014 Contact Centre Management Group (CCMG) awards. This national competition recognises outstanding achievement in the contact centre industry. In the People categories, the centre was awarded Best Agent of the Year as well as Best Business Analyst of the Year awards at national level.

Resolving complaints

Beyond our client contact centres and other servicing processes, we have a strong internal complaints management process. This is governed by a Group complaints policy and the internal complaints process provides Sanlam clients with the opportunity to lodge complaints at the Sanlam Arbitrator. We further subscribe to the Long Term Insurance Ombudsman scheme (OLTI). Any of our long-term insurance policyholders can lodge a complaint at the independent Ombudsman for Long-term Insurance to have their complaint resolved.

In total, 859 (2013: 1 071) new complaints were lodged against us at the ombudsman during 2014. This does not include out of scope cases, while the 2013 figures included out of scope cases. With over 2,8 million retail clients within SPF, this represents 0,03% of our clients. Sanlam Life's complaints account for 4% (2013: 3,3%) of the ombudsman's complaints, while our market share in the life insurance industry in South Africa is estimated at 15% to 20% according to ASISA.

Responsible products and services material issues report

continued

During 2014, 60% of the cases finalised by the OLTI 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 26% (2013: 25%). 76% (2013: 75%) of all finalised cases were settled in favour of Sanlam.

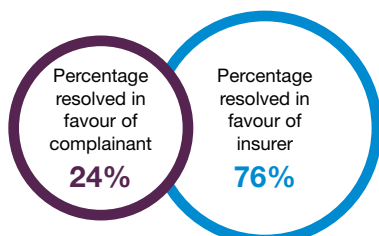
Sanlam-related complaints handled by the OLTI in 2014*

	New complaints	Cases finalised**	% resolved in favour of complainant	% resolved in favour of insurer
Sanlam Life	204	126	12	88
Sanlam Sky***	655	599	27	73
Total	859	725	24	76

* Please note that the 2014 numbers are unverified. The verified 2014 numbers will be updated on our website when they become available.

** These cases are the cases finalised during 2014. Some of these cases were received in earlier years.

*** Includes Safrican and Channel Life licences.



Rewarding customer loyalty

In 2006, we launched Reality, a customer loyalty programme. With about 160 000 principal members (approximately 370 000 lives), the programme aims to build stronger relationships with our policyholders and develop a deeper understanding of their needs. This helps us to provide better financial advice and planning. The programme also offers tangible lifestyle benefits and incentives, while improving the financial awareness and literacy of our clients.

2014 was an exciting year for the programme with our biggest ever launch of new benefits and partners. Over the year, we introduced discounts on Mango, Tempest and Über, while increasing our Planet Fitness discounts from 20% to 80%, and launching a free airport lounge benefit. We also piloted the first insurance sector entry-level market programme to over 3 000 sales agents, with very pleasing feedback.

Most importantly, a coordinated Group-wide loyalty strategy has been adopted, which will see Reality being offered more widely across Sanlam's businesses, and will result in far greater integration between Reality and our product houses. We will be heavily focused on rolling out these further enhancements throughout 2015.

MI Product development

> Product philosophy

Our product development philosophy is focused on client-centricity, 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. These solutions are required to 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 financial well-being within the communities we serve, by promoting a savings culture and providing protection. We design products that clients can easily understand and build on our strong product legacy to foster trust and confidence in our solutions.

Simplicity is key. We aim to design products in such a way that clients can easily understand what they are purchasing in terms of benefits and cost commitment, thus avoiding unexpected surprises. We have a diverse range of financial solution offerings, including savings, investments, estate planning, trusts, health management, personal loans, credit and life insurance.

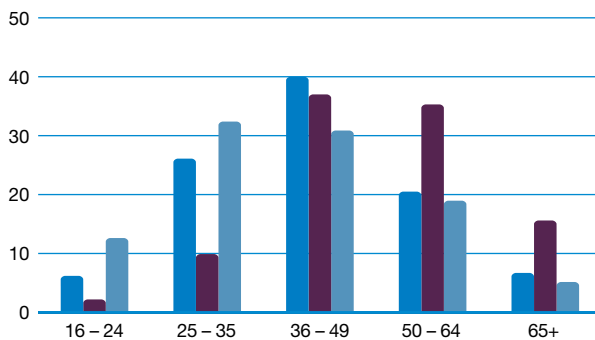
Developing products with accurate insight into the future

Our market-segmented approach guides how we develop our products and services. Combined with data analytics, this enables us to understand our clients' needs and develop tailored solutions relevant to our market segments and sub-segments.

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

Evolving client profile

Age profile of existing and new clients in the growth market (%)



- Percentage of existing South Africans per age group*
- Percentage of existing clients** per age group
- Percentage of new clients per age group

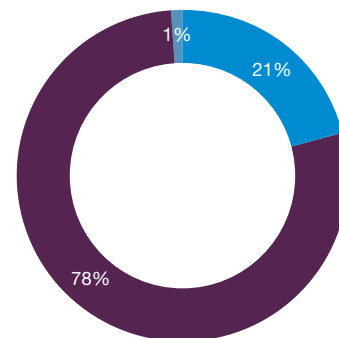
* Source: BMR 2013.

** Source: SILSS in-force statistics.

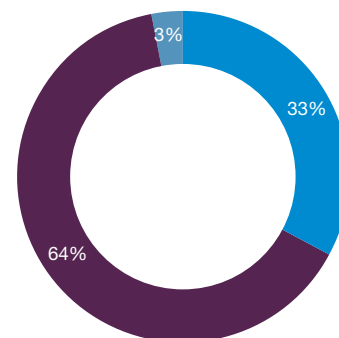
Having been in business for 96 years, we have built up a mature middle-market client base where more than 80% of the profile is 35 years and older. This trend is further reinforced by our strong focus on retirement savings, in this market, a strategy that has attracted long-term committed clients. In contrast, our new client profile differs substantially as a result of our efforts to attract younger clients to our business. Over the past two years, the 25 – 34 year age group has provided an average of 32% of our new business. Our entry-level business also reflects a mature client base, with 78% of our clients being 35 years and older. Over the past two years, the 24 – 34 year age group has provided an average of 33% of our new business.

Age profile of existing and new clients in entry-level market (%)

Existing clients



New clients



- 25 to 34 years
- 35 years and older
- Below 25 years

Key insights informing product development

The following key insights, together with the economic trends discussed in section 16, have informed our product development activities.

Tough economic conditions erode consumer spend

Low economic growth is eroding particularly low- and middle-income consumers' wealth and their ability to spend. Building an appetite for savings products within the entry-level market segment is therefore an industry-wide challenge. It requires innovative and cost-efficient products that deliver real value. We also need to tailor distribution models that can deliver these low-cost products to the market more cost effectively.

Upper segments prioritise medical and retirement products

Those with greater disposable income are able to diversify their portfolios and increase the number of financial products held. Upper segments of the market prioritise medical and retirement products.

Competition in the affluent market

While the affluent market continues to grow, it is generally well serviced by various financial services providers, driving down margins. Products are increasingly at risk of being commoditised in this market, particularly in the savings and investment sector. Brand and service differentiation are therefore key requirements in offering value and limiting margin erosion.

Entry-level market demand for funeral cover continues

The demand for funeral cover and its use as the primary financial product and savings vehicle in the entry-level market is a continuing trend demanding innovative product solutions (see next section).

Consumer comfort with interactive digital systems on the rise

While face-to-face engagement remains the preferred method of buying life insurance and investment products, younger consumers are becoming increasingly comfortable interacting with digital systems.

Product development activities in 2014

SPF

	Entry-level market % (decrease)	Growth market % (increase)	Affluent market % (increase)
New business flow (change from 2013)	(2,4)	9,8	29,9

Please refer to the 2014 Sanlam Annual Report for more detail.

Strong focus on attracting graduate clients

Reaching young clients, in particular the graduate market, is key to unlocking future value and maintaining our relevance. Our strategy is to promote a culture of savings by empowering graduates to develop their money management skills through a number of financial literacy campaigns.

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. (More on financial literacy programmes can be found on [page 97](#) and new graduate products on [page 75](#).)

Responding to regulatory changes

Increasingly strenuous legislative and regulatory requirements within the financial services industry require companies to adapt and innovate quickly.

The National Treasury is in the process of overhauling the retirement savings sector in South Africa in a bid to promote household savings and reform the retirement industry.

While the review is still under discussion, we recognise that we have an important role to play and are actively involved with government, via ASISA, to find the most suitable way to increase the value for our clients in their retirement savings portfolios. (See Sanlam's 2014 Annual Report for more information on regulatory impact.)

Our response to this potentially onerous challenge is to focus on enhancing existing product solutions rather than confuse our clients with glamorous new solutions. This strategy of continuous improvement is aimed at simplifying our product offering and making it easier for our clients to receive cost-effective service through our various distribution channels. Our message to the market is: "If you believe that you are covered, then you should be covered."

Improving the funeral product range for the entry-level market

In April 2014, Sanlam Sky Solutions launched a range of five funeral insurance plans addressing the culture and traditions of all South Africans. Each product is tailored to match a specific consumer's needs – starting with the basic funeral cover offered in the My Traditional Funeral Plan and culminating in the comprehensive suite of benefits in the My Prestige Funeral Plan.

Enhancements built into the range include: extended cover for the parents, extended age of the principal life insured (to 74), improved benefits on defined physical impairment, and the ability to add as little as R10 per month to a savings plan.

In keeping with TCF, these products are easy to use and service. We have written them in clear and plain language and are introducing mobile tools for intermediaries. We have set a 48-hour turnaround time for processing claims. While our stated turnaround is 48 hours, in 2014 we paid over 92% of funeral claims in 24 hours and over 67% in just four hours.

Middle market

We continue to build on the new solutions brought to market during 2013, such as Sanlam for Graduates, Cumulus Echo for retirement savings and Nimbus, a range of investment funds.

The focus for this year has been on providing cost-effective packaged solutions to clients, against a range of events, based on client needs. These are designed to motivate clients to contribute towards their risk and retirement plans and boost Sanlam's recurring premium business. Examples of such solutions include:

- ① Matrix Topcover, offering a combination of life cover and income protection.
- ② Matrix Core, combining death cover with a comprehensive contingency benefit.
- ③ Living Protector, an all-in-one risk benefit that includes disability cover, whole-life impairment cover, whole-life dread disease cover, loss-of-income cover and retrenchment cover.
- ④ Cumulus Echo conversion for those clients on old generation retirement plans. The conversion offers a more flexible and transparent retirement savings option. Together with Matrix Topcover, this can result in a large wealth booster, giving clients more motivation to continue saving and help them achieve their retirement goals.

This product packaging means that benefits cannot be chosen separately, resulting in a simplified solution, one which is cost effective and easy to understand. Packages can be further combined without any additional premium or loading, offering excellent rewards to clients who remain committed to their financial plan.

In addition to these packages, we have introduced a new risk product focused on a niche market – New Sanlam Child: Illness and Injury Benefit.

Affluent market

Within the affluent market we are the largest provider of living annuities in South Africa, offering a full suite of financial and investment solutions to meet the needs of high net worth individuals. In this role, we therefore have an added responsibility to help intermediaries and clients to manage their retirement savings responsibly.

Responsible products and services material issues report

continued

In response to National Treasury's concerns regarding the risks of clients running out of retirement savings in living annuities, we introduced a special form of annuity in 2014 that eliminates many of these risks. A first of its kind in South Africa, the Investment Linked Lifetime Income Plan controls the rate at which a client can draw down their retirement capital, while the client is able to remain in control of how the underlying assets are invested.

The solution combines features of both a guaranteed life annuity and an investment-linked living annuity, thereby balancing the client's need for market exposure with the need for retirement income that lasts a lifetime. The financial adviser can continue to provide ongoing advice on the choice of the underlying unit trust funds.

The client can provide for a spouse by opting for the units (or a reduced number of units) to be paid as a regular lifelong income to the spouse or other specified life insured after their death.

We will continue to enhance the extensive range of investment options with a particular focus on improving value for money for the client, managing the risk associated with the quality of advice given by intermediaries and making it easier for intermediaries to do business with Sanlam.

With National Treasury's Tax-free Savings Account that came into effect on 1 March 2015, we will provide clients with investment options that ensure they derive maximum benefit from this tax dispensation, while removing the need for clients to move their assets to other providers.

For further product development activities, see 'Embracing Technology' on page 82.

Distribution network

SPF new business inflows

%	2013	2014
Intermediated	89,4	88,9
Direct and corporate	10,6	11,1

Sanlam makes use of an intermediated distribution model to generate approximately 90% of all new business. Our prosperity is therefore dependent on a sustainable and growing flow of revenue from a high-quality sales force, with client-centricity and Treating Customers Fairly (TCF) at the core of our business philosophy and practice.

While the industry is continuously evolving with new distribution structures such as dealership models, franchise models and direct-to-market models, the business case for an intermediated distribution network remains positive. While direct channels are purported to be on the rise, our consumer tracking study reveals that the vast majority of clients still prefer to receive financial advice from a financial adviser. The aggregated industry statistics (provided by the Association of Savings and Investments South Africa/ASISA) support this.

The intermediary channel, which is one of the largest financial services distribution networks in South Africa, is therefore crucial to our business model. Nonetheless, there are significant challenges: the cost to support an intermediated distribution network has increased over the past five years; increased regulatory requirements have added considerable complexity; and competition continues to rise. However, we are confident that with the right support and a long-term value creation approach, we assist intermediaries to create and maintain a sustainable and economically viable business.

We support the development of a network of intermediaries who are well informed and highly capable, up-to-date regarding all legislative and regulatory compliance aspects, and well supported by Sanlam in terms of administration and advice.

The industry has also seen a number of new distribution models emerging over the last few years, aimed at persuading independent brokers to join tied agency forces. However, we have a more equal balance between these two channels at Sanlam. We endorse Sanlam's market segmentation approach, and structure our distribution channel accordingly.

Alignment with market segmentation

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

Critical success factors and our response

We consider the following as critical success factors impacting on our distribution strategy across both the affluent and middle market and entry-level and low-growth market:

- Adapt to legislative requirements
- Growing our footprint
 - Profitable growth
- Diversification
 - Finding synergies
- Operational/continuous improvement
 - Providing competitive products (see page 72 under "Product development")
 - Supporting intermediaries with efficient IT systems (see page 82 under "Embracing technology")
 - Securing and training the right people (see page 50 under "Training and skills development").

Most of these drivers are discussed elsewhere in this report. This section focuses on strategies to grow Sanlam's footprint and achieve progress against these critical success factors.

New legislation driving change

The regulatory environment is changing rapidly and profoundly. The potential impact of new legislative proposals, in particular the retail distribution review and retirement industry reform proposals, increases the level of uncertainty in the industry.

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

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

Responsible products and services material issues report

continued

We hold a number of roadshows and workshops around the country to discuss industry and corporate matters of interest. At these events, Sanlam general management, including the Sanlam Group CE, gain valuable input from intermediaries and discuss industry matters, such as TCF, intermediary contracts and client relationships.

We also provide our advisers and brokers with up-to-date information, through our monthly *Inside Sanlam Personal Finance* (Inside SPF) magazine, which is accredited by the Financial Planning Institute of South Africa (FPI) to credit intermediaries with 0.5 Continuously Professional Development (CPD) points per edition.

Growth in the distribution network

While adviser numbers in the growth and affluent markets have increased modestly, the number of BlueStar businesses has doubled, with close to 50% of the middle and affluent tied agents now being a part of a BlueStar practice. We continue with initiatives to recruit vested advisers and expand our footprint in key market segments.

In the entry-level market, the prohibitive costs associated with regulatory compliance for independent brokers prompted us to endorse a new model, the Affiliated Intermediary model. This model gives sole proprietors, or smaller brokerages, the opportunity to operate under Sanlam's licence through a contractual agreement. Sanlam brings its experience to this partnership to ensure that these independent brokers meet the required regulatory requirements. This network, along with the traditional tied agents, has seen good growth over the past year, increasing its market footprint by 15%.

Further, this growth supports our transformation agenda, and we have maintained a 99% black adviser staff complement, with 66% being female, in the entry-level intermediary network. This performance reflects our continued focus on improving the Company's geographic footprint in the entry-level market, and ensures our ability to build trusting relationships across South Africa's diverse client base.

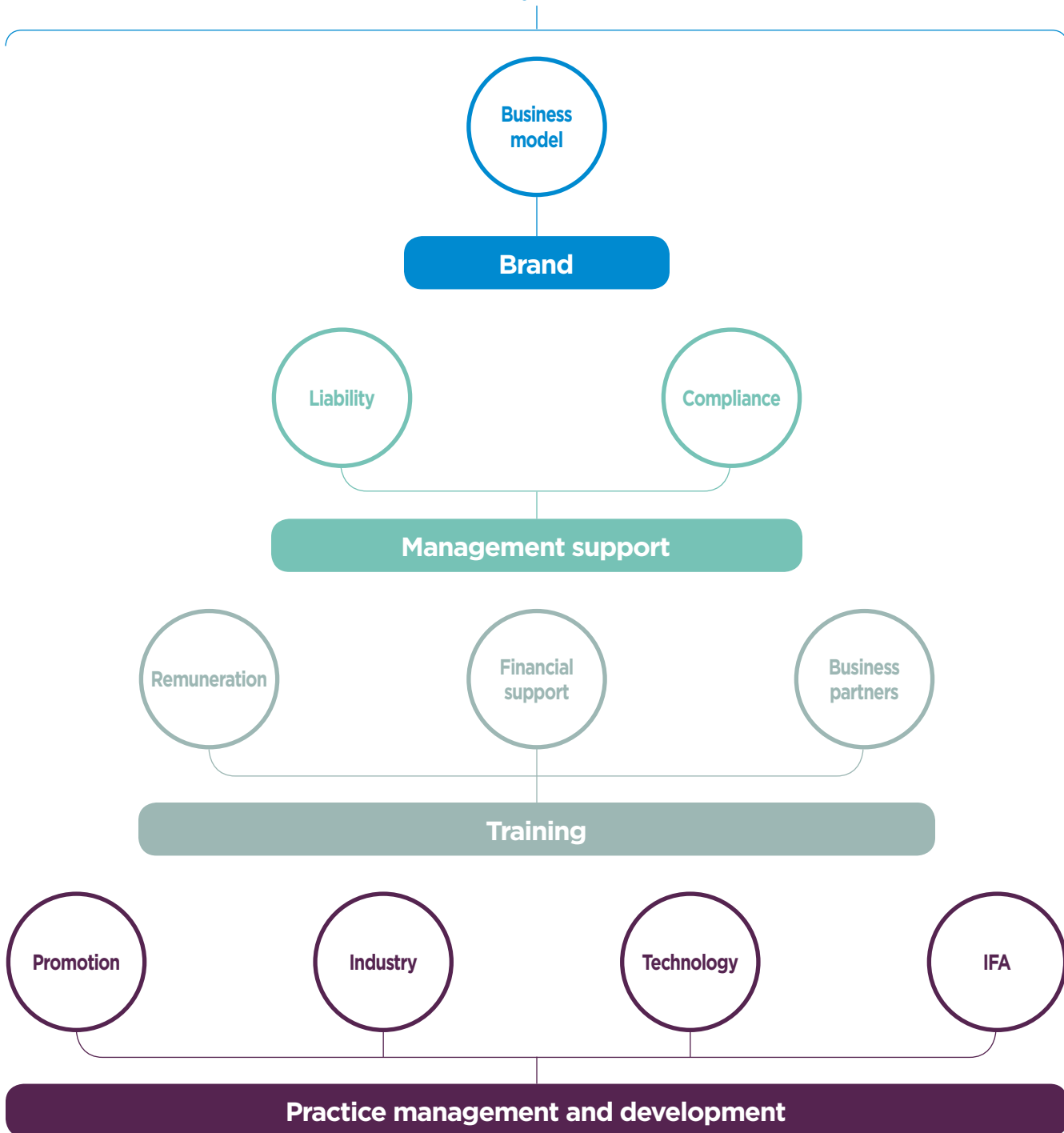
Key strategic initiative for the growth/affluent market

SPF Distribution (middle and affluent) seeks to strengthen its position in the marketplace, build loyalty and respond to legislative challenges through a strategy based on the critical success factors that relate to our two main market segments.

A significant initiative within this strategy is Sanlam BlueStar, which aims to convert tied agents with small practices into professional, entrepreneurial businesses. Sanlam BlueStar is a support structure that allows a practice to specialise and diversify into a range of areas, including general insurance, medical aid, investments and the risk business. Our aim is for our tied agency force to build their businesses using Sanlam's suite of BlueStar services. These include brand, management support, training, and practice management and development (see diagram).

Sanlam BlueStar 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. The intention is to build and run profitable and compliant financial advisory businesses with predefined rules and processes.

Sanlam's solution - your BlueStar business



Responsible products and services material issues report

continued

BlueStar businesses have their own brand identity linked to the new Sanlam brand. Each BlueStar business will soon have their own website. The Sanlam website serves as the platform, and presents the relationship with Sanlam while promoting the business. Sanlam BlueStar helps agents build client loyalty through increased customer awareness, easy use of social media platforms, and more effective marketing campaigns.

A new initiative in the Sanlam BlueStar space in 2014 has been the successful collaboration between Sanlam Employee Benefits (SEB) and SFA (tied agents). EB BlueStar has become a portal where tied agents have full access to employee benefits, greatly improving their ability to penetrate the small- to large-company market, an arena still largely dominated by independent brokers.

EB BlueStar addresses the specialised, complex needs of EB business, such as regulation, compliance and fund management. This service adds to Sanlam's existing digital offering, encouraging advisers to make the most of the digital tools available through the BlueStar platform.

As part of the Sanlam Enterprise and Supplier Development (ESD) programme there is a focus on supporting the efficiency of BlueStar businesses through practice management development, as well as supporting individual financial planners to become BlueStar principal owners.

More information regarding our enterprise development initiatives can be found on page 95.

Entry-level market distribution strategy

While SPF Distribution (middle and affluent market) seeks to strengthen its position in the market through initiatives such as BlueStar, Sanlam Sky Solutions (entry-level and low-growth market) has a growth strategy focused on reaching new market entrants, where profitable growth, diversification and continuous improvement are critical success factors.

Identifying alternative opportunities for business has been the focus for 2014. In developing leads, our strategy is to bring advisers closer to their clients, gradually evolve and expand our product range for the entry-level market, and professionalise our engagement with clients to ensure we build sustainable, long-term relationships. Worksite marketing is an important aspect to this strategy. Being on-site and accessible to clients

improves client satisfaction, builds relationships and enables us to further educate our clients in building financial independence.

Sanlam's progress in developing its distribution channels into the entry-level market is described in the section below – 'Providing access to financial services'. Training initiatives are discussed on page 50 under 'People development'.

Providing access to financial services

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

Market research has suggested a number of avenues to improve this situation: to better understand the needs of these consumers and create products that fit their needs; to engage consumers where they are in their communities, rather than through the existing branch network; to work with trusted partners that already serve low-income consumers; to provide incentives for participation in the mainstream financial system; and to craft technology solutions that work for low-income consumers, but without losing consumers who are more comfortable with face-to-face interaction.

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

Sanlam Sky Solutions

Sanlam Sky Solutions is the business cluster responsible for growing our penetration into this under-developed market. Sky was consolidated into Sanlam Personal Finance in 2011 – as part of the South African retail cluster – to focus solely on the entry-level and low-growth market, and to develop innovative individual and group solutions that efficiently meet the needs of low-income earners.

Expanding our client reach

Increasing our distribution footprint is key to expanding into the lower income market. Funeral policies are the mainstay avenue for meeting clients' basic needs; they also serve as a savings tool in this market. The SPF business cluster has been active in developing appropriate products and expanding our distribution footprint in the communities where our customers live.

A significant development in 2014 was the expansion of our pilot funeral parlour business in KwaZulu-Natal to six parlours in the region, along with the introduction of four new client service centres and sales offices in Cradock, Manguzi, Makhado and Botshabelo. In addition, a mobile servicing unit is being piloted in North West and Gauteng shopping centres.

These initiatives were further backed up by the Sanlam and Takalani Sesame roadshow, themed 'Start the Right Way', which visited seven towns in South Africa during August and September, and reached more than 262 000 people. The aim of the roadshow, while entertaining for the whole family, was to help communities understand how the decisions they make today will influence their lives tomorrow.

In keeping products affordable, we offer favourable rates to members of affinity groups. Two of our funeral products adhere to three of the FSC Access product standards. These funeral products have been instrumental in meeting our FSC targets for access to financial services. In addition, our credit life product offered through SPL meets the ASISA FSC credit life standard.

Financial education

Sanlam, through its Foundation, has partnered with leading skills training provider Avocado Vision to empower communities countrywide with basic financial skills, to enable them to make better financial choices, and to encourage savings. The pilot project of the Money fo Sho! financial education programme reached around 15 400 people in six provinces earlier in 2014. (See page 100 under 'Prosperous Society').

The FSC

We subscribe to the Financial Sector Code (FSC), which measures the extent to which we provide access to financial services to the entry-level market. We view this market as a big opportunity for Sanlam to expand our business and deliver on our promise to improve people's lives. By December 2013, we had close to 650 000 low-income market policies in force over a wide geographical area, around 54% higher than our FSC target of 427 000. This enabled us to achieve all nine available points for transactional access and market penetration under the FSC codes. In total, we scored 12,05 (2013: 11,59) out of 14 on the FSC scorecard for access to financial services.

Access to financial services indicators

	2013	2014
Number of in-force low-income market policies	650 000*	656 000*
FSC access to financial services score (out of 14)	11,59/14	12,05/14
FSC access to financial services product standards	1,5/3	2/3

*Approximate figures.

More information regarding our BBBEE transformation scorecard can be found on page 94.

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

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.

MI Embracing technology

Adopting new technology solutions is aimed at improved communication, interaction and support of the distribution channel. Our consumer-tracking studies reveal that clients across all segments continue to prefer their first interaction to be with a person rather than a digital interface. However, significantly more clients than last year are feeling comfortable with digital interaction.

We therefore see technology assisting us to reach our goals in two significant areas:

- ④ Improve strategic planning through data analytics.
- ④ Operational efficiency solutions
 - Intermediary software support systems
 - Mobile and online technology solutions.

④ Group data analytics

Advanced analytics has the potential to extract patterns, behaviour and choices from the large sets of data being constantly generated in the course of Sanlam's business. Sanlam's actuaries have already unlocked considerable value by interrogating this data and streamlining products in line with customer demand.

A significant development is Sanlam's value map, which puts intermediary, client and product information onto one database. This enables Sanlam to identify challenges and sales opportunities. It also helps us to see which areas yield the most business and who writes this business, and helps us to make better decisions. The challenge Sanlam is currently addressing in order to make best use of this data is to develop the capacity to extract valuable insights from the data and make it available to the business.

④ Operational efficiency solutions

During 2013, we enhanced the online capabilities of intermediaries servicing the growth and affluent market by launching SanFin, a self-help online transaction portal, financial planning system and online intermediary portal. This intermediary portal simplifies 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. The rollout of SanFin has been staggered throughout 2014 with a focus on training and qualifying brokers to use these tools to their best advantage.

Once SanFin is fully implemented, brokers will be able to access the system remotely and from mobile devices, synchronise data without time delays (including for BlueStar business databases), simplify the presentation to clients of the results of financial needs analyses, and gain immediate access to various knowledge tools and advice, such as the Oxford Risk Tolerance Questionnaire. Early feedback has been overwhelmingly positive, particularly from brokers operating in remote communities.

Mobile technology solutions

Capitalising on the new opportunities mobile technology presents, Sanlam Sky Solutions has developed a unique mobile solution, SanTech, for the Agency Distribution channel. Launched in June 2014, SanTech is aimed at making advisers' lives easier and helping them to grow their businesses. Currently, it enables advisers to view and access client information from their mobile devices. Ultimately, SanTech will enhance Sanlam Sky Solutions' professional image and increase productivity. This tool will help us to be more efficient in the field and add value to our clients' experiences.

Responsible investment

Our investment philosophy

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

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

Policy framework

Sanlam Investment Management (SIM) has adopted the United Nations Principles for Responsible Investment (UNPRI) and the principles of the Code for Responsible Investing in South Africa (CRISA). In doing so, we signal our intention to comply with international best governance practice, in particular to promote a relationship of trust between all relevant stakeholders and to contribute to the ongoing and long-term sustainability of listed companies.

In 2014, we included SI's conflict of interest management policy in our suite of responsible investment policies and procedures.

Given our right to vote responsibly as shareholders on behalf of our clients, we have adopted appropriate proxy voting guidelines to comply with our interpretation of best governance practices.

Proxy voting

We vote on all proxies of companies in which our clients are invested, without abstaining, where we are mandated to do so. In 2014, we voted on 3 028 proxy resolutions and declined 10% of them, mostly to limit general access to capital and remuneration. We concentrate more on remuneration inputs (policy) than outputs. However, we found that 94% of the resolutions that we declined were, in the end, approved at the companies' shareholder meetings.

	2014	2013	2012	2011	2010
Number of resolutions voted on	3 028	1 708	1 942	1 737	1 777
Number of resolutions declined	300	215	201	156	176
Percentage of resolutions declined	10%	13%	10%	9%	10%
Number of declined resolutions still approved at meeting	282	200	190	139	113
Percentage of declined resolutions still approved at meeting	94%	93%	95%	89%	64%
Number of engagements held*	3	2	15	8	0

* The number of engagement occurrences vary, year on year, according to the incidence of material ESG issues raised either by analysts or investee companies.

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.

Responsible products and services material issues report

continued

Advocacy

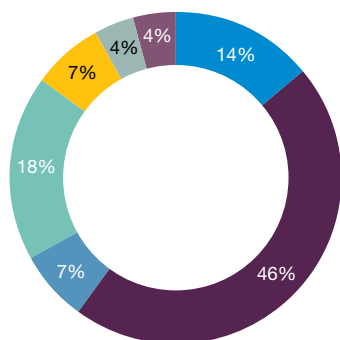
We supported two collaborative investor lobbying initiatives. By signing the Global Investor Statement on Climate Change, we joined other investors in calling on policymakers to provide policy certainty to encourage low-carbon investment. We also signed a statement which highlighted the need for the International Organisation of Securities Commissions (IOSCO) to work within its regulatory guidelines and with its exchange members to improve the availability and quality of environmental, social, governance (ESG) information issued by companies.

Governance issues

Engaging company boards and other stakeholders

We engage boards of companies on governance and performance issues on behalf of clients in terms of our escalations policy, which was approved by the SI board in 2012. The reasons for engagements, which mainly had to do with remuneration, are shown below:

Reasons for engagements (% since January 2011)



- Access to capital
- Remuneration
- Board composition
- Performance
- Strategy
- Express support
- Other

Remuneration issues and incentive schemes

We have a policy in place for proxy voting and it is guided by the following:

- ① Schemes should be defined by a majority independent remuneration committee, be reasonable and approved by shareholders in advance.
- ① Directors should not be able to set or modify the terms of equity compensation without shareholder approval.
- ① Performance hurdles should be based on returns in excess of cost of capital plus a margin.
- ① Shares available for incentive awards should not exceed 10% of shares in issue, with no single participant receiving more than 0,5% (exceptions may be granted to facilitate transformation).
- ① Schemes should have a life of less than 10 years and we will vote against schemes that result in compensation into perpetuity.
- ① The discount at which shares or share options are issued should be limited.
- ① We will not support the repricing of awards as it constitutes a retrospective transfer of risk to shareholders.

Transparent reporting

In 2014, Sanlam's policy framework and engagement was assessed by the UNPRI against its six principles. We are using the assessment to improve our approach to responsible investing and to learn from our peers around the world.

Society

We frame sustainability in the social context of wealth creation through work. Companies act responsibly by providing decent work to achieve equitable, inclusive and sustainable development for the benefit of stakeholders. Social policy addresses human capital, as well as the relationships between companies and their stakeholders.

Through our membership of ASISA, we contribute to the debate around social issues ahead of legislation that may affect the sustainability of investment returns or other client interests.



Environment

Sanlam Investment Management's (SIM) responsible investment policy commits us to undertake research into investment-related environmental risks and opportunities, monitor how companies manage their environmental challenges, and encourage them to strive for continual improvement. In terms of our escalation policy, we may engage companies on their material environmental issues and collaborate with other investors in engaging companies.

In 2014, SIM began working with environmental indicator data sourced from Trucost*. Using this data, we are developing models that include an environmental element in our company valuations, allowing us to deliver on our commitment to monitor companies on their material environmental issues. In future we will develop channels for engaging with companies.

Empowerment financing and infrastructure development

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 Holdings to a majority black consortium in 1994. Our Ubuntu-Botho broad-based black economic empowerment (BBBEE) transaction matured in December 2013, and remains one of South Africa's most successful empowerment transactions. 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 BBBEE transactions allow black people to either gain direct ownership over existing or new entities, or to facilitate joint ventures and equity investments in BBBEE companies.


* Trucost are environmental economists, based in the UK. They compile and model data on environmental damage by companies.

Targeted investments

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

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

The financial services industry identified the opportunity for a dual approach to empowerment financing, which goes beyond shareholding-only status by promoting empowerment through targeted investments. This is the unique advantage that the FSC offers, and a view that Sanlam wholly supports. At the end of December 2014 we had a total of R15,9 billion (2013: R13,8 billion) in empowerment finance and targeted investments assets. This includes government bonds and is arrived at after applying FSC weightings. We continue to meet all the requirements of the FSC and are on track to meet the FSC's December 2017 targets.

More information regarding our BBBEE transformation scorecard can be found on  page 94.

The next steps for our Ubuntu-Botho BBBEE transaction

Sanlam's Ubuntu-Botho (UB) transaction, which matured in December 2013, was one of the first significant BBBEE transactions in the financial services sector, and resulted in substantial value creation of some R15 billion over the past 10 years.

Ubuntu-Botho, our empowerment partner, led by Patrice Motsepe, initially acquired 226 million Sanlam shares at the beginning of 2004. The transaction was funded through R1,148 billion debt and a capital investment by Mr Motsepe of R200 million. Of the capital investment, R62,5 million was used to enable the participation of the broad-based empowerment groupings.

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

The Sanlam dividends received over the following 10 years were enough to repay all of the debt, cover costs and in 2007 enable UB to pay a R50 million once-off dividend to its shareholders



and, in 2008, invest R110 million in Ubuntu-Botho Investments Holdings (Pty) Limited, a targeted investment company jointly owned by Sanlam and UB.

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

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

- ④ Ubuntu-Botho Investments has agreed to retain a core shareholding in Sanlam for a further 10 years, thereby ensuring a sustained empowerment shareholding for the Group. Sanlam will also retain the valued involvement of the Ubuntu-Botho representatives on the Sanlam Board.
- ④ Both parties will jointly explore and pursue opportunities of common interest, while Sanlam will assist Ubuntu-Botho in its strategy to establish an independent financial services business.
- ④ The Sanlam Ubuntu-Botho Community Development Trust benefited from the value created in the transaction over the past 10 years and will now actively contribute to the initiatives of both Sanlam and Ubuntu-Botho Investments, aimed at supporting poor and disadvantaged communities.





4

Prosperous society

We're in the business of planning for tomorrow. It's the never-ending pursuit of meticulously crafting people's features. It's a tireless, timeless approach that's rooted in our founding purpose of helping everyone in South Africa to live their best lives possible.



Why a prosperous society is important

By creating wealth, Sanlam activates the savings and investments of millions of people to create jobs, build businesses, address social and economic issues and contribute to building social cohesion. This activity lightens the burden on the state, which otherwise has to provide for retirement and disability. As things stand, social benefits (employment and security) in South Africa cost taxpayers R57 billion annually (2014 National Budget Review). In addition, corporate South Africa contributed R8,2 billion to social development initiatives (Dialogue CS/ Handbook, 2014).

Sanlam recognises its responsibility not only to create and preserve wealth for its clients, but also to ensure the increased participation in the economy of previously disadvantaged individuals and communities. As Wealthsmiths™ we are in the business of building legacies and have a sincere desire to make a real and positive difference – to create lasting value.

This section starts out with our value-distribution statement showing the impact of Sanlam's products and services on society and how we impact on redistributing wealth more equitably over time. This theme continues to play itself out through the BBBEE scorecard, where in this section we specifically focus on transformation and empowerment through preferential procurement and enterprise development.

Finally, we recognise our obligation to involve all citizens in the wealth creation and preservation process through financial literacy and education. Once empowered with this knowledge, ordinary citizens can join the national conversation aimed at reforming the retirement funding industry and make responsible decisions concerning the sustainability of their financial future. The Sanlam Foundation plays a critical role in this regard.

Linkage to business strategy

Earnings growth 	Wealth creation requires a stable socio-economic environment. We contribute to the wealth and social security of the countries in which we operate by responsibly managing the retirement savings of millions of people, providing credit facilities to the banking industry, investing in local businesses and communities, and contributing to economic growth of the countries.
Optimal capital usage 	
Operational efficiencies 	
Diversification 	
Transformation 	

What we are doing to contribute to a prosperous society

Key performance indicators

	2012	2013	2014
Wealth accumulated (R million)	117 516	145 467	140 204
Wealth distributed (R million)	117 516	145 467	140 204
– Policyholders	96 987	119 652	112 106
– Employees and directors	6 123	7 027	7 889
– Shareholders	3 491	5 284	5 090
– Suppliers	3 606	4 735	5 637
– Government	4 003	3 856	3 934
– Communities	67	98	84
– Retained for future growth	3 239	4 815	5 464
CSI spend (R million)*	34	64	67
BBBEE scorecard**	80,92	87,54	89,14

* CSI spend linked to the FSC verified numbers and includes Santam.

** 2012 score measured against the Department of Trade and Industry's BBBEE Code of Good Practice (the Generic Code). 2013 measured against the Financial Sector Code.

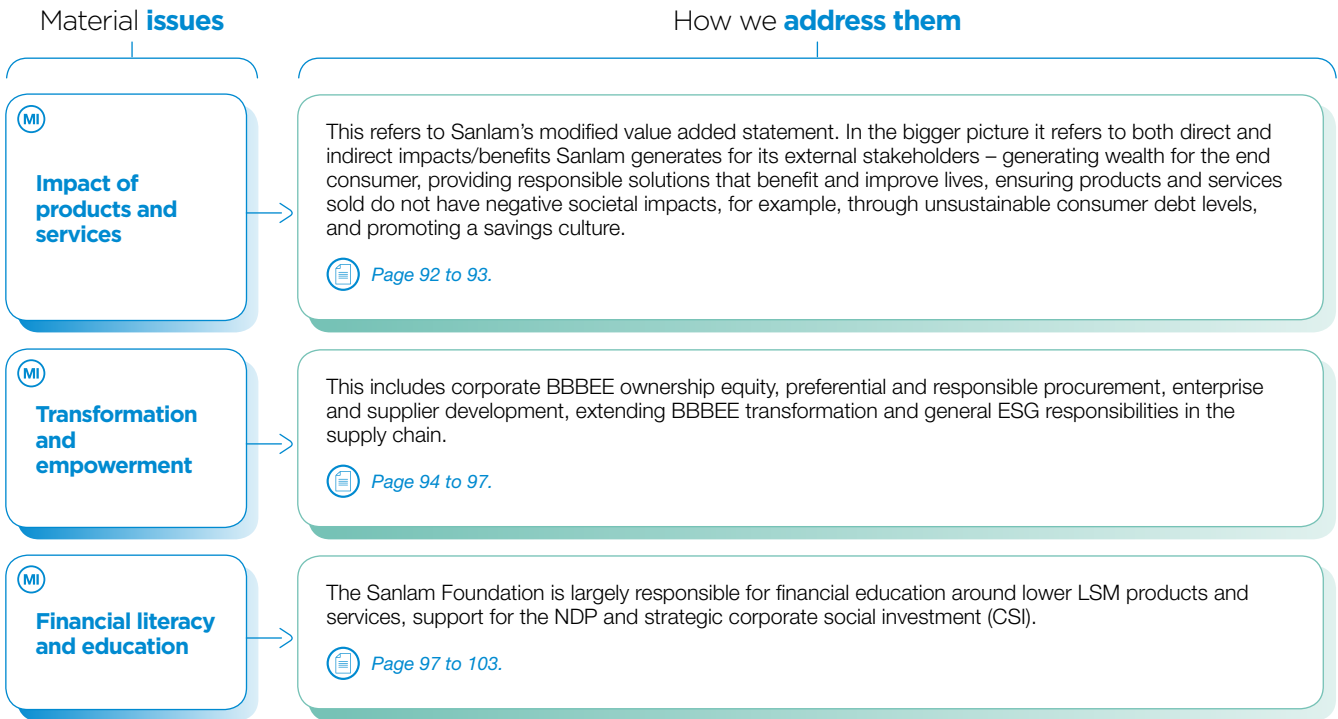
Group and cluster response

Our response is largely at a Group level, through the Sanlam Foundation. Our response to emerging markets is excluded from this report.



Prosperous society material issues

We focus on the following material issues:



Prosperous society material issues report

MI Impact of products and services

People are saving less for their retirement

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

The general picture of the savings industry in South Africa has been deteriorating. People are not saving enough for their future, resulting in an increased burden on the State as they grow older. Their reasons for this are many, but include the increased cost of living and rising indebtedness.

Despite the growth in aggregate assets of retirement funds in South Africa, from R171 billion to R2 749 billion, and despite active members having increased from 7 838 533 to 15 005 306, (as at 31 December 1994 and 2012), the Sanlam Benchmark Survey 2014 shows that only 29% of South African retirees can maintain their standard of living in retirement. This is concerning, as more individuals will have to ensure that they can generate an income beyond the average retirement age. This disturbs the dynamics of a stable society.

A study conducted by ASISA in 2014 shows that the insurance gap has increased from R18,4 trillion in 2010 to R24,0 trillion in 2013 (R9,3 trillion in respect of death and R14,7 trillion in respect of disability cover). This represents an increase of between 9% and 10% per annum, exceeding annual inflation by at least 3%. Given these growing shortfalls, government has sought to introduce various reforms to the retirement funding industry. These include making it more attractive for members to make contributions to retirement savings and to preserve their retirement funds, improving the disclosure of reporting to members, simplifying retirement savings products, applying stricter controls to the retirement and savings industry, and improving transparency of intermediary remuneration.

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

Sanlam's response

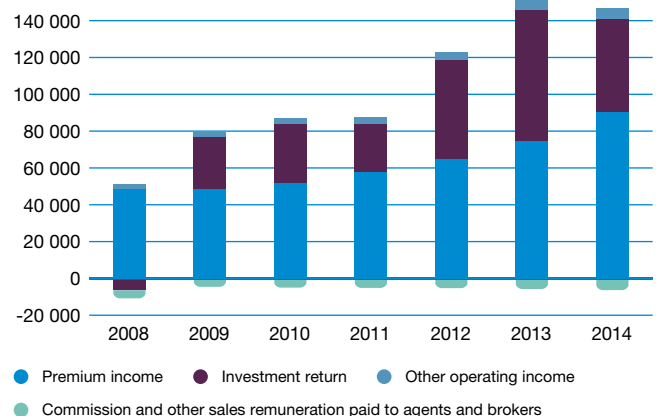
Sanlam's strategy is to do everything in its power to build trust with its clients. There are three main components:

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

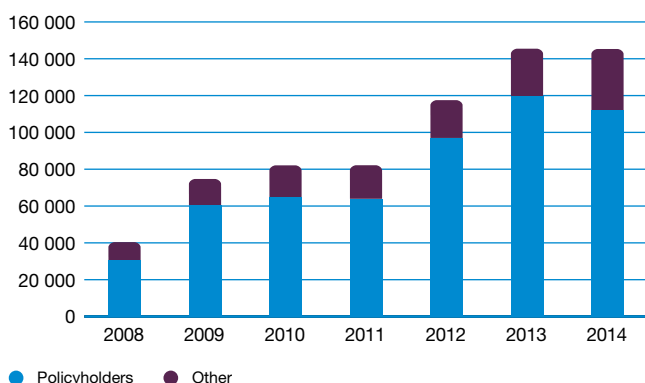
Through our Benchmark Symposium Study, we take on a leadership role in the retirement fund research space in South Africa by encouraging industry stakeholders to improve their business practices. All information is made freely available to the public, and provides key insights for various stakeholders,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

For the full report on the Benchmark Symposium Study, visit www.sanlambenchmark.co.za.

Wealth accumulated (R'million)



Wealth distributed (R'million)



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 annual accumulated wealth decreased by 4% in 2014, predominantly due to a 29% decline in investment returns.

Our investment returns fluctuate over time as these depend on the financial performance of the economy and the markets we invest in.

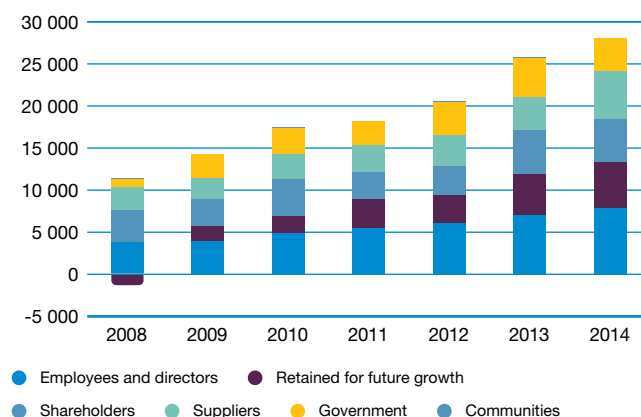
Investment returns amounted to R50,3 billion, or 36% of the total wealth we accumulated in 2014.

Premium payments amounted to R90,3 billion, or 64% of the total wealth we accumulated in 2014. Since 2010, we have steadily grown our business and increased our client base, resulting in an average increase of 15% per annum in our premium income.

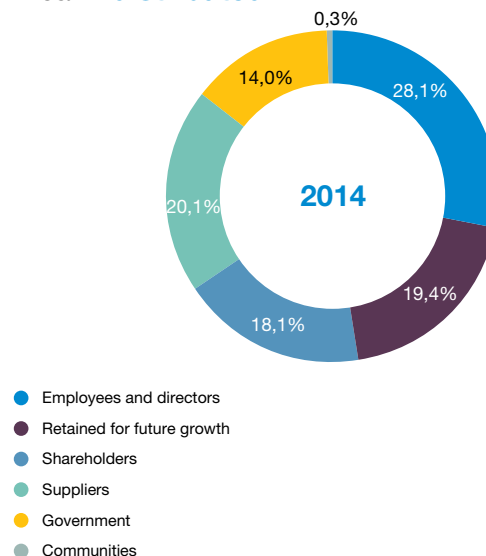
Approximately 80% of the wealth we accumulate every year is distributed to policyholders. In 2014, we distributed R112,1 billion (2013: R119,6 billion) to our policyholders in the form of insurance claims and reserves for future payouts to clients when their investments mature.

The accompanying pie chart illustrates how we have added value to our other stakeholders.

Wealth distributed (R'million)



Wealth distributed



MI Transformation and empowerment

Why this is important

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 business imperative.

Transformation is one of the five key strategic pillars in our business strategy and will remain one of the cornerstones of our approach to sustainable development. The aspects of transformation and empowerment are defined by the dti's Codes

of Good Practice (CoGP) and take into account the specific challenges of the financial services industry.

The dti's codes have been amended and are due to be implemented in 2015. In applying these new codes to the financial services industry, certain industry-specific issues will need to be considered by the FSC, in consultation with various stakeholders, including ASISA. It is expected that the FSC will issue a revised set of standards for implementation in 2015.

Sanlam's performance against the codes

Sanlam is expected to maintain its level 2 rating with almost full points for the ownership element, but recognises there is room for development in the employment equity and preferential procurement areas.

Sanlam's verified **FSC scorecard**

Element	Weighting	2013 Score (verified)	2014 Score (verified)
Ownership	14 + 3	15,90	15,97
Management control	8 + 1	7,07	7,07
Employment equity	15 + 3	7,07	7,71
Skills development	10	9,13	9,16
Preferential procurement	16	14,04	14,18
Enterprise development	5	5,00	5,00
Socio-economic development	3	2,74	3,00
Empowerment financing	15	15,00	15,00
Access to financial services*	14	11,59	12,05
Total	100	87,54	89,14
Contributor level		2	2

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



Ownership

We have made steady progress against our transformation objectives over the past six years, improving our level from 4 to 2 over this period. Sanlam's ownership score, which includes ownership through mandated investment, has also steadily increased, showing good improvement in our black female ownership component. Our total black ownership percentage, as per the FSC rules, was 31,33% (2013: 33,59%) as at 31 December 2014.

In terms of the amended codes, Sanlam is expected to achieve an almost full score for the ownership element.

Preferential and responsible procurement

The dti's BBBEE scorecard reflects the imperative to transform the entire supply chain to be more representative of the country's demographics. At Sanlam, we believe that transforming our supply chain represents a significant contribution to creating equitable wealth, both within the communities in which we conduct our business and across society as a whole.

Group Sourcing manages procurement centrally. This reduces the cost of procurement and provides opportunities for suppliers that perform well to expand their contracts with us across multiple business clusters.

Following the implementation of new procurement systems in 2013, we now have the tools to analyse our procurement spend across the business more accurately. Analysis shows that there is room for Sanlam to further incentivise procurement from 50% black-owned entities and 30% black women-owned entities.

Procurement-related opportunities for our suppliers are also linked to our BBBEE scorecard's enterprise development (ED) component. However, ED beneficiaries do not automatically qualify for procurement-related contracts. Those who do qualify are awarded contracts based on how well they meet the selection criteria. Ensuring the viability of these suppliers remains a significant challenge. Linked to our FSC score on preferential procurement, 32,3% (2013: 32,5%) of total procurement spend was spent on small and micro-enterprises. We continue to build our procurement pipeline and have shared details on our procurement approach and processes with a range of SMMEs.

Enterprise development

Supplier development is an integral part of our procurement policy. Developing enterprises in the supply chain is a vital source of job creation, poverty alleviation and creating an enabling environment for SMMEs to thrive as active participants in growing the economy. Sanlam is committed to using its procurement power to stimulate black-owned small business development and economic growth, both inside and outside its supply chain.

We currently have three primary enterprise development programmes: the Sanlam Enterprise and Supplier Development (ESD) programme (managed by ASISA), the Shanduka Black Umbrellas partnership and the TSIBA Ignition Centre partnership.

Our overall enterprise development initiatives for 2014:

- Supported 107 businesses with 7 600 hours of enterprise development and mentorship, thereby creating 137 new jobs
- Helped enterprises achieve 22% growth in turnover.

Sanlam Enterprise and Supplier Development (ESD) programme

This programme has two streams focused on developing business capacity within our distribution network and in our supply chain with selected suppliers. In 2014, the Sanlam ESD programme provided more than 6 000 hours of business development support to 80 SMMEs, investing more than R5 million in financial support to Sanlam suppliers and creating 65 jobs (excluding additional indirect jobs). The total turnover, across all the participants, increased by 12% to around R215 million, generating an equivalent advertising value of R730 000 and reaching an audience of 12 million people.

See our case study on [page 96](#) for more details on Sanlam's supplier development initiative.

Supplier Development

Supplier development forms an integral part of Sanlam's overall enterprise development focus. The Sanlam Enterprise and Supplier Development (ESD) programme, launched in 2013, and managed by the Association for Savings and Investment SA (ASISA), recognises that the real hurdle to sustainable growth for many entrepreneurs is a lack of experience, a need for mentorship and access to markets. The focus of the programme is on identifying, incubating and developing small and medium businesses that show potential for future growth, rather than simply supplying grant money and expecting business owners to achieve growth on their own. This programme focuses on the integration of business development support, access to finance opportunities, and corporate supply chain.



The supplier development part of the Sanlam ESD programme successfully completed the first phase of this development project in 2014. The supplier development programme achieved the following:

- ④ Five small and medium enterprises (SME) were handpicked from Sanlam's supply chain and provided with more than 1 500 hours of focused business development support. The aim is to double the number of participating enterprises in 2015.
- ④ The creation of 37 new jobs for these businesses and an average growth in revenue of 20%.
- ④ Procurement spend of around R2,1 million was channelled to these SMEs in 2014.

Following the success of the first phase, the second phase was launched towards the end of 2014.



Shanduka Black Umbrellas

In December 2013, the Sanlam Foundation and Shanduka Black Umbrellas (SBU) signed an enterprise and supplier development agreement to identify 25 fully black-owned enterprises with a turnover of less than R5 million per annum and proven business track-records. The twofold aim is to make them supply chain-ready for possible opportunities within the corporate supply chain, as well as to offer these enterprises support and development via the Shanduka Black Umbrellas incubation programme.

As at September 2014, 19 businesses are being incubated (two non-performers of the original 20 having been substituted by one additional candidate enterprise): 10 are in Cape Town, eight in Johannesburg and one in Pretoria. Three black-women-owned businesses have been identified for possible supply chain opportunities: two in Cape Town and one in Johannesburg. By September 2014, the programme was supporting 111 jobs, 72 of which are new permanent jobs and 36 new part-time. A total annual turnover of R17,4 million was achieved with net profits of around R5 million. A total of 4 060 hours of business development support was provided, along with 230 hours of mentorship support. The social return on investment for this partnership has been calculated at 496% (represented by the total rand value generated as a percentage of the total amount invested by Sanlam).

SBU is continuing to work with the Sanlam Group sourcing and procurement departments to develop an understanding of the procurement opportunities available within Sanlam and other corporate supply chains.

TSiBA Ignition Centre

Sanlam has partnered with the TSiBA Ignition Centre to assist black-owned small businesses to improve business efficiency and their readiness to supply large corporations.

TSiBA's 10-month business development programme focuses on strengthening business acumen as well as operational, financial management and marketing skills of black SMMs. Through the partnership with TSiBA's Ignition Centre, we have been able to work with five businesses, improving their compliance with Sanlam's quality standards and working towards gaining access to Sanlam's procurement divisions.

These enterprises range in experience from five to 17 years of operating history and employ 65 employees. A total of 200 hours in business development support was employed, along with 100 hours of mentorship support from TSiBA Ignition Centre's pool of experienced business coaches.

The programme is making good progress, with average annual sales per business amounting to R1,85 million and average net

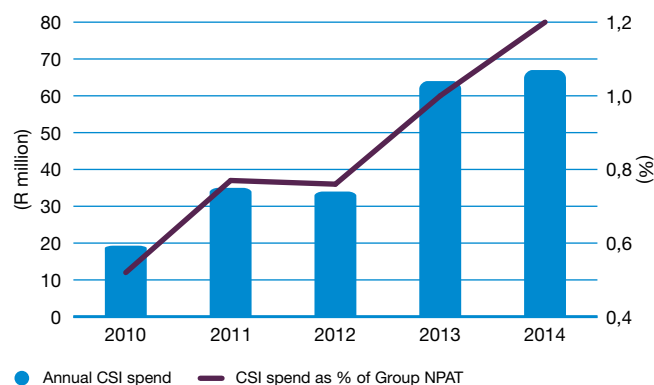
profit of R139 000. Fifteen additional jobs were created over the course of the programme's support. This investment is expected to impact directly on the sustainability of these small businesses, their confidence levels and their ability to create jobs in their respective communities.

MI Financial literacy and education

Equally important for the sustainable economic development of our country is helping consumers better understand the long-term implications of their financial decisions as well as the products available from the savings and investment industry. Barriers to sound financial decisions include poor saving discipline, a lack of understanding of how wealth accumulates (or can be lost) through the power of compound interest, and the difficulty in discerning the appropriateness of financial products on offer.

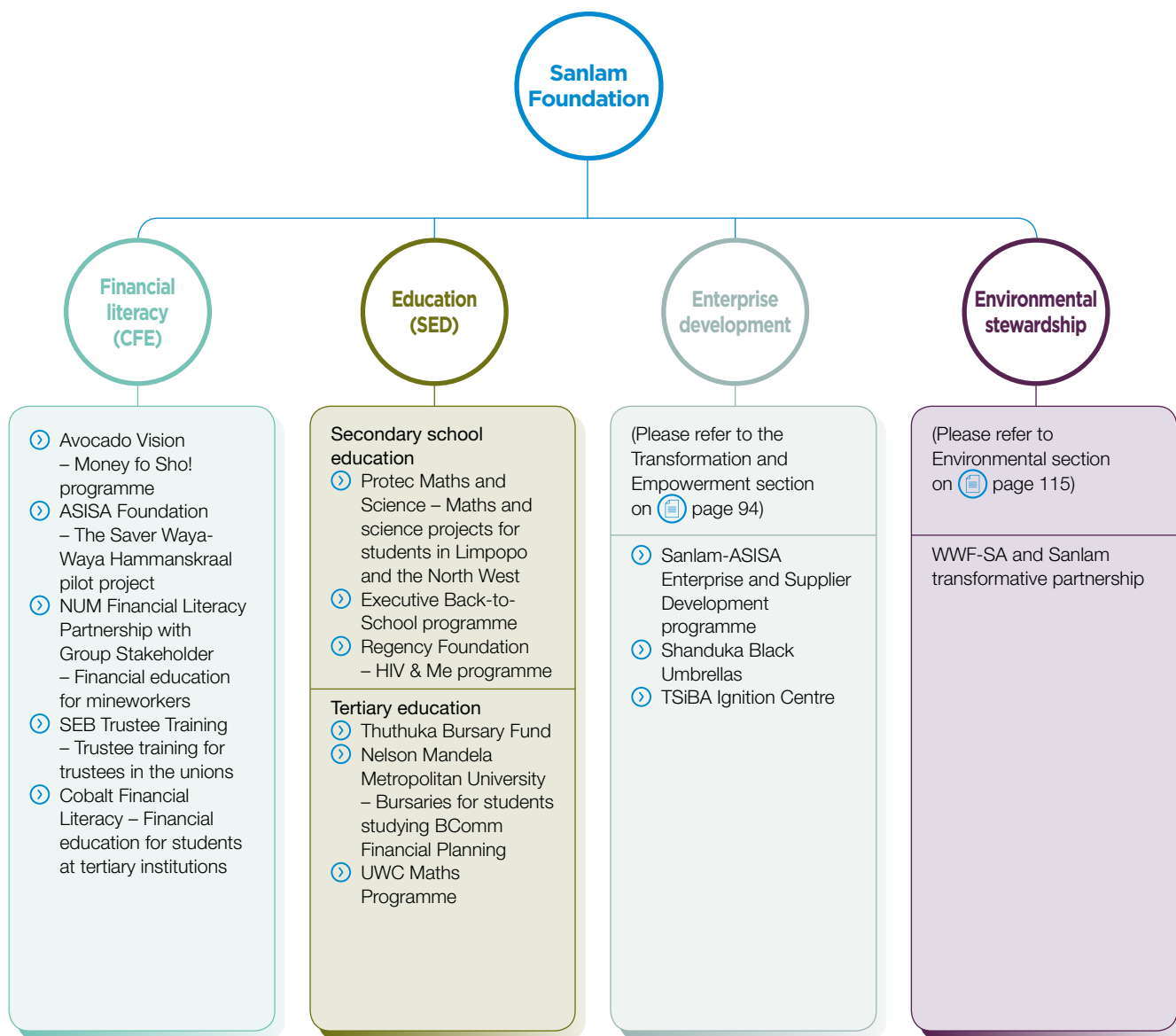
It is therefore vital that in order to achieve improved savings rates and financial independence for the citizens of South Africa, the levels of financial literacy and understanding also need to improve. This is one of the central tenets of the Treating Customers Fairly regulation and Sanlam recognises its responsibility to educate its clients, its potential clients and broader society in this regard.

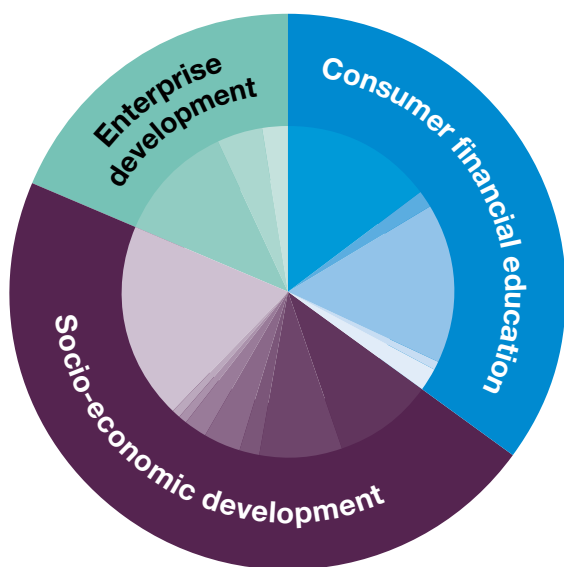
In 2014, Sanlam was able to influence the financial futures and attitudes of more than 20 000 South Africans across the country at LSM 1 – 8 levels through the Group's consumer financial education interventions.



Sanlam's financial literacy and education spend is split evenly between the Sanlam Foundation and our individual business units. During 2014, our CSI spend was R67 million (2013: R64 million), an increase of 5% over 2013, and in line with our commitment, in accordance with the Financial Sector Code (FSC), to spend approximately 1% of NPAT on CSI.

Prosperous society material issues report continued





- Avocado Vision
- ASISA Foundation
- NUM Financial Literacy Partnership with Group stakeholders
- SEB Trustee Training
- Cobalt for Professionals
- Protec (Sanlam Learner Brilliance Programme)
- Executive Back-to-School Project
- Regency Foundation
- Thuthuka Bursary Fund
- NMMU
- UWC Maths Programme
- Ad hoc programmes
- Environmental
- Sanlam/ASISA ED Programme
- Shanduka Black Umbrellas
- TSIBA Ignition Centre

	2012	2013	2014
OP Hope – learners	1 687	1 959	–
NMMU BComm (Fin Plan)			
Students	5	5	8
NMMU BComm Challenge			
Students	98	106	200
Cobalt: Financial literacy			
Learners		13	17
Students	3 000	4 000	3 000
Protec			
Educators	60	60	60
Learners	80	80	80
Schools	14	14	14
UWC			
Schools		15	15
HIV & Me			
Educators		22	29
Learners	9 175	1 326	2 543
Thuthuka			
Learners	8	16	24
Money fo Sho! – Avocado Vision			
Community members			15 400
Hammanskraal project			
Community members			8 327
Executive Back-to-School project			
Schools		9	5
Graduate vacation programme*			
Students		42	42

* Refer to page 45 in the People Development section.

Prosperous society material issues report continued

Principles guiding the Sanlam Foundation

Partnership and collaboration	We partner with leading NPOs to implement all our corporate social and environmental initiatives and encourage Sanlam employees to participate. We work with government departments, ensuring alignment with national priorities.
Core business alignment	We focus on education, in line with Sanlam's core capabilities of financial management and planning. This allows us to leverage our expertise, minimise our risk of failure and deliver maximum benefit to both society and the long-term sustainability of our business.
Values-and-brand fit	We test all our programmes and partnerships for their fit with our values and our brand, ensuring that each project is a true reflection of our corporate identity and will promote brand loyalty.
Holistic systemic approach	We invest in multiple components linked to our projects to improve their overall efficacy and impact.
Long-term investment	We rigorously select all our programmes and monitor, evaluate and assess their impacts. We hold our service providers to account through regular reporting on agreed deliverables and outcomes.

➤ Financial literacy projects (CFE)

The Foundation supports five financial literacy and education projects.

Money fo Sho! financial education programme

Sanlam Foundation, in partnership with Avocado Vision, has completed its six-month pilot phase of the Money fo Sho! financial education programme for consumers in June 2014. This programme aims to equip communities across South Africa with the financial skills and knowledge required to make better financial decisions.

Over the six-month period, Money fo Sho! trained 15 400 community members, exceeding its target of 15 000. The project was implemented in six provinces, namely Gauteng, Limpopo, KwaZulu-Natal, Eastern Cape, Western Cape and the North West province. The beneficiaries were predominantly economically disadvantaged black women. An independent evaluation showed clear evidence of improvement in financial knowledge, but the challenge remains a short-term shift into being long-term behavioural change.

ASISA Foundation – Hammanskraal project

The ASISA Foundation's objective is to 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. Our support of the ASISA

Foundation enabled a total of 167 sessions to be held for 8 327 participants; of these, 38% were held in rural areas and 71% of the participants were female.

National Union of Mineworkers (NUM) financial literacy partnership

Following a request from Sanlam Employee Benefits (SEB), a project to offer financial literacy training to mineworkers is being planned, with a pilot project for shop stewards due to be launched in 2015. In discussion with NUM, it became clear that our mutual interests were to help increase levels of financial literacy. A pilot programme will be launched in 2015 in collaboration with the ASISA Foundation.

SEB trustee training

Sanlam Employee Benefits approached the Foundation to fund a trustee training programme for unions, owing to the lack of training presented in this market. The purpose of this programme is to ensure that those individuals who have been entrusted with the role of trusteeship are empowered with the requisite information and skills to carry out their duties. Twenty delegates from COSATU attended, along with one from FEDUSA, two from NACTU and two independents.

Financial literacy university programme

The Sanlam Cobalt Financial Literacy Campaign reached over 3 000 students at 17 different tertiary institutions this year. Lectures covering a range of financial literacy topics targeted university graduates. The objective of this series of interactions is

to provide graduates with financial knowledge aimed at guiding their financial decisions when they graduate and earn their first salaries. This programme includes Thuthuka bursary students at the universities in our operating areas. An independent assessment of the programme saw a significant increase in knowledge, confidence in choosing financial products, and a greater appreciation of the importance of having financial goals and sticking to a budget.

Education programmes (SED)

Sanlam Learner Brilliance Programme (LBP) (secondary education)

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 disadvantaged grade 10 learners at 14 schools in Mogwase (North West) and Tzaneen (Limpopo).



Protec student excels in matric



With the help of Protec, Mzimasi excelled. Despite having to travel 65 kilometres to school, six days a week, on 6 January 2015 he received his outstanding matric results: 96% for maths and 82% for physical science. Having secured a place at the University of Johannesburg to study actuarial science, he feels he can look forward to a bright future, thanks to Sanlam, Protec and hard work.

Mzimasi Bhomela had moved from the Eastern Cape to Limpopo with his father at the age of four. After his father was retrenched from the mines and returned to the Eastern Cape, the young Mzimasi was left in the care of his eight brothers and sisters. He failed to make the grade for entrance into the Sanlam-sponsored intervention programme managed by Protec, an NPO offering Saturday schools to assist learners improve their maths and science results.

However, courage and determination in the face of extreme poverty makes a compelling case for an academic assistance programme. When Mzimasi applied for a second time in 2012, in the Bojanala Platinum District, North West, Protec decided to give him a chance.



Prosperous society material issues report continued

A key goal of the project is to enhance the performance of learners in maths and science and ultimately improve the learners' chances of gaining a university entrance certification. Protec supplemented the programme with additional maths classes, as well as individual mentoring and coaching. Not all the targeted pass percentages were achieved, but in the Limpopo schools the learners participating in the programme achieved a 95% pass rate, with a 68% bachelor pass rate (university entrance pass rate). This compares with the Limpopo provincial pass rate of 72,9% and the bachelor pass rate of 22,2%.

In the North West province, the learners participating in the programme achieved a 98% pass rate, which included a 73% bachelor pass rate. This compares with the North West province pass rate of 84,6% and the bachelor pass rate of 72,5%.

2014 was the final year of the three-year project for Limpopo and the North West province, taking the learners through from grade 10 to matric.

HIV&Me (secondary education)

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. 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.

Feedback from the educators and learners indicates that they enjoy the sessions and feel motivated to educate other people within their community. Following on from the successful school-based intervention is the Community Partnership Programme (CPP) implemented in the communities serviced by the HIV&Me participant schools. The objective is to provide HIV/Aids education to the broader parent community, thus working to ensure that learners have a strong support network that encourages open communication about health and sexual behaviour.

Executive back-to-school project (secondary education)

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 business unit is required to build a relationship with the school and provide it with equipment, educational support and other necessities not provided by the Department of Education. During 2014, five schools across the country benefited from this initiative.

Thuthuka Bursary Fund (tertiary education)

The Sanlam Foundation is in the second year of a five-year agreement with the Thuthuka Fund to support 16 students financially. These students are given an opportunity to apply for the Sanlam Chartered Accountant Training Programme, hosted by Sanlam's Group Finance department. 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. These include financial management; internal audit; risk management and governance; taxation; and management decision-making and control.

BComm financial planning bursary (tertiary education)

Our involvement with the Nelson Mandela Metropolitan University (NMMU) led to our support of its BComm courses in financial planning and its postgraduate diploma in financial planning. In 2014, Sanlam awarded eight bursaries to students. This brings to 18 the total number of students we currently support at NMMU. Three of the students are going to further their studies by doing their postgraduate diplomas. Students who were funded are working for Sanlam and other financial services provider institutions.

The Sanlam Foundation Business Challenge (tertiary education)

The Sanlam Foundation Business Challenge, an internet-based business simulation competition at NMMU, now in its third year, was designed to encourage students to apply financial and business theory in practice and provide an opportunity for them to demonstrate their entrepreneurial flair. This year 200 students completed the challenge (2013: 106).

UWC Maths programme (tertiary education)

We have partnered with the University of Western Cape (UWC) on a maths research programme. It builds on understanding the way that maths concepts are taught and learnt. The focus is on teachers working in schools facing adverse conditions. They participate in four or five workshops per year, where content knowledge is expanded with the aim of establishing feasible solutions to strengthen the current teaching methodology. The focus is to enhance the conceptual understanding of core mathematical concepts and processes, adding value to teaching practices in society. The pilot consists of 15 diverse schools.

Environmental Stewardship (SED)

WWF-SA Sanlam partnership (Environment)

The WWF-SA 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. In a partnership spanning seven years, Sanlam has committed more than R35 million and will be investing a further R20 million in the renewed three-year partnership. More details about the project can be found on page 115 to 116.

Enterprise development

The three projects with an enterprise development focus are discussed in more detail in the section under 'Transformation and empowerment' on page 95. Through our sponsorships, we also support the Entrepreneur of the Year Award in partnership with Business Partners.

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.





5

Environmental impact

We are driven by our sincere desire to make a positive difference and to create a world worth living in. For us this starts with nurturing the environment with the same diligent attention we show all the materials entrusted to us.

Why our environmental impact is important

Climate change and environmental degradation impact on people's lives and this will affect the financial services industry, being the underlying providers of investment, general insurance and long-term insurance solutions.

While environmental concerns are less material than governance and social concerns, there are two important aspects for Sanlam. Firstly, as a leading institution in South Africa, it is important that we set an example even as we advocate for responsible stewardship of our natural resources. Further, and more tangibly, more efficient utilisation of energy and natural resources leads directly to operational efficiencies and cost savings. Making changes in our usage behaviour now, anticipates expected regulation in the form of punitive taxes, such as the carbon tax, which can be expected in the future.

Sanlam's direct environmental impact is largely represented by the presence and activities of our people working in the six* major office buildings across South Africa. By changing behaviour, we can not only save costs, but also raise a sense of higher purpose and fulfilment among our employees, causing them to match this behaviour as Wealthsmiths™, where prudence in financial management builds wealth as surely as prudence in environmental stewardship preserves our natural resources.

Bigger than our direct impact on the environment is our indirect impact. Using our leverage as a co-owner in the economy, we are able to influence the management practices of the companies we invest in through our investment decisions, proxy voting and high-level engagement.

* Sanlam Head Office, Sanlam Investments, Glacier, Hyde Park (Sandton), Sanlynn, Sanlam Sky. The Sandton building replaced Hyde Park from 1 December 2014.

Linkage to business strategy

Earnings growth 	<p>Mindful of the increasing impact climate change will have on our earnings potential in the future, we adapt our products, specifically our general insurance products, to take environmental changes into account. Please refer to the Santam Integrated Report.</p> <p>We are also committed to increasing the share of our investments in environmentally responsible markets.</p>
Optimal capital usage 	
Diversification 	
Operational efficiencies 	<p>We minimise our own environmental footprint to prepare us for a low-carbon economy and enhance our reputation as a responsible corporate citizen.</p>
Transformation 	

What we are doing about our environmental impact

Key performance indicators

	2010*	2013	2014	2015 target
GHG emissions/FTE	11,77	9,77	9,71	10,00 (15% reduction)
GHG emissions per m ²	0,48	0,42	0,44	0,41 (15% reduction)
Electricity usage (kWh/m ²)	369	316	312	295 (20% reduction)
Water usage (kℓ/m ²)	1,06	0,74	0,63	0,90 (10% reduction)
Paper consumption per FTE (kg/FTE)**	21,68	33,52	30,90	18,43 (15% reduction)
% Waste to landfill (kg)***	58	50	49	10 (10% of total waste)
% Recycled waste (kg)***	42	50	51	90 (90% of total waste)

* Baseline year.

** Office paper only.

*** Sanlam Head Office.

Group and cluster response

Environmental aspects, managed largely at Group level in accordance with our Group-wide environmental policy. Sanlam's sustainability office is responsible for managing Sanlam's response to its environmental concerns. Environmental reduction targets are set at Group level for energy, water and waste. The Group Environmental Sustainability committee meets every quarter to monitor and manage progress against the Company's overall environmental footprint reduction. The functional responsibility lies with Corporate Facilities, which manages the six buildings in scope:

- ④ Supply chain – We are extending our influence across the supply chain by encouraging suppliers to adopt responsible environmental management practices and reward those suppliers that do. Our procurement policy includes environmental criteria in purchasing decisions.
- ④ Influencing behaviour – Educate and raise awareness among employees and business partners using various communication channels, including Sanlam's monthly *Insight* magazine.
- ④ Product development – Integrate environmental factors (along with social and governance factors) into the product development process.



Group level

All: Participate in the quarterly environmental forum discussions and implement the action items aimed at reducing the energy, water and waste impact of each of the six main buildings in South Africa.

Cluster level



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



SEM: Business outside of South Africa does not currently form part of the scope of the Group environmental management. Specific initiatives are unaccounted for in the current reporting structure. This report excludes Santam Buildings.



What we are doing about our environmental impact

continued

NBI Private Sector Energy Efficiency project (PSEE)

Sanlam, in partnership with the National Business Initiative (NBI), led a workshop with Western Cape-based suppliers to showcase its own environmental management initiatives and to encourage suppliers to adopt leading practices. Sanlam has made available its own knowledge as a resource that these suppliers can apply. The first focus was to improve energy efficiency and then use these savings to invest in further initiatives to reduce the environmental footprint of these businesses.

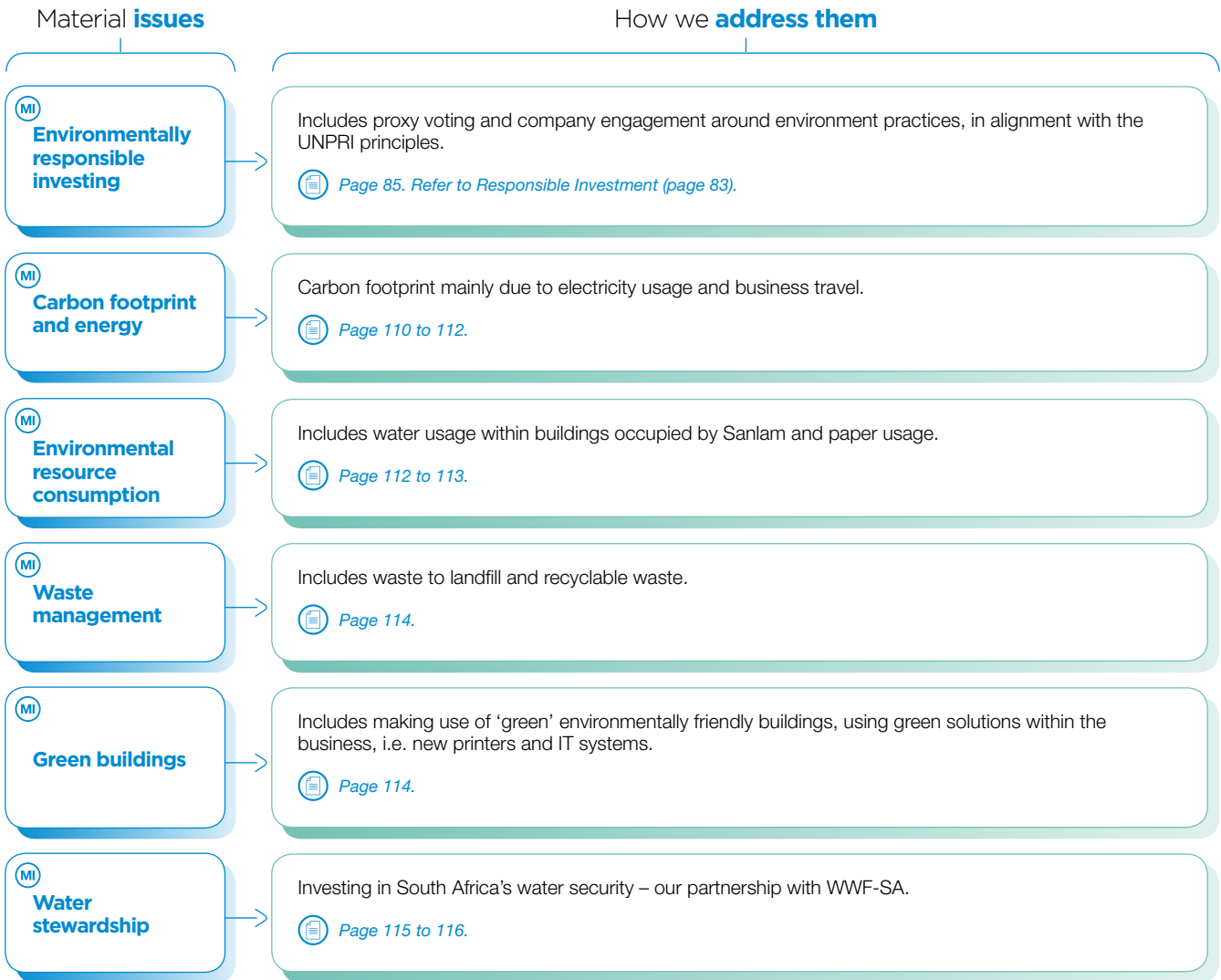
This year we engaged with our supply chain, sharing how, through focusing on efficiency gains, we achieved our electricity reduction without tying up any significant cash flow. This engagement was in partnership with the Private Sector Energy Efficiency initiative of the NBI, where we acted as lead agent. We targeted over 200 Western Cape small to medium-sized suppliers across the Group (including Santam), including our enterprise development beneficiaries and partners. This resulted in an active engagement with just under 50 suppliers. We intend to follow through with a Gauteng-based engagement, which includes certain of our SMME clients during the first quarter of 2015.





Environmental impact material issues

We focus on the following material issues:



Environmental impact material issues report

MI Carbon footprint and energy

> Carbon footprint

This year we again participated in the Carbon Disclosure Project (CDP) and for the first time were included in the top performance list of the Carbon Performance Leadership Index (CPLI).

	2010*	2013	2014	2015 target
Total carbon footprint (tCO ₂ e)	58 179	53 955	53 092	49 452 (15% reduction)
Scope 1 – note 1	41	68	115 ^{LA}	
Scope 2 – note 2	44 535	38 988	39 584 ^{LA}	
Scope 3	11 677	14 712	13 311	
Other non-Kyoto GHG emissions – note 3	1 926	187	82	
GHG emissions/FTE	11,77	9,77	9,71	10,00 (15% reduction)
GHG emissions per m ²	0,48	0,42	0,44	0,41 (15% reduction)
Electricity usage**(kWh/m ²)	369	316	312	295 (20% reduction)
Business travel				
Air travel (km/FTE)	5 520	5 104	4 665	4 692 (15% reduction)
Car rental (km/FTE)	193	187	163	164 (15% reduction)
Hotel accommodation – bed nights/FTE	1,85	1,98	3,23	1,57 (15% reduction)

* Baseline year.

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

Note 1: Scope 1: This represents one of the KPIs of our Sustainability Management Framework. The basis of measurement thereof is Scope 1 emissions based on the GHG protocol for six buildings: Sanlam Head Office, Sanlam Investments, Glacier, Hyde Park (Sandton), Sanlynn and Sanlam Sky. The Sandton building replaced Hyde Park as from 1 December 2014.

Note 2: Scope 2: This represents one of the KPIs of our Sustainability Management Framework. The basis of measurement thereof is Scope 2 emissions based on the GHG protocol for six buildings: Sanlam Head Office, Sanlam Investments, Glacier, Hyde Park (Sandton), Sanlynn and Sanlam Sky. The Sandton building replaced Hyde Park as from 1 December 2014.

Even though our overall electricity consumption has decreased from 2013, the emission factor provided by Eskom has increased from 0,98 to 1,03. This resulted in an increased emission of approximately 600 tonnes.

Note 3: Non-Kyoto protocol GHG emissions are reported separately according to GHG protocol.

^{LA} Limited assurance

Our carbon emissions for 2014 were 53 092 tonnes CO₂e (2013: 53 955 tonnes CO₂e) for an intensity of 9,71 tonnes CO₂e per FTE, slightly lower than in 2013. By far the biggest contributor to our carbon footprint, comprising 75% of the total, is the municipal electricity we purchase from Eskom. Our indirect emissions (Scope 3) increased by 14% compared to the baseline 2010. This is due to the inclusion of additional factors in the calculation of the carbon footprint from flights and waste. However, business air travel (km/FTE) has been reduced by 15% since 2010.

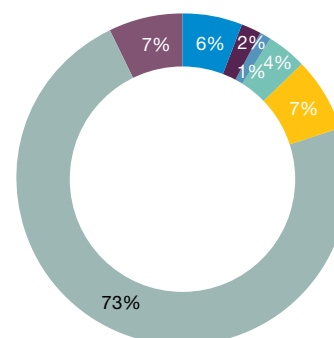
Electricity consumption

As the biggest contributor to our carbon emissions, minimising our electricity consumption is a top priority. Sanlam Head Office contributes the greatest proportion at 73% of the total. The systems consuming the most energy are the heating, ventilation and cooling systems (HVAC).

Our energy management forum monitors and analyses information from newly installed energy measurement equipment that highlights consumption outside of predetermined parameters in real time. The strategy is to seek efficiency gains before committing to capital outlay. The 11% reduction during 2013 enabled us to save close to R6 million, which was used to replace lights and upgrade the chilling unit. This, together with the continuous efficiency gains in practices, all contributed to the 15% reduction in electricity for 2014. Smart management and innovation have resulted in the facilities management team finding a way of running only three instead of 11 chillers in the HVAC system without sacrificing the quality of the air in the building. We have reached out to employees who now work in ring-fenced areas during non-core hours, further reducing electricity consumption.

As a result of these and other initiatives, Sanlam Head Office reduced its consumption by 14% between 2014 and 2010, saving a total of R5,3 million kWh. This contributes 87% of the total electricity savings of 6,1 million for the Group and is reflected in the overall Sanlam saving of 15% (per m²).

Consumption per building 2014 (38,4 million kWh)



- Sanlam Sky
- Hyde Park
- Sandton
- Glacier
- Sanlyn
- Sanlam Head Office
- Sanlam Investments

	2014 kWh
Sanlam Sky	2 205 000
Hyde Park	931 604
Sandton*	165 034
Glacier	1 480 211
Sanlyn	2 858 633
Sanlam Head Office**	28 045 900
Sanlam Investments	2 727 534
Total Group (six buildings)	38 413 916

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

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

Green information technology

The greening of information technology (Green IT) plays an important role in reducing Sanlam's carbon footprint. 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.

Environmental impact material issues report continued

We are rolling out various programmes to improve the energy efficiency of our data centres and standardise the types of IT equipment used. The success of these programmes is evidenced by the fact that 15% more machines were added to the data centres since January 2014 without an increase in the energy consumption.

MI Environmental resource consumption

> Water usage

While we are not a water-intensive business, we are one of South Africa's leading financial services groups and recognise our responsibility as a corporate citizen to address the challenges of water scarcity in the country. Following the principle of 'what is measured can be managed', we continue to install additional water meters in all major buildings, aimed at measuring the consumption of different systems, as well as improving the accuracy of our water meter readings.

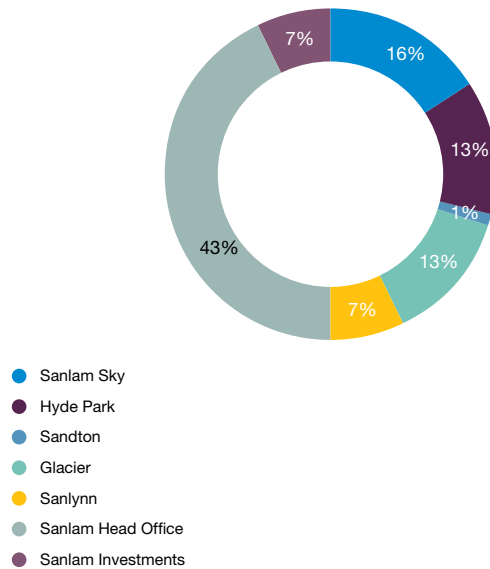
From our municipal accounts, we estimate that the Sanlam head office consumes more than 40% of our total water usage, mostly through the HVAC system. As described above, innovation and improved efficiency in the use of our chilling units are reducing not only our energy requirement, but also our water consumption.

Consumption per building 2014 (77 270 kℓ)

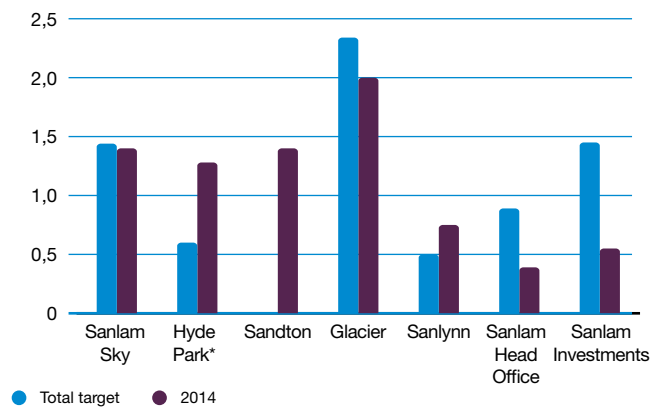
	2014 kℓ
Sanlam Sky	12 378
Hyde Park	10 303
Sandton*	837
Glacier	9 985
Sanlynn	5 218
Sanlam Head Office	32 970
Sanlam Investments	5 579
Total group (six buildings)	77 270* ^(A)

* This represents one of the KPIs of our Sustainability Management Framework. The basis of measurement is water usage for six buildings: Sanlam Head Office, Sanlam Investments, Glacier, Hyde Park (Sandton), Sanlynn and Sanlam Sky. The Sandton building replaced Hyde Park as from 1 December 2014.

Consumption per building 2014 (77 270kℓ)



Sanlam water usage (kℓ/m²)



* Please note Sandton building replaced Hyde Park as from 1 December 2014.

In 2014, we participated in the Global Water Disclosure Project, enabling society to interrogate how its corporate citizens use this scarce resource. Our aim is to become water neutral by investing in the Water Balance programme of the WWF-SA, focused on the Ndlamlenze community situated alongside the Pongola River catchment area in KwaZulu-Natal.



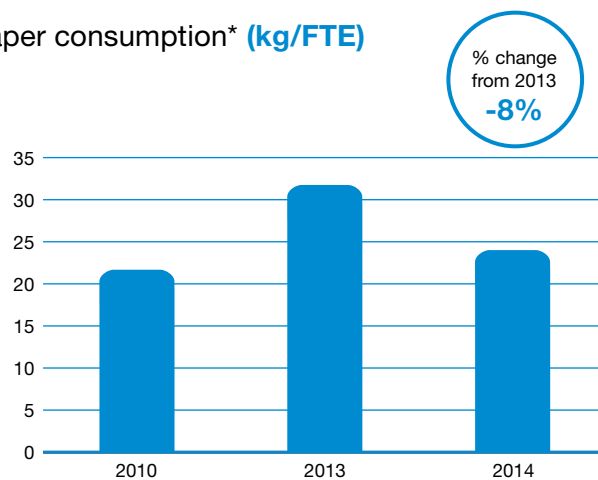
➤ Paper usage

The production and use of paper has a number of adverse effects on the environment. Deforestation is a threat where logging takes place in old growth forests. The manufacturing process releases GHG emissions, which have negative effects on the environment. We are moving towards using less paper to reduce such impacts.

Considering these risks to the environment, Sanlam implements a three-pronged strategy:

- Source environmentally friendly paper – all paper procured by Sanlam is Forest Stewardship Council (FSC) certified.
- Reduce the volume of paper generated – our *Think Before You Print* campaign has received a further boost with the procurement of 80 smart printers, completing the initiative that started in 2013 with the acquisition of 200 such printers. These printers allow defaults to black and white, double-sided printing and track printing activity by employee. Compared to 2013, we have also used 40% less paper as a result of the automatic double-sided printing functionality. Communication with our clients continues to migrate from paper-based letters to email communication, greatly reducing the use of paper.
- All used paper must be recycled – clear signage and ongoing communication encourage employees to recycle all used paper in the conveniently located recycling bins. Paper recycling is now a habit well entrenched at Sanlam.

Paper consumption* (kg/FTE)



	2010	2013	2014
Total kg*	158 085	236 897	224 412
Kg of paper/FTE	21,68	33,52	30,90

* Office paper only.

Environmental impact material issues report continued

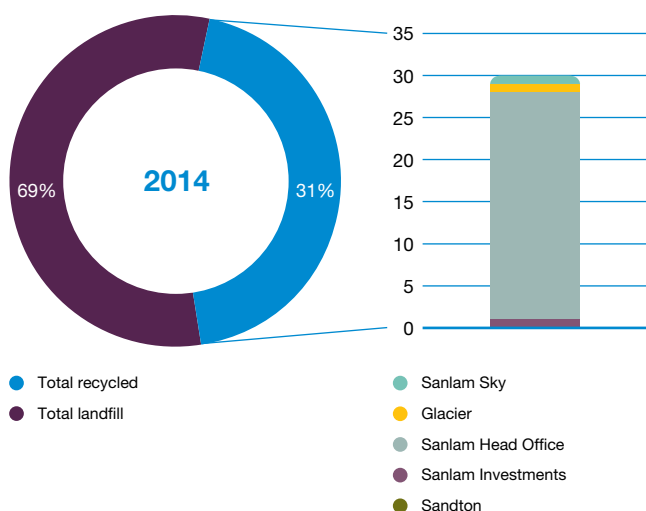
MI Waste management

Without conscious management, waste ends up in landfills, causing cities considerable town planning challenges, as well as adding to the pollution load on the environment. Recycling reduces this impact and provides employment opportunities for sorting and processing waste.

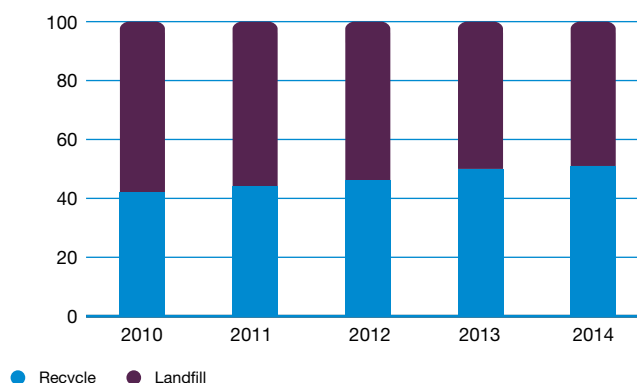
We have made a commitment to reduce our waste to landfill and increase our recycling capacity. Aside from paper, discussed above, Sanlam generates waste in the form of printer ink cartridges, packaging and food waste. Sanlam Head Office accounts for more than 50% of our total waste. Here, recycling, as a percentage of total waste, has increased by 9% since 2010.

Starting at Sanlam Head Office, a recycling awareness campaign was activated to educate staff on the importance of recycling and the correct procedures for separating different classes of waste to facilitate easier recycling and waste management. The drive focuses on separating paper waste from other forms in order to avoid contamination. We have further put 91 cleaning staff and 30 facilities staff (including representatives from the core waste team) through a waste management training session. During 2014 we adopted a Group waste management policy and also established Integral Waste Management Plans (IWMP) for key buildings. All new staff members are introduced to this at staff induction sessions. Training, to further embed the culture of recycling among our staff members, will be extended to targeted staff (to act as environmental ambassadors) during 2015.

Waste by building (740 555 kg) 2014



Sanlam Head Office waste split (%)



MI Green buildings

Green buildings are ones that have been designed or retrofitted to require significantly less energy and other resources than legacy buildings. By using natural light and ventilation, as well as smart design for the movement and accommodation of the modern knowledge worker, these buildings also offer a healthier environment in which to work.

Sanlam has six major buildings in which almost all its 5 468 full-time employees (FTE) are accommodated. Two of these are now four-star buildings: a new seven-storey office block in Gauteng, close to the Sandton Gautrain station and the Glacier building in Cape Town.

Our strategy is to consolidate our staff complement as far as possible in the new four-star buildings, thereby reducing the need for the less efficient buildings. This year, 800 staff members were relocated to the new building in Sandton. Further, we are assessing the other four buildings for their green building status and will use this understanding to make improvements in environmental efficiency.

Corporate Facilities continues 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 energy and water consumption.

Water stewardship

Investing in SOUTH AFRICA'S WATER SECURITY – our partnership with WWF

Water is vital to the South African economy. The 2015 World Economic Forum (WEF) Global Risk Report ranked, for the first time, water crises as the top global risk in terms of impact and eighth in terms of likelihood. This reflects the growing recognition of the severity in impact that the lack of water supply and quality has on all economies. South Africa is listed as one of the 30 most water-stressed countries in the world; when extreme weather events occur, most likely the result of climate change, the poorest communities are the first to slide into a water deficit, with negative consequences for nutrition and health.

In our bid to contribute to the country's water security, we have partnered, since 2007, with the World Wide Fund for Nature South Africa (WWF-SA) to conserve and ensure the healthy functioning of South Africa's water systems. To date we have invested close to R30 million in this partnership and will be investing an additional R20 million over the next three years. The partnership has collaborated with the Council for Scientific and Industrial Research (CSIR) to define and identify South Africa's water source areas. The research revealed that only 8% of the land area of South Africa generates more than half of our river flow. These water source areas, 21 of them in total, are national assets that provide a disproportionate amount of run-off to the rest of the country, and are generally found in the high altitude escarpment and Cape Fold Mountains which receive the most rainfall. Downstream users and ecosystems are dependent on the healthy functioning of these areas to sustain good quality water supply. The partnership is now focusing on incorporating these water source areas into the National Water Resource Strategy as a key concern for future protection.

On the back of this research, the partnership launched the first Journey of Water campaign in 2013. The purpose of this campaign is to raise awareness about the importance of water, by reconnecting urban water users with the ultimate source of



Image copyright – Trevor Ball

Environmental impact material issues report continued

water – nature. This campaign won the 2014 Mail and Guardian Greening the Future award for water management and efficiency.

Sanlam will also join the WWF Water Balance this year which will see us joining a group of forward-thinking corporates in South Africa investing directly in the health of priority catchments. Our involvement in this programme will not only have a positive environmental impact, but will also offer added economic and social benefits to local communities.

In partnership with WWF and the Eden District Municipality, our general insurer, Santam, has embarked on a series of flood and storm-water drainage projects. The key outcomes will be more effective integration across governance structures and improved risk management with respect to municipal functions that affect insurance. A key principle underpinning the programme is to improve the equitable demographic representation of all South Africans in ecosystem management.

The WWF-SA has assisted Sanlam in evaluating the water risk of the top 40 JSE-listed companies, and this information has been shared with our investment business. We have also demonstrated a global water risk filter developed by WWF

International to investors, which we believe will be useful to guide investors in evaluating water risk. These initiatives in the investment arena are currently in an exploratory phase, but ultimately we want investors to have robust information with which they can hold companies to account in terms of their water practice and impacts. We have also implemented phase 1 of a Responsible Investment project that supports principles 4 and 5 of the UN Principles for Responsible Investments (UNPRI).^{*} This will enable South African organised labour to take the first step towards becoming effective responsible investors and active owners of their capital.

Our challenge for the future is to take the principles we are learning in South Africa further afield and engage with governments and authorities across the African continent and further abroad to ensure the preservation of water catchment areas and the sustainable management of the fresh water supply from source to consumer.

** Note: This is in alignment with Sanlam's commitment as a signatory of the UNPRI. Principle 4 – promoting acceptance and implementation of the principles within the investment industry; Principle 5 – we will work together to enhance our effectiveness in implementing the principles.*



For more information of the corporate partnerships of WWF, visit http://awsassets.wwf.org.za/downloads/wwf_corp_partnership_report.pdf

Assurance report

Independent limited assurance report to the directors of Sanlam Limited

Scope of our engagement

Part A

We have completed our independent limited assurance engagement to enable us to express our limited assurance conclusion on whether anything has come to our attention that causes us to believe that the following key performance indicator (specified KPI) for the year ended 31 December 2014 contained in the 2014 Sustainability Report (the Report) has not been prepared, in all material respects, in accordance with the basis of measurement as described in the table below:

Specified KPI	Management's sustainability criteria
Water usage	Criteria applied is that identified by Sanlam Limited and is provided where the KPI is reported.

Part B

We have completed our independent limited assurance engagement to enable us to express our limited assurance conclusion on whether anything has come to our attention that causes us to believe that the greenhouse gas (GHG) statement for the year ended 31 December 2014 contained in the Report has not been prepared, in all material respects, in accordance with the basis of measurement as described in the table below:

GHG statement	Management's sustainability criteria
Scope 1 carbon emissions	Criteria applied is that identified by Sanlam Limited and is provided where the GHG statement is reported.
Scope 2 carbon emissions	

The specified KPI noted in Part A and the GHG statement noted in Part B above have been highlighted for identification purposes in the Report marked with an

Our responsibility in performing our independent limited assurance engagement is to Sanlam Limited only and in accordance with the terms of reference for this engagement (including the release letter dated 3 March 2015) as agreed with them. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Sanlam Limited, for our work, for this report, or for the conclusions we have reached.

Directors' responsibility

The directors are responsible for implementing a stakeholder engagement process to identify all relevant stakeholders, to identify key issues, to respond appropriately to key issues identified, to determine those key performance indicators which may be relevant and material to the identified stakeholders, and to design and apply appropriate sustainability reporting policies. The directors are also responsible for the preparation and presentation of the Report, the information and assessments contained in the Report and for such internal control as the directors determines is necessary to ensure that the information and data reported meet the requirements of the relevant criteria, and contains all relevant disclosures that could materially affect any of the conclusions drawn.

The directors are also responsible for the preparation of the GHG statement in accordance with the management sustainability criteria as disclosed in the table above. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the GHG statement such that it is free from material misstatement, whether due to fraud or error.

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.

Assurance report continued

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 the International Standard on Quality Control, 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.

Assurance provider's responsibility

Our responsibility is to express our limited assurance conclusion on the specified KPI and the GHG statement based on our independent limited assurance engagement. Our independent limited assurance engagement was performed in accordance with the International Federation of Accountants' (IFACs) International Standard on Assurance Engagements (ISAE) 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* with regard to the scope described in part A and with the ISAE3410 *Assurance Engagements on Greenhouse Gas Statements* with regards to the scope described in part B. These standards require us to comply with ethical requirements and to plan and perform our engagement to obtain the assurance as required by the scope of our engagement, as expressed in this report.

Basis of work and limitations

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

work performed below. Our assessment of relevant internal control is not for the purpose of expressing a conclusion on the effectiveness of the entity's internal controls.

We planned and performed our work to obtain all the information and explanations that we considered necessary to provide a basis for our limited assurance conclusion pertaining to the specified KPI and the GHG statement, expressed below.

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

Summary of work performed

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

- ④ We obtained an understanding of:
 - The entity and its environment;
 - Entity-level controls;
 - The stakeholder engagement process;
 - The selection and application of sustainability reporting policies;
 - How management has applied the principle of materiality in preparing the Report, the specified KPI and the GHG statement;
 - The significant reporting processes including how information is initiated, recorded, processed, reported and incorrect information is corrected, as well as the policies and procedures within the reporting processes.
- ④ We made such enquiries of management, employees and those responsible for the preparation of the Report and the specified KPI and the GHG statement, as we considered necessary.
- ④ We inspected relevant supporting documentation and obtained such external confirmations and management representations as we considered necessary for the purposes of our engagement.



- ④ We performed analytical procedures and limited tests of detail responsive to our risk assessment and the level of assurance required, including comparison of judgementally selected information to the underlying source documentation from which the information has been derived.
- ④ We 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.

We believe that the evidence obtained as part of our limited assurance engagement, is sufficient and appropriate to provide a basis for our findings and our limited assurance conclusion expressed below.

Conclusion

Part A

Based on the work performed and subject to the limitations described above, nothing has come to our attention that causes us to believe that the specified KPI has not been prepared, in all material respects, in accordance with management's sustainability criteria for the year ended 31 December 2014.

Part B

Based on the work performed and subject to the limitations described above, nothing has come to our attention that causes us to believe that the GHG statement has not been prepared, in all material respects, in accordance with management's sustainability criteria for the period ended 31 December 2014.

Other matter

The maintenance and integrity of the Sanlam Limited website is the responsibility of Sanlam Limited 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 2015

Glossary

Aids	Acquired Immune Deficiency Syndrome	LISPs	Linked Investment Services Providers
AML	Anti-money laundering	LSM	Living Standards Measure
ASISA	Association for Savings and Investment in South Africa	NBI	National Business Initiative
BBBEE	Broad-based black economic empowerment	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	NUM	National Union of Mineworkers
CDP	Carbon Disclosure Project	PHI	Policyholders' Interest committee
COP	Communication on Progress (Global Compact)	POPI	Protection of Personal Information Bill
CRISA	Code for Responsible Investing	PPP	Public Private Partnership
CSI	Corporate social investment	SABES	South African Business Ethics Survey
dti	Department of Trade and Industry	SEM	Sanlam Emerging Markets
EAP	Employee Assistance Programme	SES	Social Ethics and Sustainable committee
EE	Employment equity	SILSS	Sanlam Individual Life and Segment Solutions Limited Service
ESG	Environmental, social, governance	SIM	Sanlam Investment Management
FAIS	Financial Advisory and Intermediary Services	SME	Small to medium enterprises
FSB	Financial Services Board	SMF	Sustainability Management Framework
FSC	Financial Sector Code	SMME	Small, medium and micro enterprises
FTE	Full-time employee	SPAB	Sanlam Provincial Advisory Board
GESC	Group Environmental Sustainability committee	SPE	Sanlam Private Equity
GHG	Greenhouse gas	SPF	Sanlam Personal Finance
GLP	Graduate Leadership Programme	SPW	Sanlam Private Wealth
GRI	Global Reporting Initiative	SRI	Socially Responsible Investment
HIV	Human Immunodeficiency Virus	TCF	Treating Customers Fairly
HR	Human resources	UB	Ubuntu-Botho (empowerment partner)
IFRS	International Financial Reporting Standards	UNPRI	United Nations Principles for Responsible Investment
IIRC	International Integrated Reporting Council	UNGC	United Nations Global Compact
ITISS	Information Technology Information System Services	USA	United States of America
JSE SRI	JSE Limited Socially Responsible Investment Index	USB	University of Stellenbosch Business School
kl	Kilolitre	VoC	Voice of the Customer
KPI	Key Performance Indicator	WBCSD	World Business Council for Sustainable Development
kWh	kilowatt hours	WRI	World Resources Institute
(LA)	Limited Assurance	WWF-SA	World Wide Fund For Nature South Africa



Contact details

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

Head of Group Corporate Affairs

Francois Adriaan
francois.adriaan@sanlam.co.za
+27 21 947 2548

Group Sustainability Management Office

Kulthoom Razak
kulthoom.razak@sanlam.co.za
+27 21 947 1445

General enquiries

sustainabilitymanagement@sanlam.co.za

