About this report

This annual Sustainability Report provides an overview of Sanlam’s sustainability performance for the period 1 January 2011 to 31 December 2011. Our previous Sustainability Report was for the period 1 January 2010 to 31 December 2010. There have been no significant changes in reporting methodology or scope that would affect our reporting since that time. This report has been made available in printed copy and online. The report covers all of the South African entities over which Sanlam has management control (hereafter referred to as Sanlam), other than Santam, which issues its own detailed Sustainability Report (www.santam.co.za). Unless otherwise indicated, any specific quantitative performance data that is presented relates only to Sanlam’s South African operations (excluding Santam).

The report is aimed at those of our stakeholders who have an interest in our sustainability performance, and focuses on those issues that have the potential to influence their assessments and decisions. Additional information on our sustainability performance is provided in the more detailed online version of this report which is available on our sustainability reporting website (www.sanlam.sustainabilityreporting.co.za). In compiling this report we have drawn on the recommendations provided in the G3 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). A detailed response to each of the GRI criteria is available in a separate document on our website. We believe our online report to be in accordance with a GRI B+ Application Level.

This report forms part of our integrated reporting process undertaken in accordance with the expectations of the King Code of Governance Principles for South Africa 2009 (King III) and the guidance provided in the September 2011 Discussion Paper of the International Integrated Reporting Committee (IIRC). A copy of Sanlam’s Integrated Report, which constitutes our primary strategic report to stakeholders, is available at www.sanlam.co.za
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As Chairman of the Sanlam Board’s Social, Ethics and Sustainability Committee, I am pleased to once again introduce Sanlam’s annual Sustainability Report. The report reviews performance relating to our economic, social and environmental sustainability during 2011. The report includes a transparent account of how Sanlam has delivered on the commitments that it made last year, and contains a clear set of commitments for the year ahead.

I believe that the recent history behind the establishment of Sanlam’s Social, Ethics and Sustainability Committee reflects the broader changes in understanding and approach to sustainability that have taken place throughout the company in recent years. We started our journey with two separate committees, the Transformation Committee and an Environmental, Health & Safety Committee. These committees were merged several years ago, prior to the release of the King III Code, into the Sustainability Committee.

This merger reflected an important conceptual shift within the Sanlam Group, from an approach that saw sustainability simply as a compliance issue, to one where sustainability is a key strategic imperative to ensure the long-term competitiveness of the organisation. This shift in thinking is characterised, for example, by our changed approach to employee health and safety: where the initial focus was on ensuring compliance with occupational safety requirements, to an approach that is far more encompassing and includes an explicit emphasis on promoting employee wellbeing and encouraging a healthier lifestyle. This has obvious benefits for employee morale and productivity, and in turn for the longer-term success of the company.

In 2011 we renamed our committee as Social, Ethics and Sustainability Committee and have expanded its scope to provide for the additional focus required both by King III and the new Companies Act that sees sustainability as being...
not just a long-term economic imperative, but also a social and moral imperative. This change in focus has increased our ability to more explicitly appreciate the ethical implications of our decisions and activities and the impact of these on broader society.

Our 2011 Sustainability Report displays our strong stance on ethical issues, such as fighting corruption and ensuring business integrity. I believe that the Board – through its various committees – has shown clear leadership in this area. As this report demonstrates, there are many areas in which Sanlam makes an important positive contribution to society. These include, for example, its activities aimed at broadening access to financial services, and encouraging a savings culture, and providing valuable opportunities for skills development amongst employees. Sanlam is also making an important positive contribution through the efforts it is taking to integrate societal considerations into its investment decisions, through its various partnership activities such as the Living Waters Partnership with WWF, and through its commitment to initiatives such as the UN-backed Principles for Responsible Investment (PRI) and the South African Code for Responsible Investing in South Africa (CRISA).

An important and pleasing development this year is the progress that we have made with the Sustainability Management Framework, and the momentum gained in terms of setting and achieving internal performance targets and key performance indicators. While the company’s progress on many fronts is most encouraging, it is still facing some significant challenges, including in particular that of meeting our goals of ensuring a workforce that sufficiently reflects the demographics of our society.

I am confident that Sanlam is well placed to deal with the current volatile business environment. The resilience that the organisation has demonstrated during the recent financial turbulence is testament to the benefits of management’s prudent approach, and exemplifies their commitment to ensuring long-term value, both for the company and for the broader society.

I wish to thank management and the Group Chief Executive who have been active this year in further entrenching our sustainability principles throughout the organisation, as well as all employees who have contributed to meeting Sanlam’s vision of being a leader in long-term wealth creation and protection.

As our stakeholder, I encourage you to share your thoughts on this report and on Sanlam’s performance.

Valli Moosa
Chairman of the Social, Ethics and Sustainability Committee
December 2011
Message from the Group Chief Executive

It gives me pleasure to present Sanlam’s 2011 Sustainability Report which forms part of our 2011 Sanlam integrated annual report. I encourage you to read this report in conjunction with our 2011 Integrated Report. Together, these reports provide a strategic review of our performance during 2011, and will assist you in making an informed assessment of our prospects for the years ahead.

Sustainability is an overriding objective for all of our activities at Sanlam. We are a long-term business, a business that is dependent on building and maintaining long-term relationships based on trust. I have great difficulty with those who choose to adopt a narrow understanding of sustainability, who see it simply as being about protecting the environment or promoting corporate social responsibility, and as something quite separate from core business activities. I have a similar difficulty with those who constantly push us in business to take short-term decisions and to maximise short-term returns, when often this would be detrimental to the long-term interests of our business and of our stakeholders.

We believe focusing on long-term competitiveness rather than short-term profit ensures that we do not borrow from the future. It is for this reason that our decisions are made in a manner that will keep the sustainability of the business intact. Hence, the theme of both reports is: “Sustainability through Responsibility”.

Our commitment to long-term value creation is reflected both in our history - we have prospered for 93 years and we have fared well during the current financial crises - as well as through our five strategic priorities:

- **Earnings growth**: This same philosophy informs our approach to earnings growth. It would be very easy for us to push up our short-term profits, but short-term earnings growth should not be at any cost. In assessing the true value that we are creating, we have to measure what we take out, against what is being put in. Creating earnings growth by undermining the broader capital base upon which that growth depends would not be responsible, and is not in the long-run interests of our business.

- **Costs and efficiencies**: An important part of our strategy is to protect value by cutting costs and maximising efficiencies. In doing so, once again, we seek to take a long-term view. It is important for us not to isolate our staff and customers by driving internal cost-efficiencies to the detriment of our service delivery. Adopting a more nuanced understanding of these relationships informs our continued success. Managing costs and efficiencies therefore requires that we adopt a very rigorous focus on our governance and compliance systems. In the interests of protecting value, we have invested significantly in these areas.

- **Optimal capital utilisation**: We’re currently operating in a very volatile business environment, and need to ensure that we continuously survive a setback or two. Maintaining a buffer might mean that our immediate profits are smaller but it also means that we will be better placed to withstand potential turbulence. This is why we have consciously adopted a financially conservative approach.
• **Diversification:** Diversification is critical to sustainable value-creation. It is important not only that we protect value, but also that we create value. We have grown our business significantly in recent years, with an explicit focus on developing a more diversified income stream. The business now is more diversified in terms of the products and services and our client base. Not only have we diversified geographically – we’re now in Africa, in the UK and in India – but we’ve also diversified our market in South Africa. In addition to our traditional market we now also have a very strong focus on new entrants and are more active in both the lower and higher ends of the market.

• **Transformation:** Transformation is the core of sustainable development in South Africa. To grow and sustain our business it is imperative that our workforce reflects the demographics of our client base. This enables us to understand our clients and deliver tailor-made solutions to suit their needs. Our contribution to black economic empowerment is about the creation of wealth in a manner that enhances the long-term wellbeing of the country. If the country as a whole doesn’t prosper, then our business certainly won’t prosper.

I firmly believe that because we have adopted a long-term mind-set, based on prudent management of our resources and the development of good relationships with our stakeholders, we have done well relative to our peers. Our prudent approach has paid dividends, particularly during the recent financial crisis, and I have no doubt that it will stand us in good stead in an uncertain future. Despite consumers being under tremendous strain, especially in the middle market, we have very good retention rates and a comparatively low number of complaints, an indication to us that we’re doing the right thing.

While I am pleased with our performance over the past year – and with the various sustainability initiatives that we have taken and that are outlined in this report – I recognise that there are still some areas where we can do more. Although we have made great strides in fostering a more strategic appreciation of sustainability within our business, I believe that there remains scope for further integration of this thinking throughout our business. Similarly, I believe that while we have become a lot more vocal in terms of our investments with our own money – as reflected by our more active engagement with companies, which has seen us voting against proposals that we think are not in these companies’ long-term interests – there are nevertheless opportunities for us to be even more vocal.

The fact that the share price is published every day is misleading: it’s noise in the system, when instead we should be interrogating the system as a whole.”

– Johan van Zyl, Group Chief Executive

Looking to the future, I am concerned that as a country, and indeed globally, we are collectively undermining our long-term capacity to create value. It is not sustainable in this country for us to be mining out our non-renewables and to be driving down our existing infrastructure, without either reinvesting in renewable alternatives or in the development of new infrastructure, both of which are fundamental for future value creation. A significant challenge that we face is that many of the big decisions taken today by business and by government are informed both by a very high discount rate (money today is more important than money in the future), as well by a failure to assign sufficient value to the resources that we rely on. If we continue to operate in a system in which taxes and incentives drive the short-term, then I am concerned that we are doing ourselves all a significant disservice. I think we need to recognise that as an industry, we could play a bigger role in driving sustainability more broadly. Doing so would be to all our collective benefit.

Johan van Zyl

*Group Chief Executive*

*December 2011*
## Group at a Glance

The Sanlam Group consists of four core clusters, each of which is supported by the activities of the Corporate Office. The following diagram provides an overview of the various businesses and support functions in the Sanlam Group, and identifies the extent to which the activities of each group fall within the boundary of this Sustainability Report. The boundaries for the report are guided by the scope of our recently approved Sustainability Management Framework (SMF), which provides a clear set of roles and responsibilities for managing sustainability throughout Sanlam. (The SMF is reviewed on page 15).

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Cluster profile and shareholding structure (100% unless indicated)</th>
</tr>
</thead>
</table>
| **Sanlam Personal Finance** | • Sanlam Sky Solutions – risk products for the entry-level market  
• Sanlam Individual Life and Segment Solutions – financial services to the middle, professional and small/medium enterprises markets (includes Multi-Data electronic money transfer activities)  
• Glacier – financial services for the affluent market |
| **Sanlam Emerging Markets** | Retail and group business (financial solutions to all market segments)  
• BotswanaLife, Botswana – 54% via BIHL  
• Sanlam Life Namibia  
• Sanlam Namibia Holdings, Namibia – 54%  
• NICO Life, Malawi – 49%  
• Pan Africa Life, Kenya – 50%  
• African Life, Tanzania – 64%  
• African Life, Zambia – 70%  
• Enterprise Life Assurance, Ghana – 49%  
• Sanlam Life, Uganda  
• FBN Life, Nigeria – 75%  
• Shriram Life, India – 26% |
| **Sanlam Investments** | Asset Management  
• Sanlam Investment Management – manages institutional portfolios and retail collective investment (unit trust) funds  
Wealth Management  
• Sanlam Private Investments – private client wealth management and stockbroking business  
• Calibre Investments – 40% – Australian investment business  
• Merchant Securities Group plc – 75% – UK stockbroking firm  
• Summit Trust – 65% – international independent trust services group in Switzerland  
Investment Advisory Service and Fiduciary and Tax Services  
Capital Management – manages portions of Sanlam’s third party and policyholders’ funds  
• Sanlam Capital Markets  
• Sanlam Private Equity  
• Sanlam Structured Solutions – Derivatives  
• Sanlam Properties  
Sanlam Employee Benefits – provides risk and investment solutions and administration services to institutions and retirement funds  
• Sanlam Group Risk  
• Sanlam Structured Solutions  
• Sanlam Umbrella Solutions  
• Sanlam Retirement Fund Administration (Coris platform); and  
• Simeka Consultants and Actuaries |
| **Santam** | Sanlam has an effective 60% interest in Santam, which is the leading short-term insurer in South Africa with a market share of 23%. Santam specialises in short-term insurance products for a diversified market in South Africa and, in collaboration with Sanlam Emerging Markets, elsewhere in Africa and India. These products are offered through broker networks and direct sales channels and include personal, commercial, agricultural and specialised insurance products. |

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Sanlam sustainability report 2011
Corporate Office

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

For the purposes of our SMF and the boundaries of this report only the following six locations (covering approximately 70% of the physical footprint) are included: Sanlam head office (Bellville), Sanlynn (Pretoria), Sanlam Investment Management (Tygervalley), Glacier (Tygervalley), Sanlam Sky (Houghton), and Sanlam Capital Markets (Hyde Park).

<table>
<thead>
<tr>
<th>Contribution to net result from financial services</th>
<th>The performance and impacts of the whole of Sanlam Personal Finance (including Sanlam Sky) falls within the boundaries of Sanlam’s SMF and our sustainable development report.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sanlam Personal Finance</td>
<td>52%</td>
</tr>
<tr>
<td>• Other businesses</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Management</th>
<th>Sanlam’s SMF excludes all our operations outside South Africa. For the purposes of this report, the performance and impacts of Sanlam Emerging Markets is limited to SEM South African employees, and SEM Investments (which includes only subsidiaries and significant strategic influence entities as defined in the Group Governance Guidelines).</th>
</tr>
</thead>
<tbody>
<tr>
<td>SM Kenya – 72%</td>
<td>Sanlam’s SMF does not cover our operations outside of South Africa. In the rest of Africa and India we operate through joint ventures and partnerships, often through minority equity participation.</td>
</tr>
<tr>
<td>SM Capital Alliance, Nigeria – 50%</td>
<td></td>
</tr>
<tr>
<td>SIM Namibia – 86%</td>
<td></td>
</tr>
<tr>
<td>Botswana Insurance Fund Management – 54% via BHL</td>
<td>Sanlam’s SMF does not cover our operations outside of South Africa. In the rest of Africa and India we operate through joint ventures and partnerships, often through minority equity participation.</td>
</tr>
<tr>
<td>SM Swaziland – 65%</td>
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<thead>
<tr>
<th>General Insurance</th>
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<tbody>
<tr>
<td>• Jointly responsible to partner with Santam for managing general insurance business through NICO in some of the abovementioned African countries as well as through Shriram General Insurance in India</td>
<td>Sanlam’s SMF does not cover our operations outside of South Africa. In the rest of Africa and India we operate through joint ventures and partnerships, often through minority equity participation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>International Investments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sanlam International Investment Partners – manages established partnerships with specialist investment management firms abroad</td>
<td>Sanlam’s SMF does not cover our operations outside of South Africa. In the rest of Africa and India we operate through joint ventures and partnerships, often through minority equity participation.</td>
</tr>
<tr>
<td>• SIM Global – manages long-only specialist international funds</td>
<td>Sanlam’s SMF does not cover our operations outside of South Africa. In the rest of Africa and India we operate through joint ventures and partnerships, often through minority equity participation.</td>
</tr>
<tr>
<td>• Sanlam Asset Management Ireland – Santam’s international investment management platform in Dublin managing funds domiciled in Ireland</td>
<td>Sanlam’s SMF does not cover our operations outside of South Africa. In the rest of Africa and India we operate through joint ventures and partnerships, often through minority equity participation.</td>
</tr>
<tr>
<td>• Sanlam UK – wealth management player in retail financial services in the United Kingdom comprising Sanlam Investments and Pensions, Sanlam Distribution, Sanlam Private Wealth and Investment Management (Principal, Border Asset Management and Sanlam Fund Solutions)</td>
<td>Sanlam’s SMF does not cover our operations outside of South Africa. In the rest of Africa and India we operate through joint ventures and partnerships, often through minority equity participation.</td>
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</table>

<table>
<thead>
<tr>
<th>Investment Services</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>• Sanlam Multi Manager International – investment management advisory business</td>
<td>Sanlam’s SMF does not cover our operations outside of South Africa. In the rest of Africa and India we operate through joint ventures and partnerships, often through minority equity participation.</td>
</tr>
<tr>
<td>• Sanlam Collective Investments – retail, multi-managed, institutional and third-party collective investment (unit trust) funds</td>
<td>Sanlam’s SMF does not cover our operations outside of South Africa. In the rest of Africa and India we operate through joint ventures and partnerships, often through minority equity participation.</td>
</tr>
<tr>
<td>• BlueSky – hedge fund manager focusing on both the local and the global investment markets</td>
<td>Sanlam’s SMF does not cover our operations outside of South Africa. In the rest of Africa and India we operate through joint ventures and partnerships, often through minority equity participation.</td>
</tr>
<tr>
<td>• FinQ – provides independent advice to people leaving retirement funds</td>
<td>Sanlam’s SMF does not cover our operations outside of South Africa. In the rest of Africa and India we operate through joint ventures and partnerships, often through minority equity participation.</td>
</tr>
<tr>
<td>• Graviton Financial Partners – a broker network business</td>
<td>Sanlam’s SMF does not cover our operations outside of South Africa. In the rest of Africa and India we operate through joint ventures and partnerships, often through minority equity participation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contribution to net result from financial services</th>
<th>Sanlam’s SMF does not cover our operations outside of South Africa. In the rest of Africa and India we operate through joint ventures and partnerships, often through minority equity participation.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sanlam Investments</td>
<td>24%</td>
</tr>
<tr>
<td>• Other businesses</td>
<td></td>
</tr>
</tbody>
</table>

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<tr>
<th>Contribution to net result from financial services</th>
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</tr>
</thead>
<tbody>
<tr>
<td>• Santam</td>
<td>16%</td>
</tr>
<tr>
<td>• Other businesses</td>
<td></td>
</tr>
</tbody>
</table>
Our growth strategy

**OUR VISION**

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

**WHAT WE DO**

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

**OUR STRATEGY**

By focusing on five pillars for the past number of years, we have achieved market-leading growth and have transformed Sanlam into an efficient and profitable company, with a healthy capital position, that is well placed to withstand market volatility and sustain its performance in the long term.

The five pillars that make up our strategy are:

1. **OPTIMAL CAPITAL UTILISATION**
   - We focus on allocating appropriate capital to business operations, while remaining financially conservative, to ensure that all discretionary capital is identified and redistributed into profitable and sustainable growth opportunities.

2. **EARNINGS GROWTH**
   - We aim to grow our earnings through our ability to adapt effectively to the continuing changing business environment and investments in growth markets.

3. **COSTS AND EFFICIENCIES**
   - We strive to cut costs and maximise efficiencies through effective risk management and governance practices, and by attracting, retaining and developing talented employees.

4. **DIVERSIFICATION**
   - We promote strategic diversification and grow our client base by developing new products and services, and by expanding into new markets in South Africa and globally.

5. **TRANSFORMATION**
   - We are committed to promoting transformation and diversity both within our operations and more broadly through our contribution to socio-economic development.

**THIS IS SANLAM**

We are a leading financial services group, originally established as a life insurance company in 1918. We demutualised and listed on the JSE Limited and Namibian Stock Exchange in 1998. Our head office is in Bellville near Cape Town in South Africa and we have offices throughout South Africa and business interests elsewhere in Africa, Europe, India, the USA and Australia.
Sustainability: integral to our strategy

Our ability to deliver on our strategy – and to continue to create value for our shareholders over the short, medium and long term – is dependent upon our capacity to adapt to an increasingly challenging business environment. While our 94-year history and our strong performance during the recent global financial crisis bear testimony to our resilience, we believe that we are likely to face continuing business turbulence given the context of current economic, social and environmental challenges, and we recognise that we cannot rely on our past performance alone if we are to achieve our vision of being a leader in wealth creation and protection.

The global financial crisis forced the financial sector to rethink our approach and exposure to risk. Governments, seeing the crisis as a form of market failure, are looking to overcome this failure through more regulation of the financial services industry. While we recognise the need for regulation, these measures are increasing the compliance burden significantly that the Sanlam Group faces. A range of societal challenges – such as a low growth environment, transformation challenges including high unemployment and a persistent income disparity, governance failures, climate change and increased competition for diminishing resources – are contributing to a more challenging operating environment and are increasing stakeholders’ expectations on the role of business in responding to these challenges.

Through our international expansion and our growth in the lower income market in South Africa, the Sanlam Group is being exposed to a greater number of stakeholders and a more diverse set of interests and expectations.

Achieving and sustaining our growth ambitions requires that we remain particularly responsive to the societal context in which we operate, that we develop and maintain effective relationships with our key stakeholders, and that we adopt a systematic approach to risk management.

At Sanlam, we see sustainability as a strategic business imperative that provides the lens through which to view our business and to ensure that we remain responsive to the increasingly interconnected societal challenges and changing expectations of our stakeholders. This shift in our understanding of sustainability is aligned with the move (nationally and globally) towards integrated reporting, a process that seeks to prompt a more informed appreciation by companies of the resources and relationships that impact on our ability to create and sustain value.

We believe that implementing our sustainable development strategy in line with our business strategy will enable us to lower our operational costs, maintain customer loyalty, and attract and retain talented employees. Our Sustainability Management Framework is a realisation of this and will enable us to:

• enhance the management of the various business risks we are facing;
• identify and realise strategic business opportunities;
• reduce the costs of doing business in the long term; and
• enhance our reputation and standing in society.

This Sustainability Report focuses explicitly on our performance in terms of our Sustainability Management Framework. An integrated strategic review of our performance against the Sanlam core strategy is provided in our Integrated Annual Report.
Addressing our material sustainability pillars: The report at a glance

**1 SUSTAINABILITY GOVERNANCE**

We manage and ensure accountability for sustainability goals, performance and reporting through:
- Board responsibility for sustainability and functional ownership for sustainability on our Social Ethics and Sustainability Committee
- Compliance and ethical practices - through training, the Group’s code of conduct and a whistleblowing hotline.
- Stakeholder engagement - by identifying issues and accounting for Sanlam’s actions in relation to them

**2 RESPONSIBLE PROCUREMENT**

- % > R500,000 procurement vetted against criteria

**3 RESPONSIBLE INVESTMENT**

- Compliance with UN PRI and CRISA principles
- Level of participation in UNPRI initiatives
- Participation policy developed; guidelines for incorporating sustainability in investment decisions
- Clarification of investment mandate for SM entities signatories to the UN PRI
- Entities’ compliance with minimum governance requirements

**4 OUR ECONOMIC VALUE ADDED**

- Contributions (ZAR)

**5 ACCESS TO FINANCIAL SERVICES**

- Page number
- Material Pillars
- Key Performance Indicators

Sanlam’s Sustainability Management Framework
The diagram on page 10 provides a schematic presentation of Sanlam’s Sustainability Management Framework (SMF) and presents an overview of our Sustainability Report. The structure and content of this report has been informed by the SMF, which has been developed to address the sustainability risks and opportunities facing Sanlam. The diagram:

• identifies our material sustainability pillars, clustered into five thematic areas (each of which forms a section of the report);
• outlines the KPIs associated with each of these pillars; and
• describes where the material pillar is addressed in more detail in our report.

The process for identifying these material pillars is briefly reviewed on the facing page. A summary of our 2011 performance on each of these material pillars is provided in this fold-out which also includes an assessment of our progress against the commitments we made last year.

Identifying our material sustainability pillars

The identification of our material economic, social and environmental risks and opportunities was undertaken as part of the process of developing our Sustainability Management Framework (SMF), approved by the Board in December 2011. The aim of the SMF, and the manner in which it was developed, is reviewed in more detail on page 15.

The process of identifying our material sustainability pillars involved an assessment of the views and interests of our stakeholders, as well as engagement with our risk department to identify how sustainability risks affect our business value drivers. Workshops were conducted with our internal sustainability champions to further interrogate and prioritise the material sustainability risks in relation to each cluster’s core business, and to reach agreement on the key performance indicators (KPIs) for each of these material pillars at a cluster and Group-level.

Through this process we identified a range of material sustainability pillars that have been clustered into the following five thematic areas, reflecting our focus on Sustainability through Responsibility:

1. Sustainability governance
2. Responsibility for developing our people
3. Responsible products and services
4. Responsibility towards a prosperous society
5. Responsibility towards the natural environment

Each of the material pillars within these thematic areas includes a set of key performance indicators. We have assigned internal responsibilities for each of the KPIs to ensure accountability for effective implementation of our sustainability strategy. In 2012 we will develop policy guidelines for each KPI to ensure that they are implemented. We are in the process of developing a dashboard to measure and monitor progress against these KPIs.

“There is a momentum in the organisation-and clear responsibilities to achieve a shared sustainability journey.”

– Lulu Letlape, Executive Head: Group Corporate Affairs
## 1. SUSTAINABILITY GOVERNANCE

<table>
<thead>
<tr>
<th>OUR MATERIAL SUSTAINABILITY PILLARS</th>
<th>OUR COMMITMENTS: What we said we’d do in 2010</th>
<th>OUR PERFORMANCE: What we did in 2011</th>
<th>FUTURE COMMITMENTS: What we plan to do</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Management quality and commitment</strong></td>
<td>• Further develop structures for accountability on sustainability.</td>
<td>• Finalised appropriate structures for accountability on sustainability throughout the company, under the leadership of the Social, Ethics &amp; Sustainability Committee, and increased awareness of the strategic nature of sustainability, particularly among the executive team.</td>
<td>• We will seek to embed sustainability more effectively throughout the company by improving understanding of the strategic value of sustainability below the executive level, including in particular within our product and service portfolio and within our investment decisions.</td>
</tr>
<tr>
<td><strong>Sanlam to finalise and implement its Sustainability Management Framework (SMF).</strong></td>
<td>• Significant improvements achieved in the co-ordination of sustainability internally through finalisation of our SMF and approval of company-wide key performance indicators (KPIs) on sustainability. • Agreed to include sustainability-related pillars as key performance areas (KPA) throughout the organisation from January 2012.</td>
<td>• We will leverage off the development of our SMF to help us become a more sustainable development in the sector within the next three years. • We will drive sustainability in the revised KPIs, and include sustainable development within the internal leadership training programme.</td>
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<tr>
<td><strong>Sanlam to undertake an ethics risk assessment in 2011 and expand and enhance training on ethical issues.</strong></td>
<td>• Head of Sanlam’s Group Compliance &amp; Forensic Services maintained an involvement and contribution to various anti-corruption initiatives. • Sanlam Group Compliance is currently conducting a high-level group-wide assessment of the readiness of the Sanlam businesses for the proposed Protection of Personal Information Bill (POPI). • Sanlam Group Compliance conducted an assessment of the readiness of Sanlam businesses for implementation of the underlying principles of international anti-money laundering (AML) standards.</td>
<td>• A detailed roadmap will be presented to the business for an in-depth impact study to prepare the Group for POPI. • A fraud risk management assessment (FRMA) will be conducted to determine the fraud and corruption risk exposure of the business in Sanlam.</td>
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<tr>
<td><strong>Sanlam to maintain a junior management development programme.</strong></td>
<td>• An independent ethics risk assessment was undertaken by KPMG. • All of our staff undertaken ethics training and signed the Group’s code of conduct. Each business conducts its own training and awareness, monitored by the Group Social, Ethics and Sustainability Committee on a quarterly basis.</td>
<td>• We will institute programmes in 2012 to address the issues identified by the assessment. • We are exploring the optimal coordination of training at a group level.</td>
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<tr>
<td><strong>Stakeholder engagement</strong></td>
<td>• Aim to develop a formal stakeholder engagement strategy and framework.</td>
<td>• A stakeholder mapping exercise is being undertaken and a more structured engagement process is being finalised.</td>
<td>• Finalising our stakeholder mapping exercise and implement a more structured engagement process with our identified key stakeholders.</td>
</tr>
<tr>
<td><strong>HR management</strong></td>
<td>• Review the HR service approach for office staff, to ensure a more efficient and effective service.</td>
<td>• We have developed and implemented a shared service - all transactional service delivery will be streamlined and centralised. • We have increased levels of awareness and focus around the legislative requirements, from an HR perspective, throughout the organisation; greater integration throughout the organisation, with issues highlighted from CEO down.</td>
<td>• Key focus areas for 2012 are: • Talent Management, Performance Management and Transformation. • Enhanced and focused leadership development programme. • Staff turnover will be reported at cluster and group level, as well as to the Board HR and Social, Ethics &amp; Sustainability Committee. • We expect improved collation of all HR management information.</td>
</tr>
<tr>
<td><strong>Attracting and retaining talent</strong></td>
<td>• BIBEY plan: We aim to maintain our newly achieved level 5 status by improving our systems and targets.</td>
<td>• We maintained our level 5 status. A contributing factor was the improvement in both our Skills Development and Employment Equity scores.</td>
<td>• We will initiate our retention strategies especially for top performing talent and will focus our succession planning.</td>
</tr>
<tr>
<td><strong>Skills development and career progression</strong></td>
<td>• Finalise development of a Graduate Leadership Programme (GLP).</td>
<td>• We have launched the GLP, and additional leadership and management development programmes. Nineteen candidates successfully completed the GLP programme in 2011. • A total of 66 staff members across the Sanlam Group successfully completed the Senior Management Development and Business Management programmes. • A leadership armed specifically at learners with disabilities was implemented and completed during 2011 with approximately 70% of the learners being placed permanently in the organisation.</td>
<td>• Fifteen high performing, high potential delegates have been identified to complete the GLP in 2012. • We intend to double the number of staff members completing management development programmes. • The success of the disability leadership programme has encouraged SDP to commence with 30 Disability Leadership programmes by May 2012.</td>
</tr>
<tr>
<td><strong>Workplace transformation and employee diversity</strong></td>
<td>• Seek to improve employment equity at senior levels.</td>
<td>• There was a slight increase in the overall unverified BIBEY score at the senior management level. A re-categorisation exercise in one of the businesses resulted in a negative impact on the score associated with black representation at the senior management level.</td>
<td>• We will further improve our performance on BEE particularly as regards employment equity. Continuous monitoring takes place quarterly to monitor the progress at the various management levels.</td>
</tr>
<tr>
<td><strong>Employee wellness and Sanlam Culture</strong></td>
<td>• The new Employment Equity Targets for 2012 will be finalised in the first quarter of 2011.</td>
<td>• All businesses set new Employment Equity Targets for 2011 and 2012. At the end of 2011 the black/ white ratio increased from 59% in 2010 to 61%.</td>
<td>• During 2012 an extensive Employment Equity analysis will be conducted and the results of this analysis will be taken into consideration when the next three year Employment Equity plans are developed.</td>
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<tr>
<td><strong>Sanlam plans to obtain accreditation as “Investors in People”</strong></td>
<td>• Group-wide focus on further entrenching the business culture to align this to Sanlam’s business strategy.</td>
<td>• Preliminary investigations and development to identify the Sanlam business culture commenced in 2011.</td>
<td>• An extension of the project to include all staff members in the assessment of the Sanlam business culture is scheduled for 2012.</td>
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</tbody>
</table>
| **Sanlam plans to increase the number of employees obtaining “Investors in People” accreditation** | • All clusters with the exception of investment cluster have undergone the “investors in People” accreditation. | • SPI will be undergoing a further assessment during 2012, to maintain their current “Investors in People” accreditation. | • Our material sustainability pillars: reviewing our 2011 performance

This table provides a summary of our 2011 sustainability performance against each of the material pillars included within our SMF. It also assesses how we did in terms of the commitments we made last year, and identifies our commitments for the years ahead.
<table>
<thead>
<tr>
<th>OUR MATERIAL SUSTAINABILITY PILLARS</th>
<th>OUR COMMITMENTS: What we said we’d do in 2010</th>
<th>OUR PERFORMANCE: What we did in 2010</th>
<th>FUTURE COMMITMENTS: What we plan to do</th>
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<tbody>
<tr>
<td><strong>3. RESPONSIBLE PRODUCTS AND SERVICES</strong></td>
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<tr>
<td>Promoting responsible investment (pages 32-36)</td>
<td>• Sanlam Multi Managers International (SMMI) will be launching a new SRI product in 2011.</td>
<td>• Signed Code for Responsible Investing in South Africa (CRISA).</td>
<td>• Seek to increase levels of client interest in driving social and environmental agendas within our investment portfolios. • The SMMI SRI Balanced Fund will continue to be marketed during 2012.</td>
</tr>
<tr>
<td>Responsible procurement (pages 36-37)</td>
<td>• Sanlam plans to implement a web-based system that allows suppliers to upload their own BBBEE certificates.</td>
<td>• Obtaining an integrated procurement system enabling seamless interaction with suppliers as well as internal stakeholders is paramount. Finding a suitable solution is still in process. • Engaged with our supply base to obtain all valid certificates manually. Finding a suitable solution is still in process.</td>
<td>• Sign off of an integrated procurement system and possible implementation of certain modules. • Aligning our processes to engage with our supply base regarding the use of the system.</td>
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<tr>
<td>Treatment of our clients fairly (pages 38-39)</td>
<td>• Sanlam is intensifying environmental selection processes.</td>
<td>• Finalized a new procurement policy that includes reference to the requirement for selecting suppliers with a good environmental track record.</td>
<td>• We will encourage our supplier network to adopt best environmental practice, and will positively recognise those suppliers that do. • We will review our approach to property acquisition: in addition to the rental component of costs, we will consider resource demands, and potential to minimise these.</td>
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<tr>
<td>Access to financial services (page 44)</td>
<td>• Strive to improve our clients’ product access and the financial security benefits they derive from our products.</td>
<td>• Successfully expanded our product reach. • Sanlam Sky (now a part of SPF) focuses specifically on improving access to financial services in entry-level markets in South Africa. • Realised new opportunities to engage in public-private partnerships.</td>
<td>• We will expand Sanlam’s presence into new markets – and develop skills to ensure greater transformation amongst agents and brokers. • We will seek to develop products that meet both the needs of the Group and of the market, particularly the need for savings products in lower income markets.</td>
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<tr>
<td>Corporate social investment (pages 46-47)</td>
<td>• Establish the Sanlam Foundation in 2011.</td>
<td>• Launched the Sanlam CSI Foundation in September 2011, to facilitate more focused and coordinated efforts linked to Sanlam’s core business, and to achieve more sustainable socio-economic benefits. • Annual CSI spend in 2011 was R 34.59m, representing approximately 0.77% of Group net profit after tax; this compares with last year, in which we spent R19.5 million (0.52% of Group net profit after tax).</td>
<td>• Ensure continued alignment of CSI efforts across the business as part of a co-ordinated strategy.</td>
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<tr>
<td>Social enterprise development (pages 57)</td>
<td>• Focus on supporting the growth and upliftment of black entrepreneurs through our procurement practices, focusing on black-female-owned businesses.</td>
<td>• Sanlam continues to achieve full points on the enterprise development component of the dti scorecard through our Ubuntu Bokhe (UB) transaction. This provides broad-based UB empowerment groupings access to capital, business advice and cross-selling opportunities between shareholder businesses. • Ongoing challenges experienced around ensuring the viability of some BBBEE suppliers.</td>
<td>• Sanlam expects to continue to achieve full points on this element through the UB transaction.</td>
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<tr>
<td><strong>4. RESPONSIBILITY TOWARDS A PROSPEROUS SOCIETY</strong></td>
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<tr>
<td>OUR MATERIAL SUSTAINABILITY PILLARS</td>
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<tr>
<td><strong>Environmental management</strong>&lt;br&gt;(pages 50-51)</td>
<td>• The Group Environmental Policy will be signed off early in 2011.&lt;br&gt; • Further resources will be allocated to the implementation of the Sanlam Environmental dashboard in 2011.</td>
<td>• Group Environmental Policy refined and endorsed by the Sanlam Board of Directors, the Board Social, Ethics &amp; Sustainability Committee, Sanlam’s Group CEO and his executives.&lt;br&gt; • A process of developing a Group Environmental Sustainability Framework and Dashboard is underway, assisted by external consultants, to establish a broader dashboard covering a range of environmental key performance indicators.</td>
<td>• Finalise the development of our environmental dashboard.</td>
</tr>
<tr>
<td><strong>Climate change and energy</strong>&lt;br&gt;(pages 54)</td>
<td>• New resource reduction targets will be set for Sanlam.</td>
<td>• Resource reductions targets have been set for 2011-2015, providing clear direction for the Group. The targets, based on the 2010 baseline year, are applicable to all Sanlam business units and were approved by the Board Social, Ethics &amp; Sustainability Committee in June 2011.</td>
<td>• Achieve further improvements in the management of our direct environmental impacts, particularly through improved waste management practices and enhanced energy and water efficiency initiatives.</td>
</tr>
<tr>
<td><strong>Sustainable water use</strong>&lt;br&gt;(pages 54)</td>
<td>• Drive to position Sanlam as a corporate leader in, and champion of, environmental sustainability.</td>
<td>• Focus has been on improving reliability of performance measurement, setting priorities and introducing pilot projects.</td>
<td>• Maintain a focus on communication and engagement with our staff, aimed at encouraging responsible environmental practice.</td>
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Sanlam is well placed to deal with the current volatile business environment. The resilience that the organisation has demonstrated during the recent financial turbulence is testament to the benefits of management’s prudent approach, and exemplifies their commitment to ensuring long-term value, both for the company and for the broader society.”

- Valli Moosa, Chairman of the Social, Ethics and Sustainability Committee
Sustainability governance

Highlights

• Developed a Sustainability Management Framework to provide a more structured and coordinated approach to sustainability that is more closely aligned to our core business strategy, and that provides for our most material sustainability risks and opportunities across our sphere of influence

• Developing a more coordinated stakeholder management strategy and action plan

• Completed a stakeholder mapping exercise that prioritises stakeholders and assigns executive responsibility for managing those relationships

• Conducted our fifth independent assessment of the ethical culture and risks in the Sanlam Group, finding an overall favourable perception of Sanlam’s approach to encouraging ethical conduct, with a significant majority of employees expressing their belief in the integrity of the Board and the Group Chief Executive

Challenges

• Effectively implementing the SMF and ensuring the integration of sustainability throughout the organisation will be an ongoing challenge

• Building awareness around sustainability and its connection to the ability of the Group to create and sustain value in the long term

• Devoting adequate time and resources to managing relationships with priority stakeholders

• Coordinating the effective provision of ethics training to all employees
Sustainability governance and management structure

Overall responsibility and accountability for sustainability within the Group rests with the Board of Directors. This responsibility is executed by the various committees of the Board which provide strategic oversight on the varying elements of our sustainability:

- The Social, Ethics and Sustainability Committee, chaired by Valli Moosa, an independent non-executive director, has responsibility for environmental, social and governance (ESG) risks, including broad-based black economic empowerment (BBBEE), transformation performance, as well as safety and health of employees across the Group.
- The Audit, Finance and Actuarial Committee, chaired by Flip Rademeyer, an independent non-executive director, oversees the quality and integrity of financial and actuarial reporting and disclosures. This committee also ensures the appropriateness and effectiveness of internal controls.
- The Risk & Compliance Committee, chaired by Chris Swanepoel, an independent non-executive director, has responsibility for ensuring enterprise risk management and IT governance across the Group.
- The Human Resources Committee, chaired by Anton Botha, an independent non-executive director, is responsible for overseeing and reducing the human capital risks and monitoring the Group’s human resources processes.
- The Policyholders’ Interests Committee, chaired by Fran du Plessis, an independent non-executive director, reviews and monitors all decisions of the Group impacting policy holders. The committee also ensures that the organisation manages customers’ complaints and lapses.

Our system of governance is informed by the King III Code on Governance in South Africa, the Companies Act and the GRI G3 Guidelines. To ensure a strong connection between our business strategy, governance and sustainability, we have established the Group Risk and the Environment and Sustainability Forums. While the Group Risk Forum monitors all business risks with the Group, the Environment and Sustainability Forum monitors the environmental, social and sustainability risks. The management of our business risks is explained in detail in our 2011 Integrated Report.

Functional responsibility for the development and coordination of the Group sustainability strategy rests with the Sustainability Management unit, which is responsible for developing, coordinating and monitoring the sustainability risks and compliance throughout the Group. The unit reports to the Executive Head of Corporate Affairs, who reports to the Chief Executive of Group Services, a Sanlam Board member. The Executive Head of Corporate Affairs chairs the Group Environment and Sustainability Committee, an advisory body with representatives from all the business units and functional areas, as well as from our partners WWF. This committee works towards positioning Sanlam as a leader in environmental sustainability within the local financial services sector. The committee reports are tabled at the Social, Ethics and Sustainability Committee.

The responsibility for financial, social and environmental implementation vests with various functional departments and units within the Group; these include human resources, finance, facilities, marketing, risk management, our customer-facing units and the Sanlam Foundation.

Additional information on our corporate governance structures is provided in our Integrated Report and our online report. Our online report also includes a brief summary of our performance in terms of the JSE SRI index and the CDP’s Carbon Disclosure and Performance Indices.
Our Sustainability Management Framework

Over the past few years Sanlam has invested significant resources in addressing some of the sustainability challenges that impact on our capacity to create value. We have made continuing investments aimed at developing our people, building a broader client base, developing new products and services, managing our products responsibly and reducing our direct environmental impacts.

While our approach in these different areas has yielded some positive results – including prompting a growing appreciation within the organisation of the strategic importance of sustainability – we nevertheless realised in 2010 that we would benefit in having a more structured and coordinated approach to sustainability that is more closely aligned to our core business strategy, and that provides for our most material sustainability risks and opportunities across our sphere of influence.

Responding to this need, this year we undertook a comprehensive process to establish a Sustainability Management Framework (SMF) governed by a clear set of roles and responsibilities. The SMF applies to Sanlam Limited and all its clusters other than Santam; all our operations outside the borders of South Africa are also currently excluded (see page 6-7). Approved by the Sanlam Board in December 2011, the SMF allows us to monitor and evaluate our performance against a set of key performance indicators (KPIs) designed to manage our most material sustainability issues. A Sustainability Dashboard (to manage the KPIs) and a Risk Log (to continuously identify, analyse and manage sustainability risks) will be developed in 2012 to ensure the effective implementation of the framework.
Process of developing the SMF

The SMF was driven by high-level commitment from the Group Chief Executive and the Group Executive Committee (Group Exco). Strategy champions nominated by Exco members were part of the framework development process. Together with these champions, and facilitated by an external service provider, the Sustainability Management unit developed Sanlam’s current approach to sustainability, agreed on the Group’s future sustainability journey in relation to the business strategy, identified material pillars and developed KPIs to manage these issues.

The first engagement with strategy champions focused on establishing the current corporate mindset and appetite for sustainability as an ongoing driver of the business. Champions discussed the key potential sustainability risks facing their businesses. They agreed on a sustainability journey focused on short, medium and long-term objectives that are clearly linked to the organisation’s business plans. The discussions led to the confirmation that Sanlam’s current sustainability level was that of a “follower” with a strong compliance focus. It is Sanlam’s intention to adopt a more strategic sustainability focus to position itself as a leader in the financial sector in South Africa.

Objectives of the SMF

To deliver enhanced risk management, opportunity identification, reduced costs and enhanced reputation, the SMF aims to:

- continuously identify and manage material sustainability risks affecting the Group;
- ensure sustainability of the business strategy;
- prioritise efforts based on materiality and alignment with the Group strategy;
- clarify governance and accountability; and
- contribute to a reporting process that addresses stakeholder concerns and needs.

Engaging our stakeholders

Recognising the strategic importance of being responsive to our stakeholders, we have developed and are implementing a systematic approach to identifying, prioritising and engaging with our key stakeholders.

As a large diversified company, our engagements with stakeholders have predominantly been very decentralised. A process is currently underway to develop a more coordinated stakeholder management strategy and action plan. While all our stakeholders are important to us, we have completed a stakeholder mapping exercise that prioritises them based on an assessment of their dependence on our activities and their ability to influence what we do. For each of these priority stakeholder groupings we have agreed whether the interaction with them should be coordinated at a Group or cluster level, and we have assigned responsibility for managing that relationship to a senior Sanlam executive. Through this process we seek to ensure a systematic Group-wide approach to engaging with our stakeholders and to understanding and responding to their respective interests. The outcome of these engagements informs the Group strategy and our internal risk assessment processes.

The Group Intelligence Unit regularly undertakes surveys to assess the views of our key stakeholders. Through our membership of the Global Reputation Institute we are able to analyse stakeholders’ perceptions regarding the nature of our products and services, and the quality of our internal policies and procedures. These studies are reviewed at the beginning of each year and,
together with the Group strategy, inform our planning for the year ahead. Based on this analysis our top five external stakeholders are:

- Shareholders
- Policyholders
- Government and Regulators
- Analysts
- Business Partners

We engage with our stakeholders in South Africa through various structures as follows:

- Group Finance engages with investors and analysts regarding the company’s performance.
- The Corporate Affairs Department is responsible for managing the reputation of the organisation including coordination of stakeholder strategy within the Group, including
  - Our Public Affairs function, which ensures, through its membership of various corporate, government, and non-governmental bodies, that Sanlam continues to contribute constructively to the policy discourse in the country;
  - Our Communication function, which drives thought leadership activities, manages public engagement on key topical issues, and our consumer education programmes through which we improve financial literacy include road shows and media events.
- Market Development is responsible for the Sanlam Provincial Advisory Board (SPAB), which coordinates Sanlam business units within regions and facilitates cross selling and relationship building;
- The Group Compliance office engages with our Regulators;
- The Company Secretariat liaises with Regulators and Shareholders;
- Our various business unit representatives also engage with Government, Regulators, and Business Partners on policy issues impacting the business.

The Sustainability Management Framework that we developed this year includes specific key performance indicators aimed at ensuring that we have coordinated and effective engagement and feedback mechanisms. This includes provision for the Group and each cluster to annually review and identify existing and emerging stakeholder issues. The nature and outcomes of these engagements will feed into the annual performance appraisals of those responsible and inform our integrated and sustainability reporting processes.

“Most of our stakeholders see us a trusted company that has a good reputation for conservative fiscal management, good corporate governance practices and a solid leadership team.”

– Yvonne Muthien, Chief Executive: Group Services
Promoting ethical behaviour through good governance

Ensuring good governance and sound ethical behaviour is fundamental to our ability to create and sustain value over the longer term. We are committed to taking a strong leadership role on issues relating to corruption and ethics, and are recognised in the sector for our positive stance in this area. Our approach to this issue is governed by our mandatory Code of Ethical Conduct, which reflects the Group’s values and principles, and is periodically updated to provide for the changing regulatory context. Any identified breaches of the Code are investigated by management at the business unit level, with sensitive matters to be addressed by the Social, Ethics and Sustainability Committee of the Board.

In August 2011, an independent assessment of the ethical culture and risks in the Sanlam Group was conducted by KPMG. This was the fifth such assessment that they have conducted on a biennial basis since 2003. The assessment was undertaken in the format of an online survey made available to all staff members, with the aim of evaluating their understanding of ethical dilemmas and assessing their perceptions on the management of ethical concerns within the organisation. The response suggests an overall favourable perception of Sanlam’s approach to encouraging ethical conduct, with a significant majority of employees expressing their belief in the integrity of the Board and the Group CE. Transgressions of the Ethics Policy observed by respondents remained few. The types of misconduct most frequently observed by respondents to the survey related to discrimination against employees, mismanagement of organisational resources, and violating employee compensation, overtime, or benefit rules.

We have identified the provision of training on ethics as a priority and this has been implemented at a business level. This year we have developed a centrally coordinated training programme on conflict of interest to be rolled out by the businesses. We are also currently exploring the potential for the coordination of ethics training at the group level. Furthermore
we would want to channel feedback from training interventions via an online platform to contribute to the measurement of the ethical culture and risks in Sanlam.

We adopted a zero tolerance policy towards unethical conduct. We have an anonymous hotline available for employees and others to report breaches of Sanlam ethical code, our preference is to create an open reporting environment.

Usually through our line managers. Over the past ten years we have had 176 (13 for SPF) calls to the hotline of a staff complement of over 9,000. Of these, less than ten percent of all callers felt the need to subsequently remain anonymous. All cases are investigated and a process is in place to track, report and close out all calls received. Actions taken as a consequence of resulting investigations include termination of employment, and cancellation of contracts in the case of suppliers and contractors.

In addition to addressing ethics and anti-corruption issues internally, we also take an active role in driving anti-corruption activities more broadly in the country. Sanlam is well represented at national and international anti-corruption forums through Business Unity South Africa (BUSA), the National Anti-Corruption Forum, UN Global Compact, B20 and Transparency International Anti-Corruption Working Groups. Sanlam chairs the ASISA Standing Committee on the control of money laundering and the prevention of the financing of terrorism.

Sanlam Group Compliance is currently conducting a high-level Group-wide assessment of the readiness of the Sanlam businesses for the proposed Protection of Personal Information Bill (POPI). A detailed roadmap will be presented to the business for an in-depth impact study to prepare the Group for POPI. A project is currently underway within the Sanlam businesses to prepare for the implementation of the underlying principles of international anti-money laundering (AML) standards. South Africa, as a member of the Financial Task Force (FARF) will have to adopt the revised international AML standards due to be adopted in 2012.

Engaging on policy development

Sanlam strives to play a constructive role in the development of national policy and regulation that impact our business. Our engagement on policy issues is undertaken with government primarily through industry associations such as BUSA, ASISA, various Business Chambers, Business Leadership and the NBI. The Sanlam Group CEO serves as Chairperson of ASISA and represents the industry at the highest levels of policy making and regulation. This year we have been active in engaging around the new and expected legislation relating, for example, to Treating Customers Fairly, the establishment of a National Social Security System (NSSS) and National Health Insurance (NHI), the Financial Sector Charter, as well as legislation on conflict of interest, money laundering, privacy and data protection, and the National Skills Accord.

We do not provide financial support to any political party.

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Additional information on our ethical management practices are provided in our online report.

1 This represents one of the KPIs of our SMF. 13 calls which specifically related to SPF were reported on the independent hotline as at 31 December 2011.
Responsibility for developing our people

Highlights

• Solid progress in promoting transformation, particularly in terms of employment equity and skills development
• Graduate Leadership Programme launched to fast track the development of young high-potential graduates
• Revised Employee Value Proposition launched focused on further improving employee engagement
• Low turnover rate for the Group, with year-on-year reduction in turnover rate for black staff
• Implemented a business intelligence system to enhance data accuracy, management and reporting on transformation initiatives
• Shared HR service implemented to ensure more effective HR service delivery and support across the Group
• Harmonised Group benefits to enable the smooth transfer of staff members across the Group resulting in greater organisational flexibility

Challenges

• Transformation remains a challenge, particularly in terms of ensuring greater diversity at senior levels
• Meeting regulatory demands requiring certain staff to have in-depth knowledge of products and regulations
• Maintaining and improving staff engagement and performance
Our human resource policy and practices

Sanlam’s philosophy is to build strong relationships with and to treat all staff members fairly with transparency and dignity. This is reflected in the Group’s HR policies and practices, which are aligned to business strategy. Our human resource (HR) practices centre on:

- Recognising the relationship with our employees as our most important asset;
- Focusing on transformation, the equitable treatment of staff and diversity;
- Offering training, skills development and access to new career opportunities to ensure a “talent pipeline” for the required skills;
- Ensuring career progression, leadership development and succession planning;
- Fostering an enabling and empowering working environment;
- Promoting employee wellness through an integrated offering; and
- Implementing fair rewards.

The Sanlam Employment Value Proposition (EVP) was developed in order to enable the organisation to attract and retain talented and committed employees. Our EVP is designed to position Sanlam as the leading employer and to assist staff in achieving their career and personal development ambitions in line with the business strategy. It clarifies what staff can expect from Sanlam and the opportunities available to them within the business.

The following critical EVP areas have been identified as vital for enhancing employee engagement and therefore performance and retention:

- **Reputation:** Sanlam respects that talented people want to work for a market leader with a strong presence and contribution to the local economy. We have built and maintained a strong reputation over 90 years, continuously learning, adapting and staying true to our commitment to our stakeholders. This is evidenced through our focus on social investments, commitment to transformation and unwavering company performance.
- **Leadership:** At Sanlam, we understand the distinction between leaders and managers, and the impact leadership has on our company, as well as individual staff careers. Through diverse initiatives, we invest in nurturing leaders who engage and empower, are open to new ideas, and are driven to create an environment for our staff and our company to excel.
- **Reward:** Recognising and rewarding excellence in the workplace is critical in the process of securing continued high performance and dedication from employees. From awards to competitive bonuses, we try to make our staff feel valued for their contribution.
- **Growth:** Fulfilment in the workplace depends on the opportunity to learn and develop. Through diverse opportunities – including coaching, mentoring, training and challenging assignments – we support the growth of our staff and help them realise their full potential.
- **Connectivity:** Sanlam promotes open communication across the workforce, with the aim of sharing responsibility and experiences. This is essential to keep in touch with concerns and interests in the workplace, and to promote relationships based on respect and trust both between employees and between employer and employees.
- **Balance:** Sanlam is a business that has been built on understanding people, their needs and their realities. Employee wellness is important if staff members are to perform at their best. We therefore seek to promote their health and wellbeing through diverse initiatives.

The Sanlam HR function is managed at a decentralised level. Each business unit has its own set of HR support services and works within “loose” and “tight” principles. “Loose” principles are discretionary and “tight” principles include generic issues such as Group benefits. Group HR oversees Group-wide strategic projects and compliance with labour legislation and regulatory codes. Compliance and Regulatory policies and certain other strategic HR policies are viewed as Group policies, and are therefore viewed as tight across the Group. An example of this would be the remuneration philosophy and the Employment Equity policy.
Focus areas during 2011

During 2011 we revised our HR service approach for office staff to ensure a more efficient and effective service. This was achieved through the development and implementation of a shared service aimed at streamlining processes, achieving economies of scale and improving internal efficiencies. The revised approach has also mitigated risks: for example, the number of payroll systems has been reduced from nine to four, thereby reducing costs and associated risks. Guidelines have been developed and additional systems introduced to promote greater consistency in reporting compliance-required information.

Progress has been made in realigning the culture of the organisation, notably through the Sanlam for Sanlam initiative that emphasises cooperation and collaboration across the Group. An example of this initiative is the transition to a single retirement fund to enable greater organisational flexibility and the easy rotation of staff members across the group of companies. During 2011 a survey that was conducted amongst a focused group of staff members confirmed the correct alignment of the direction and intent of the Sanlam for Sanlam initiative.

A review of HR policies was conducted and agreement was reached on which policies were viewed to be Group-wide and applicable to all different clusters. New Group-wide policies, such as transfer policy, were approved during this period.

Performance

In relation to the stated objectives for 2011, some of the achievements include the following:

• Increased levels of awareness were achieved across all staff levels around HR-related legislative requirements.

• The Investors in People Standard, which is an international standard, was adopted as a Sanlam standard. It has been effectively implemented across the businesses with the exception of the Sanlam Investment cluster (SI). The standard addresses people’s understanding of how their outputs align with and contribute to the implementation of the business strategy. SI conducted a customised programme that focused on their strategic imperatives and stakeholders.

• New employees have an opportunity to provide feedback to the Group Chief Executive about their first six months in the organisation. This continues to provide valuable insights as well as indications of areas of improvement. It has been encouraging to observe increasingly positive responses about Human Resources practices and the Sanlam culture over the last few years.

• Levels of staff turnover have declined since 2008 and are currently below the industry norm. This improved performance may be attributed to the efficacy of the Group HR policies and practices.

• In general very few grievances are lodged, suggesting that the HR policies and practices are fair and effective. There were no material breaches of the Code of Ethics. The Risk and Compliance Committee reported no new instances of material non-compliance. There has been no significant change in union activity within the Group, and no formal Recognition Agreement has been entered into with any union.

“\nWe have identified six focus areas that are key to our EVP and important in giving our staff the opportunity to fulfil their employment hopes and aspirations.”

– Egbert van der Straaten, Head: Group Human Resources

SMF (see page 10)

WEB Further details on our human resource practices are provided in our online report.
Workplace transformation and diversity

Sanlam recognises that creating an equitable working environment where the diversity of all employees is valued and the dignity of individuals is respected, is the foundation required for sustainable growth and competitive advantage. It is a business imperative that the race and gender distribution across all levels of the organisation be brought in line with the demographics of our society. The key principles of our Human Capital Transformation (HCT) strategy include:

- Creating an enabling working environment with a specific focus on the designated groups;
- Adopting a proactive approach to employment equity (EE) and skills development;
- Advancing a culture that embraces diversity;
- Encouraging consistency and integrity;
- Allowing for flexibility and adaptability in line with the changing business environment; and
- Supporting, monitoring and evaluating delivery of the processes and structures necessary for transformation.

Following a review of our employment equity targets in 2010, new targets were negotiated and implemented. These are included below.

At the start of 2012 Sanlam will repeat a Group-wide barrier analysis to identify any areas that are seen to be barriers to transformation and that require attention. These areas will be the focus of the new employment equity plans.

Sanlam has adopted a focused approach to meeting BBBEE requirements. This implies prioritising transformation initiatives throughout the company. This includes Employment Equity Forums at various levels of the organisation in all business units. Sanlam has achieved a level three BBBEE rating and will continue with initiatives to improve this rating.

Our employment equity plans also include specific provision for identifying opportunities to employ disabled persons. During 2010 and 2011, Sanlam Personal Finance (our largest business cluster) initiated disability learnerships with 17 participants, with a view to creating more career opportunities for the disabled. Of the 17 learners, six were permanently employed in SPF, one has a one-year contract with the possibility of being employed, six are on multiple internships and only four were not placed in Sanlam. We believe the programme...

Progress against our targets for black staff.

<table>
<thead>
<tr>
<th></th>
<th>Top</th>
<th>Senior</th>
<th>Middle</th>
<th>Junior</th>
<th>Semi-Skilled</th>
<th>Unskilled</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black Dec 2011²</td>
<td>33.33%</td>
<td>20.22%</td>
<td>33.33%</td>
<td>49.08%</td>
<td>91.90%</td>
<td>91.67%</td>
<td>60.92%</td>
</tr>
<tr>
<td>Black Target 2011</td>
<td>25.00%</td>
<td>23.06%</td>
<td>33.95%</td>
<td>48.64%</td>
<td>91.48%</td>
<td>92.74%</td>
<td>60.99%</td>
</tr>
<tr>
<td>Black Target 2012</td>
<td>23.98%</td>
<td>26.28%</td>
<td>38.98%</td>
<td>48.68%</td>
<td>87.98%</td>
<td>88.89%</td>
<td>62.91%</td>
</tr>
</tbody>
</table>

² This represents unverified data as at 31 December 2011. There has been a positive increase in our EE score over time. The focus on increasing black headcount will remain key for 2012.
demonstrates commitment to both skills development and creating workplace opportunities for people with disabilities.

We have made progress towards achieving our Employment Equity targets. We are ahead of our target with respect to top management. We are on track in areas such as junior, semi-skilled, and unskilled levels. Greater progress is required at senior and middle levels and we are confident that we will achieve our 2012 targets.

**WEB** Further details on our skills development activities are provided in our online report.

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**53% 2008 < 56% 2009 < 60% 2010 < 61% 2011**

**Sanlam’s total staff black employee complement**

This is in line with our targets and we believe have had a good retention rate due to our competitive employee value propositions and remuneration packages.

**Attracting and retaining talent**

The ability to attract and retain talent is critical amid increasing competition for skills. Our emphasis is on identifying and developing existing staff, through a “Make or Grow” approach to building our talent base as opposed to a “Buy or Acquire” approach. Our internal talent market is segmented according to the organisation’s priorities and the scarcity of certain skills. From a risk and sustainability point of view, we recognise that Sanlam needs to focus more energy on a number of high priority groups. These actions include the monitoring of the professional group as well as succession lists at Board level and the development of a Graduate Leadership Programme. A more interventionist approach is taken to managing the careers of members of these groups while for other employees’ information and tools are made available to empower them to manage their own careers.

In line with our decentralised model, the businesses take ownership of identifying and developing the talent in their clusters.

From a Group perspective, we are interested in the overall leadership bench strength of the organisation and focus on: (1) assessing the strength of the talent pool against future organisational demands; (2) monitoring and reporting on the development of the high priority groups; and (3) designing and executing interventions to further the development of the high priority groups as well as the remainder of staff.

We have consolidated our approach to recruitment by sourcing across the Sanlam Group and by making use of a preferred list of recruitment agencies; this helps to build stronger relationships with these agencies, and improves their understanding of the Sanlam brand and employee fit. In 2011 we launched a project to redesign the recruitment process across the Group, paying closer attention to the candidate experience. The new process and new technology is due to be launched in the first quarter of 2012.

Various initiatives have been implemented across the Group to enhance staff retention. This includes the monitoring of staff turnover specifically amongst black staff members and retention measures in terms of remuneration and incentives where indicated. In addition to these measures, two share
During the year various leadership and management programmes have been introduced at both a Group and business level. Key Group-level initiatives include:

- **The Graduate Leadership Programme** – A specifically designed initiative aimed at developing the leadership capability of high-potential young graduates within the organisation through self-awareness, exposure and practice.

- **The Senior Management Development Programme** – Aimed specifically at equipping senior managers with the necessary knowledge and change management skills to function effectively within a corporate environment, the programme focuses on translating learning into improvement in the workplace for both the individual and the organisation. This is a customised programme offered in partnership with University of Stellenbosch Business School (USB).

- **The Business Management Development Programme** – Designed to equip managers with the competence to implement strategic objectives, the programme provides a broader understanding of the different fields of management and leadership, and seeks to ensure that managers do not perform their own management functions in isolation. This initiative is also run in partnership with USB.

- **Participation in international business school Programmes** – On an annual basis candidates are nominated to attend senior executive programmes at leading International Business Schools. These programmes are supported by numerous development initiatives at a business level aimed at promoting the development of all staff members, as well as accelerating the growth and career progression of potential future leaders. Examples of these initiatives at a business level include:

  - **The Leading Edge Programme** – Hosted within the SI cluster, this is designed to equip potential future senior leaders with necessary skills and experience.
  
  - **The Living Passionate Ownership** – This is aimed at all SI staff members to instil a culture in which to realise the company’s vision.

  - **A learnership aimed specifically at persons with disabilities** – This has been successfully implemented within Sanlam Personal Finance; upon completion of the 2010/2011 programme, the business was able to appoint approximately 70% of the learners.

SPF uses Individual Development Plans (IDPs) to manage individual learning and development in a customised manner. In a people-intense business, it is important to demonstrate that resources are available to help individuals understand which career path is right for them.

The skills development component of our BBBEE scorecard increased from 9.49 to 9.97 (unverified). We spent R58.2 million on training and skills development (R58.5 million in 2010). Of this, 50% was spent on black employees (down from 53% in 2010).

This represents one of the KPIs of our SMF. The basis of measurement thereof is the percentage of SPF employees that have IDPs in place. This excludes Glacier, Sanlam Health and Sanlam Sky. The percentage (97%) is based on information obtained as at 5 July 2011 for the financial year ended 31 December 2011. The timing of completion of IDPs is aligned with the performance management process of the Group, and also to ensure compliance with the workplace skills plan prescribed by legislation. The cut-off date for completion of the IDPs is 31 March every year. SPF HR follows up on outstanding IDPs from April to June. As a result, the percentage reflected in the beginning of July each year is the most accurate reflection of the percentage of employees with IDPs in place related to that specific financial year and loaded onto SAP.
The relationship between workplace design, employee wellness and worker morale and productivity are critical components for the success of the organisation.

The Sanlam wellness approach includes the following elements:

- **Access to counselling and support:** Employee Assistance Programmes or Employee Wellness Programmes are available across Sanlam.
- **Access to medical aid:** It is a condition of employment for Sanlam employees to belong to a medical aid.
- **Access to health risk assessments:** Annual Health Risk Screening is effective in encouraging employees to proactively manage their health. A few years ago we launched our first large scale HIV-testing campaign and have subsequently integrated HIV-testing with other health risk assessments such as high blood pressure, cholesterol and diabetes. The aim is to de-stigmatise HIV and to encourage staff to regard HIV-testing as a routine health check.
- **Education and awareness of health risks:** Ongoing information is provided on HIV, TB, weight management, blood pressure, cholesterol and diabetes. Communications media include lunch time sessions, the intranet and internal media.
- **Support of national campaigns:** The national campaigns that resonate with our employees such as Breast Cancer Awareness Month and World Aids Day are reinforced via internal communication.
- **Specific interventions that target identified health risks:** Interventions that have clear outcomes and can be measured directly such as weight management, stress management, and stop-smoking programmes are in place.
- **Integration of wellness concepts into the nature of work in Sanlam:** A proactive approach to wellness includes consideration of the immediate workplace environment, including ergonomic office furniture, healthy eating options at work, encouragement of physical activity and work-life balance.

**R2.8 million in 2011**

Approximate spend on the Employee Assistance Programme (EAP) in 2011 (compared to R1.9 million in 2010).

**Case study: launch of the SPF Wellness Centre**

SPF launched a Wellness Centre in 2011 to further enhance Sanlam’s Wellness offering. Situated at head office it provides staff with easy access to a number of practitioners with whom they are able to contract in their private capacity for services. These services include access to a doctor, dentist, physiotherapist and a psychologist. Other practitioners ranging from dieticians to family planning councillors are available on an ad hoc basis. There are exercise sessions, massage chairs and various wellness talks. Several wellness initiatives are planned for the regional offices.

Further details on our employee wellness activities are provided in our online report.
Sanlam is one of the leaders in contributing to society from a private sector point of view.”

— Cora Fernandez, Managing Director: Sanlam Investment
3 Responsible products and services

Highlights
- Committed to the UN Principles of Responsible Investment (PRI), making Sanlam the first private South African asset owner, along with the Government Employees Pension Fund and the Eskom Pension Fund, to do so
- Met most of our targets and successfully expanded our product reach
- Realised new opportunities to engage in public private partnerships
- Drafted guidelines on incorporating sustainability principles into investment decisions
- Signed Code for Responsible Investing in South Africa (CRISA)
- Enhanced engagement with investee companies through our proxy voting policy

Challenges
- Complying with all new regulatory requirements
- Developing products that meet both the needs of the Group and of the market, particularly the need for savings products in lower income markets
- Increasing access to financial services and expanding our client base in the current financial context
- Managing the impact of Solvency II on available capital impacting our BBBEE and infrastructure investments
- Meeting our preferential procurement targets, in the context of the continuing challenges around the viability of some BBBEE suppliers
- Limited client mandate or pressure to drive social and environmental agendas within our investment portfolios

Today’s clients have great financial awareness, more product options and more ways to source and engage with financial products. Products need to be easier to understand. They must address clients’ needs and speak to their values. A diverse range of tailored products that meet clients’ expectations, contribute to building trust and ultimately add value to clients, shareholders and our broader stakeholders is necessary to remain competitive.
Understanding our products and services

Through our products and services we focus on meeting clients’ needs, while achieving our core business goal of improving people’s lives. By providing products and services that promote responsible financial management, and by engaging and raising the financial understanding of our clients, we contribute towards a more financially resilient society. We anticipate increasing demand in future for more socially and environmentally responsible products and services, and are experiencing increasing pressure to embed sustainability considerations more broadly throughout our sphere of influence.

We are seeking to develop and diversify our product offering to meet the changing needs and expectations of existing and new markets with the aim of growing our client base. The greater focus on internationalisation has presented new product and services expectations.

<table>
<thead>
<tr>
<th>Business unit</th>
<th>Products and services</th>
<th>Sustainability elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanlam Investments</td>
<td>Asset Management, Wealth Management, Sanlam Investments Capital Management, Employee Benefits, International Investments, Investment Services</td>
<td>Through its investments, SIM has the potential to influence organisations in line with the objectives of the United National Principles for Responsible Investment (UNPRI) and the Code for Responsible Investing in South Africa (CRISA). The business unit also has the responsibility to ensure the sustainability of long-term economic performance of investments by incorporating ESG issues into their decision-making and ownership practices and so better align their objectives with those of society at large. In addition, a number of SRI funds from a number of businesses across the SI cluster are offered to clients.</td>
</tr>
<tr>
<td>Sanlam Personal Finance</td>
<td>Life insurance, Personal finance services and solutions (including estate planning and trusts, health management, personal loans, linked products, money transfer, debit card, savings facilities and financial services)</td>
<td>Sanlam Sky, which services the lower income market, has an important role to play in broadening access to financial services and promoting responsible financial management at the base of the pyramid. Sanlam Cobalt focuses on advancing the financial knowledge of professionals and small to medium enterprises (SMEs).</td>
</tr>
<tr>
<td>Sanlam Emerging Markets</td>
<td>Financial service solutions in developing markets in which Sanlam operates</td>
<td>Products are exposed to a greater variety of regulations, need to be based on the needs of a more diverse client base and compete with a greater number of competitors.</td>
</tr>
</tbody>
</table>
Broadening access to financial services

The low-income sector represents at least 75% of the South African market and remains acutely underserviced in terms of risk, savings, investment and retirement products. By extending our coverage to include millions of South Africa’s poorer communities, we contribute to the country’s economic upliftment and create important new market opportunities for the Group. Sanlam Sky (now a part of SPF) focuses specifically on improving access to financial services in entry-level markets in the country. Through the Sanlam Foundation, our strategic investments in education, together with sponsorships for example of Takalane Sesame, have positioned the Sanlam brand closer to this market. Coupled with efforts in recent years to provide tailored products to this market, this has seen Sanlam Sky’s contribution to the Group increasing from R120m in 2010 to R203m in 2011.

The current focus of demand is for funeral policies, based on a need rather than an economic driver. While considerable efforts have been made to educate consumers around the importance of saving, to date we have not been able to develop a product that meets these saving needs while also being viable for the company.

Further detail on the development of products that promote good financial management in this market is provided in our online report, along with brief commentary on the challenges in developing a savings product in this market.

Addressing product regulation

The Sanlam Group is facing growing demands and associated costs in meeting the requirements associated with increasing regulation, both in general as well as specifically in the financial services sector. This new regulation is coupled with a greater focus on enforcement. With potential fines of up to R100m for technical offences, the need for effective internal compliance systems has become more significant. At the macro-economic level, new policies on social and environmental issues are likely to result in increased living costs, leading to reductions in the disposable income of clients with knock on effects for our business.

Our business faces direct impacts associated with a number of new regulatory focus areas, including:

• Protecting consumers’ rights – through the Consumer Protection Act and the proposed legislation on Treating Customers Fairly;
• Mitigating poor socio-economic conditions in South Africa – in terms of requirements relating, for example, to the establishment of a National Social Security System (NSSS) and National Health Insurance (NHI);
• Promoting social transformation – through the anticipated Financial Sector Charter; and
• Promoting greater transparency in the life insurance industry – for example through Solvency II to be implemented in South Africa in 2014.

Resources are increasingly being devoted to meeting compliance requirements, putting pressure on margins and impacting profitability. Some of the proposed changes could benefit certain businesses. Sanlam is gearing resources and adapting by up-scaling businesses that will benefit from these changes, implementing the right systems, growing relevant client bases and moving into umbrella funds that support smaller businesses. Sanlam will monitor progress towards the implementation of the BBBEE scorecard or the FSC once implemented.
Promoting responsible investment

There is a growing interest amongst investors in environmental, social and governance (ESG) issues, and a greater awareness of the role of the investment management community in promoting more sustainable and socially responsible development. While there is increasing evidence that taking an active and responsible approach to ESG issues can lead to outperformance for investors (particularly over the longer term), SIM is not seeing a significant increase in the demand for responsible investing products from the majority of our clients. Although often constrained by our client mandate, we are trying to raise clients’ awareness around the importance of responsible investing.

Sanlam seeks to encourage a shift in perceptions in the industry, supported by this increasing evidence of a link between good sustainability performance and enhanced investment returns. Our activities include engaging with the industry sector body – the Association for Savings & Investment South Africa (ASISA) – and collaborating more broadly with our business peers to conduct research and raise awareness among clients around longer-term opportunities associated with responsible investing. We believe that in the context of increasing social and environmental challenges (such as climate change) and growing uncertainty, the business case for responsible investing will become more visible.

To demonstrate our intentions of becoming a responsible investor, Sanlam is the first private asset owner in South Africa and Africa to publicly commit to the UN Principles of Responsible Investment (UN PRI), along with the Government Employees Pension Fund and the Eskom Pension Fund. SIM is already currently a signatory to the UN PRI, along with several other South African asset managers, and was a founding signatory to the Code of Responsible Investment South Africa (CRISA).

"The Africa Sustainability Fund is a good example of how a socially responsible fund can outperform other funds."

- Johan van der Merwe, CEO: Sanlam Investment
Providing for ESG issues within Sanlam Investment Management (SIM)

As a signatory to the UN PRI, SIM recognises the increasing importance of ESG issues as part of our fiduciary responsibility for our clients, with a particular focus on corporate governance. Guidelines for considering corporate governance elements (G) were developed five years ago and focused on proxy voting. SIM votes all proxies of companies where clients have investments, without abstaining. We decline approximately 10% of resolutions. Most negative proxy voting has been directed to limiting access to capital, but remuneration issues are rising with the financial crisis indicating that variable remuneration could incentivise unwarranted risk-taking.

Many social elements (S)– such as those relating to Black Economic Empowerment – are largely governed by the constitution and sector charters. We have recognised that more needs to be done to promote gender equality through our investment decisions; this will be a focus of our efforts. Environmental issues (E) have similarly not been a strong focus in our investments. Guidelines have been developed to address this area, and we are currently engaging with other organisations to rate companies on their environmental awareness and processes. A system is being developed to try and quantify environmental performance by costing externalities and bringing these costs into the valuation.

The guidelines to incorporate sustainability principles into our investment decisions were approved by the SIM Exco in 2011. While being a responsible investor is not currently seen as an issue where the business can derive material competitive advantage, we believe that the process of incorporating responsible investing principles into our investment decisions as necessary for the business to be sustainable in the long run. In 2012 we will report on the outcomes of our efforts over the last five years and demonstrate how SIM is a responsible investor.

Financing empowerment and investing in infrastructure

Sanlam sees itself as having an important role to play in infrastructure financing in South Africa in particular. Government’s need to access private sector capital will create more opportunities to establish Private Public Partnerships (PPPs). Sanlam is positioned for increasing engagement with government to establish PPPs in the future.

The draft Financial Sector Charter (FSC) includes provision of finance for, or investment in, transformational infrastructure in underdeveloped areas, agricultural development of emerging black farmers, low-income housing and black SMES, and BBBEE financing. For all BBBEE and infrastructure financing, our investment mandate requires that the target risk and return considerations and investment merits must supersede all other investment considerations when determining investment viability. With regard to BBBEE, all investee companies must demonstrate that black staff will benefit from Sanlam’s investment.

The liquidity squeeze following the financial crisis has limited the amount of capital available, thereby affecting our ability to fund BBBEE and infrastructure investments. A positive result is that fewer BEE transactions have unravelled: a symptom that we would have expected to see due to the recent market volatility.

We are all about the long term – it is the nature of our business. This is therefore aligned to sustainability. We are building a business for long-term sustainable success.”

– Kay Lala-Sides, Strategic Project Manager: Sanlam Investment
Our Socially Responsible Investment (SRI) funds

Sanlam is committed to developing a range of actively managed funds that bring about social and economic change through active engagement. The interest in SRI funds has not grown significantly over the last year. Although Sanlam continues to offer SRI funds, their contribution to the Group is not currently material in scale. Profitability remains at the forefront of the reasons for developing these products. We expect these products to play a more significant role in the longer term as demand increases.

Currently retail and big commercial clients are not demanding the integration of sustainability considerations within our investment decisions. The real pressure in this area is coming from government regulation (such as the recent amendments to Regulation 28 of the Pensions Fund Act), the Public Investment Corporation and from trade unions interested in promoting developmental capitalism. They are focusing on what we are doing to promote education, employment creation and the development of enabling infrastructure. We continue to engage with these stakeholders to develop appropriate products and approaches to meet their needs and the needs of the Group.

“"We cannot just wait for clients – we have to anticipate what is going to happen in the market. We want to be responsible – and not only client led.””

- Richard Anderson, Senior Portfolio Manager: Sanlam Investment
SANLAM PERSONAL Finance’s EMPOWERMENT FUND

- Launched in October 2010, these retail funds allow previously disadvantaged individuals to invest in empowerment transactions.

AFRICA SUSTAINABILITY FUND

- Administered by Sustainable Capital, this fund provides long-term investors with equity exposure to African countries (excluding South Africa) within a responsible investment framework at relatively low cost.
- In addition to investing US$ 20 million in the fund, Sanlam also invested in the company, as we were impressed with their research and their business model. The company has been able to achieve good performance attributable to applying sustainability criteria.

SANLAM PRIVATE INVESTMENTS’ SHARIAH FUND

- The fund is an investment solution in compliance with Islamic Shariah guidelines. Based on Shariah principles, the fund has no dealings with organisations involved in alcohol, tobacco, gambling, armaments, pornography or pork products.
- The demand for the fund has been slower than expected. The sell-off of equities due largely to the US and Euro debt crises has had a negative impact on demand.
- The fund has basically performed in line with the competition and has been positive year to date and provides a more bespoke service offering.
- If National Treasury’s intention to launch Sukuk (Shariah compliant bonds) is successful, the awareness around Shariah investments would increase having a positive impact on demand for this product.

SANLAM MULTl MANAGERS SRI FUND

- Sanlam Multi Managers identified an opportunity to include high-impact investments targeted at bringing real benefit to South Africa’s poorer communities. A combination of high- and low-impact investments was identified as the best way to achieve a more liquid SRI fund.

WEB

- Additional information on our various initiatives and activities aimed at promoting responsible investment is provided in our online report.
Responsible procurement

Our procurement policy

Sustainability presents an opportunity to cut costs and contribute to maintaining and achieving societal objectives such as employment creation, social transformation and the protection of environmental assets. Increased scrutiny of business behaviour by stakeholders has led to rising expectations that companies are responsible for environmental, social and governance practices of their suppliers.

We need to ensure that the people we partner with do sustainable business.”

– Ebrahim Asmal, Executive Head: Group Sourcing

Group Sourcing is a Sanlam Group function, residing in Santam, which has the greatest procurement demands. The Centre of Excellence, run out of Santam, plans to expand its influence regionally. The Group Procurement Policy includes supplier selection criteria that promote sourcing from BBBEE-accredited suppliers and black owned businesses, and suppliers that incorporate ESG best practice into their operational processes. Optimising processes and unlocking value in the supply chain remains a key focus area, through considered management of standardisation, minimal duplication and efficiencies. Another focus is to ensure against the creation of monopolies, and ensuring that partners do sustainable business.

Environmental selection processes have been further developed this year. Greening initiatives in buildings, reducing business travel through an increase in equipment for video conferencing, cleaning materials and processes needing to be environmentally friendly – are included as criteria for potential and existing suppliers. Suppliers recognise that addressing sustainability issues enhances business potential. Those that adapt the best and the quickest, gain an advantage in securing business.

Looking ahead, we are seeking greater emphasis on environmental issues and enterprise development. Sanlam will measure and report the percentage exceeding R500,000 procurement vetted against pre-set criteria. We plan to develop an environmental and corporate responsibility supply chain strategy with a three-year time horizon to give sufficient warning to key suppliers around potential impact. To ensure that we do not adversely impact BBBEE procurement, the weighting of sustainability criteria will have to be ranked. We will continue to support the growth and upliftment of black entrepreneurs through procurement practices, with particular focus on black female-owned business development.

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Supplier development

Supplier development is an integral part of our procurement policy. Through our purchasing we are able to develop, in particular, small black-owned enterprises in South Africa contributing to the long-term health of the economy and meeting our BBBEE requirements. Ensuring the viability of those suppliers remains a significant challenge. We contribute to supplier development by assisting with cash flow through means such as soft loans and early payment terms. Sanlam runs a business-orientated educational television programme for entrepreneurs and entrepreneurial competitions. Through Cobalt, Sanlam provides free health checks and advice for small businesses.

Sanlam continues to achieve full points on the enterprise development component of the dti scorecard through our Ubuntu Botho (UB) transaction. This provides broad-based UB empowerment groupings access to capital, business advice and cross-selling opportunities between shareholding businesses.

“ When we start looking at sustainability we start looking at the bigger picture - using the example of the solar power”… “The same emphasis that we have placed on BEE we want to do for environmental and other issues.”

– Ebrahim Asmal, Executive Head: Group Sourcing
Treating our clients fairly

Sanlam strives to be client centric and to treat our customers fairly, to understand our clients and their financial services needs and to provide innovative, tailored solutions to fulfil those needs. We care about our nation’s financial freedom, link our clients’ successes to our own and will continue to be accountable for our actions with the aim of building long-term relationships that improve peoples’ lives.

Fair principles around dealings with customers as a key stakeholder group are critical to the sustainability of the organisation. Our approach to clients is largely aligned to the expected requirements of the FSB’s forthcoming “Treating Customers Fairly” (TCF) legislation.

The six pillars of TCF are:

• To make TCF central to corporate culture;
• Products and services must meet the needs of consumer groups and be targeted accordingly;
• Consumers must be provided with clear information before, during and after the point-of-sale;
• Customers must be given suitable advice that takes their circumstances into account;
• Products and services must meet customer expectations; and
• Consumers must be reasonably able to change products, switch providers, submit claims or make complaints.

We support TCF and will continuously strive to meet the requirements. Further detail is provided below.

Preparing for “Treating Customers Fairly” (TCF)

The Financial Services Board’s proposed TCF legislation is a new approach to regulation of market conduct in the financial services industry, based on outcomes rather than rules and regulations. The goal is to place client needs at the forefront of each stage in a product’s life cycle.

Until the legislation comes into effect, the focus is on preparation and awareness. Sanlam will measure progress on the TCF principles applicable from 2014 onwards. The Group has a steering committee in place to analyse the requirements of this regulation, which will be measured using KPIs for the Group as a whole and for each separate cluster. The process is currently underway.

Each cluster of Sanlam will define an Ombudsman most applicable to the business and each will measure Ombudsman complaints received relative to targets agreed with Sanlam. SIM and SPF will report on compliance with the Financial Advisory and Intermediary Services (FAIS) Act. SIM will measure client retention rates against targets, providing an indication of client satisfaction, while SPF will measure percentage of lapses relative to prior years and targets.

A challenge will be around managing clients who we do not engage with directly. On the retail side, we are often a step away from the market, relying on intermediaries to engage directly with clients. This will require engagement and training intermediaries to ensure requirements are met.
Understanding client needs

The context within which we operate is changing. Our growth strategy requires that we understand the needs of a more diverse client base. This is due to our internationalisation focus but also due to shifts in the segments of markets in which we currently operate. There is a growing consumer base despite economic conditions, a growing middle class, growth in black and younger clients in all income categories and a growing gap between rich and poor. Understanding client needs in these markets is essential. This requires new and adjusted products. We conduct proactive research to identify needs that are not currently fulfilled.

Engaging our clients

We strive to improve our clients’ product access and the financial security benefits they derive from our benefits. We focus on simplifying product terms and information. This is coupled with a broad focus on improving the financial literacy of people in the markets in which we operate. Providing service excellence and good investment performance increases client satisfaction resulting in greater persistency and retention.

We have continued to highlight the importance of personal touches. Making contact is an important part of the engagement. We have a differentiated service to provide more targeted and therefore relevant service information. Our client contact centres facilitate several ways to make contact. Efforts are underway to improve contact by creating synergies with continually evolving technology. Group-wide complaints are managed through the Client Relations Unit. Cluster-specific complaints are directed to and managed at the internal complaints units of each cluster.

We have a good relationship with all Ombudsman Offices. In addition, Sanlam clients also have access to an internal arbitrator. This year we tried to strengthen processes and also set up a complaints forum. This two-monthly forum aims to improve implementation of the complaints process, get feedback from the Ombudsman and look at trends in different environments.

Our performance

Sanlam focuses on measuring the client service, complaints and claims experience as a whole, rather than through a narrow measure of client satisfaction. An assessment of the quality of service, relationship, communication and overall satisfaction yields our “Voice of the Customer” (VoC) score. Overall, our VoC scores did not change significantly from 2010: there was a slight increase in the volume of reported “problems”, and slightly fewer reported “delights”. VoC from a client perspective is down slightly but from an intermediary perspective there has been a great improvement.

Sanlam’s client success is evident in our persistence figures and complaints data, which are both among the best in the industry. Good performance is also evident in the various client satisfaction survey results from throughout the Group and the number of awards won this year. The Sanlam Personal Finance Client Contact Centre was awarded the best call centre, the best processing centre, and the best CSI initiative in the call centre industry for 2011.

898 in 2011

The number of complaints referred to the Ombudsman for long term insurance (971 in 2010), at an average of 74 (81 in 2010) complaints per month.

Further detail on our client education initiatives and complaints management processes is provided in our online report, as well as a case study on the national “Start Something” campaign.

Note: additional commentary on our approach to ensuring responsible management of our products is provided in our online report.

This represents one of the KPIs of our SMF. The basis of measurement is the number of total and average monthly complaints received from the Ombudsman for Long Term Insurance (from SPF and what was previously SDM SA) during the financial year ended 31 December 2011.
Responsibility towards a prosperous society

Highlights
• Sustained strong economic performance, underpinning our direct and indirect investments in socio-economic development
• Our diverse channels of communication and product offerings have facilitated greater numbers of low income earners to access financial services and become better informed to make sound financial decisions
• Launched the Sanlam Foundation in September 2011, to facilitate more focused and coordinated CSI efforts linked to Sanlam’s core business, and to achieve more sustainable socio-economic benefits

Challenges
• Ensuring continuing alignment of CSI efforts across the business as part of a coordinated strategy

This section briefly reviews how we contribute to promoting a prosperous society. Our most significant contribution comes from our core business: by operating profitably and efficiently, we contribute to job creation, generate taxes, and invest in procurement throughout our supply chain. The nature and extent of this contribution to our various stakeholders is summarised in our value added statement. This contribution is further enhanced by our activities aimed at promoting broader access to our financial services, and by assisting our existing and potential clients to make more informed financial decisions. Our CSI and sponsorship activities, which have been aligned with our core strategy, provide a significant additional contribution, and are pivotal in maintaining and building our reputation as a trusted and committed contributor to development in the communities in which we operate.
Our economic value added

Creating value for our shareholders and other stakeholders is fundamental to ensuring we are a sustainable company. The Sanlam Group Value Added Statement below summarises our primary economic impacts on our principal stakeholders, including policyholders, employees and directors, communities, suppliers, government and shareholders.

In 2011, the Group’s operations resulted in substantial benefit to our principal stakeholder groups. In addition to the R3 178 million generated for our shareholders and the R3 545 million retained for future growth, we:

- Awarded R63 929 million to policyholders in the form of policyholder benefits, claims and increases in accumulated reserves;

The Sanlam Group Value Added Statement for year ended 31 December 2011

<table>
<thead>
<tr>
<th>Sanlam Group Value Added Statement</th>
<th>2011</th>
<th>2010</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>for the year ended 31 December 2011</td>
<td>R million</td>
<td>R million</td>
<td></td>
</tr>
<tr>
<td>Premium income</td>
<td>57 851</td>
<td>51 558</td>
<td>12%</td>
</tr>
<tr>
<td>Other operating income</td>
<td>3 848</td>
<td>3 145</td>
<td>22%</td>
</tr>
<tr>
<td>Investment return</td>
<td>25 616</td>
<td>32 404</td>
<td>-21%</td>
</tr>
<tr>
<td>Commission and other sales remuneration paid to agents and brokers</td>
<td>(5 154)</td>
<td>(5 006)</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Wealth accumulated</strong></td>
<td>82 161</td>
<td>82 101</td>
<td>0%</td>
</tr>
</tbody>
</table>

Wealth distributed among stakeholders

Policyholders

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policyholder benefits, claims and increase in reserves</td>
<td>63 929</td>
<td>64 642</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>Employees &amp; directors</strong></td>
<td>5 421</td>
<td>4 836</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Employee benefits</strong></td>
<td>5 395</td>
<td>4 814</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Directors’ remuneration</strong></td>
<td>26</td>
<td>22</td>
<td>19%</td>
</tr>
</tbody>
</table>

Communities

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSI and cause related investment</td>
<td>57</td>
<td>54</td>
<td>6%</td>
</tr>
</tbody>
</table>

Suppliers

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement of goods and services</td>
<td>3 224</td>
<td>3 034</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Government</strong></td>
<td>2 807</td>
<td>3 083</td>
<td>-9%</td>
</tr>
<tr>
<td>South African normal income tax</td>
<td>1 947</td>
<td>1 936</td>
<td>1%</td>
</tr>
<tr>
<td>South African capital gains tax</td>
<td>282</td>
<td>474</td>
<td>-41%</td>
</tr>
<tr>
<td>Foreign tax</td>
<td>281</td>
<td>347</td>
<td>-19%</td>
</tr>
<tr>
<td>Tax on retirement funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Indirect taxes and levies</td>
<td>297</td>
<td>326</td>
<td>-9%</td>
</tr>
</tbody>
</table>

Shareholders

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ordinary dividends paid to Sanlam Limited shareholders</strong></td>
<td>2 279</td>
<td>2 112</td>
<td>8%</td>
</tr>
<tr>
<td>Retained income distributed due to shares cancelled</td>
<td>-</td>
<td>1 233</td>
<td>-</td>
</tr>
<tr>
<td>Income attributable to minority shareholders</td>
<td>899</td>
<td>992</td>
<td>-9%</td>
</tr>
<tr>
<td><strong>Retained for future growth</strong></td>
<td>3 545</td>
<td>2 115</td>
<td>68%</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>3 251</td>
<td>1 855</td>
<td>75%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>294</td>
<td>260</td>
<td>13%</td>
</tr>
</tbody>
</table>

**Wealth distributed** | 82 161 | 82 101 | 0%        |
In South Africa, economic transformation is both a social and a business imperative. And for our business, promoting diversity within the organisation and in our business partnerships enhances our ability to provide a multicultural society with relevant products and services.

Our efforts to diversify ownership, management and control have been significantly advanced through our Ubuntu-Botho (UB) empowerment venture. The initial transaction in 2004 transferred 10% ownership to a broad-based group of black shareholders. This shareholding was 10.76% at the close of 2011. However, as based on measurement criteria prescribed by the dti Codes with specific reference to the exclusion of Mandated Investments and Foreign Business Operations from the denominator, the Group’s black ownership is close to 28%.

Our BBBEE ownership score at the end of 2011 totalled 17.33 based on the verified score from 2010, the previous year.

Our approach to ensuring continued strong economic performance is for each business cluster to pursue comprehensive growth strategies, diversifying through developing new markets. The Sanlam for Sanlam initiative aims to facilitate collaboration across business units in order to explore synergies and optimise growth across the Group. Our indirect economic contribution is also channelled through our investments, as well as the funds under our management and employed in the economy; we are a significant institution in the process of mobilising savings, and then allocating these into the economy.

Promoting transformation and empowerment

In South Africa, economic transformation is both a social and a business imperative. And for our business, promoting diversity within the organisation and in our business partnerships enhances our ability to provide a multicultural society with relevant products and services.

LEVEL 3 BBBEE

Our targeted contributor status maintained through our ongoing transformational efforts. Our primary focus is on achieving a more representative workforce and investing in our people.

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Our BBBEE ownership score at the end of 2011 totalled 17.33 based on the verified score from 2010, the previous year.

Our performance this year in terms of transformation of control remains consistent with last year, with no significant developments to report. The Board comprises four black females, five black males, one white female and eight white males. The scoring in previous years was impacted by certain developments: a decrease in the number of black board members from 2008 to 2009, and a decrease in attributable percentage voting rights in 2009, had a negative impact on scoring. However, an increase in the number of black executive board members in 2009 had a positive impact on the score relating to black executive management.

During 2010, alignment of the definition of executive management to the provisions of the dti Codes improved Sanlam’s scoring.

I believe that Sanlam is well on its way to becoming a transformational company.”

– Yvonne Muthien, Chief Executive: Group Services

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

SMF (see page 10)

WEB A review of our performance against the dti scorecard (data for 2009, 2010, 2011) is provided in a consolidated form in our online report. A link to information on the Ubuntu-Botho is available on our website.
Promoting access to financial services

Promoting access to financial services is significant in driving socio-economic development. It enables people in entry-level markets who are underserviced in terms of appropriate risk, savings, investment and retirement products, to access and function in the economy. In South Africa, broadening access to financial services to these groups creates important new market opportunities to drive our growth strategy and enhance our contribution to the country’s economic upliftment.

Sanlam Sky Solutions (a business of SPF cluster) focuses on improving access to financial services in entry-level markets in South Africa and internationally. It strives to provide tailored products for the previously disadvantaged in the entry-level market and lower LSM (living standards measure) groups, helping to incorporate these groups into the mainstream economy. Satisfying these clients is essential to secure their commitment to our brand as they advance to higher incomes and achieve greater personal wealth. Funeral policies remain by far the greatest area of demand in this market, but we also offer savings and short-term insurance products at this level.

Expanding shareholding to micro- and small businesses also gives the Group access to a significantly expanded base of potential clients. The Ubuntu-Botho partnership affords significant insight into local markets and the ability to identify market opportunities that call for development of new products, which complements our client centric strategy. As a result, our access to new audiences via a broad-based consortium of organisations (including trade unions and community organisations) has seen us grow into a more sustainable entity.

Communications is an essential factor in engaging and retaining clients. We have worked hard to develop robust distribution channels to reach these market segments and the Sanlam Sky’s multi-distribution model increases our exposure. Within Sanlam, the agency and broker models are currently the strongest performing channels. Using a one-on-one sales method, a basic needs analysis and advisory service are supplied directly to the client. Both channels focus on the government (civil servants) and commercial markets. While funeral cover is the most successful product, we also offer retirement policies, savings plans and hospital plans.

Our SPF, SEM and Sanlam UK business units rely extensively on intermediaries (advisers and brokers) to distribute products and services throughout our areas of operation. It is essential that we ensure that our employees and intermediaries have appropriate training in product knowledge and regulatory requirements, in order to provide responsible and appropriate financial advice to our clients and potential markets.

WEB Additional information on our channels of engagement with clients and potential markets, and on our training interventions for our staff and intermediaries, is provided in our online report.
Corporate social investment

Our corporate social investment (CSI) strategy seeks to ensure that our investments provide a meaningful contribution to alleviating poverty, and promoting development, in the poorer communities in which we operate. To support this strategy and streamline the management of CSI, this year we established the Sanlam Foundation as a Trust to enable us to align our CSI activities within the Group. This development followed a repositioning exercise undertaken in 2010, with the aim of ensuring that the Group’s CSI programmes – which are based on sustainable partnerships with communities – will result in outcomes aligned with the company’s core strategy. The process of developing our new CSI strategy involved extensive engagement with internal and external stakeholders, reaching agreement on the key focus areas of the Sanlam Foundation. In line with our strategy, our CSI programme focuses strictly on education, covering four core components:

- Financial literacy for high school and university students;
- Maths, Science, English and Technology literacy (for high schools);
- HIV & Aids awareness and education for high schools; and
- Environmental awareness and protection programmes.

Underpinning our CSI strategy is the involvement of Sanlam staff in the CSI programme. Key to the success of our CSI strategy is the participation and involvement of Exco members. Through the Exco Back to School Project, Exco members lead their teams in reaching out to the communities they come from. This forms part of Sanlam’s engagement with broader society and also acknowledging the contribution of these communities towards the success of the Sanlam. The engagement process and visible leadership participation has generated a high level of buy-in throughout the organisation. In addition to the Back to School Project, our employees are encouraged to participate in the implementation of the programmes of the Sanlam Foundation. Investing in these areas enables Sanlam to nurture customer loyalty and support, while making a meaningful contribution to the society we serve. We seek to build a leadership position by coordinating our community investment programmes around themes that address stakeholder issues/concerns, and resonate with the nature of the business. Our contribution to community investment programmes is coordinated across the Group and measured in terms of impact to the entire community targeted, employee involvement and achievement of programme goals.

All existing CSI projects and activities have been re-assessed to determine their suitability against the Foundation’s vision, objectives and strategic requirements and sustainability. In line with these requirements, we have had to exit some of the CSI programmes that no longer fall in the remit and scope of the strategic focus of Sanlam Foundation. Exit strategies have duly been implemented for these. We therefore have entered into various new partnerships.

“...This year we focused our efforts on fewer, more strategic projects in order to be more effective, sustainable and better aligned with our CSI strategy.”

– Lulu Letlape, Executive Head: Corporate Affairs
To ensure we achieve our goals, we have undertaken baseline studies for all programmes to enable us to perform impact studies at the end of the period of the partnerships. A current challenge is that it is too early to assess the success of our strategy and provide facts and figures on performance.

Our annual CSI spend in 2011 was R 34 953 450, representing 0.77% of Group net profit after tax; this compares favourably with last year, in which we spent R19.3 million (0.52% of Group net profit after tax). Our 2011 expenditure included R1 million that was allocated to the various business clusters (R200,000 each) for staff volunteer projects and contributions to our flagship sponsorship of Takalani Sesame.

In addition, Sanlam also contributes to the Ubuntu-Botho Trust through dividends.

Further information on our CSI activities is available in our Sanlam Foundation Report.

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**The Sanlam Foundation Flagship projects in 2012**

**Promoting Financial Literacy:** Sanlam has embarked on a three-year journey with Operation HOPE South Africa to provide financial literacy education to pupils at under-resourced schools in Gauteng and the Western Cape. The implementation of the first phase of the programme started in 2011: Seventy Sanlam employees were trained as volunteers to help implement Operation HOPE’s Banking on Our Future (BOOF) financial literacy education programme. In 2011 BOOF and Sanlam employees reached over 850 learners. The second cycle of training will incorporate improvements identified during the first year.

**Promoting HIV Aids and Education Awareness:** Sanlam Foundation has partnered with the Regency Foundation and the Provincial Department of Education to prevent and manage HIV and AIDS in schools. The Regency Foundation is an NGO that assists schools to develop, integrate and implement their own HIV and AIDS policies, in keeping with national government priorities and regulations. The programme launched during 2011 in 20 schools in KwaZulu-Natal is called HIV & Me. Participating schools receive a comprehensive two-year training programme that starts with training workshops for teachers and the community, and include an in-classroom programme for learners.

**Promoting Environmental Awareness:** Sanlam’s joint venture with the World Wide Fund for Nature South Africa (WWF), the WWF Sanlam Living Waters Partnership, has driven a number of successful projects over the last three years, having a positive impact on South Africa’s freshwater and marine water programme, and promoting skills development and job creation in order to meet its goals. This year a new agreement has been finalised for the next three years.

**Promoting Maths and Science Literacy:** Sanlam has entered into a three-year partnership with Protec to provide maths and science support to disadvantaged schools in Limpopo and North West provinces. The programme involves learner and teacher support for the improvement of the teaching and learning of Maths and Science.
Sponsorships

Sanlam’s sponsorship activities play a central role in enabling the company to engage with potential markets, seeking to create a positive association and attract the lower level market. Our sponsorships thereby add real business value while also supporting socially significant causes. We select only sponsorship opportunities that speak to our target market in a positive way, aiming to have Sanlam perceived as a valued and trusted partner.

There are certain criteria against which potential opportunities are measured in order to stay true to our business and brand strategy. To measure the effectiveness of our initiatives, a brand study is conducted each year, including an assessment of whether partners have delivered on KPIs. Success is measured in terms of ‘return on objectives’.

Core sponsorships include Takalani Sesame, the Sanlam Cancer Challenge, Sanlam Kay Motsepe Schools Cup and a suite of cultural sponsorships, which are pivotal in growing Sanlam’s brand awareness within our target markets in South Africa.

- Sanlam is a committed founding sponsor of Takalani Sesame, a key contributor to the early childhood education of South African children since 2000. The programme is broadcast on SABC radio and television stations and over the past 11 years, has reached 28 million children between the ages of two and nine, with critically important educational messages every year. This year activities included an eight-town roadshow, reaching an audience of 40 000 parents and children with educational muppets, and three expos reaching close to 50 000 children.

- The Sanlam Cancer Challenge is the biggest amateur golf tournament in South Africa with over 37 000 participants. This year R 2.6 million was raised for CANSA and contributed to the R26 million raised since inception in 1993.

- The Sanlam Kay Motsepe Schools Cup, a national annual soccer tournament co-funded by Sanlam, the Ubuntu-Botho Community Development Trust and the Kay Motsepe Family Foundation, was launched in 2010 and further entrenched this year. The initiative is aimed at reviving the culture of school football amongst the youth. Annually R3.4 million is awarded to the winning schools. The winning funds are applied to school legacy projects benefiting not only the school but the community at large. The event will receive R30 million over five years.

More information can be found at www.sanlam.com

“ If we support something that communities are passionate about - then they will allow Sanlam into their space... Sanlam becoming a part of their life story.”

– Elena Meyer, Senior Manager: Sponsorships and Promotions

The Sanlam funded Takalani Sesame Club, newly launched during 2011, aims to provide fun learning and promotional materials to 100 schools, delivering 15 000 learners in the provinces of Gauteng, KwaZulu-Natal and the Western Cape. A comprehensive impact assessment survey conducted this year reflects Takalani Sesame’s widespread measurable success.

- The Sanlam Cancer Challenge is the biggest amateur golf tournament in South Africa with over 37 000 participants. This year R 2.6 million was raised for CANSA and contributed to the R26 million raised since inception in 1993.

- The Sanlam Kay Motsepe Schools Cup, a national annual soccer tournament co-funded by Sanlam, the Ubuntu-Botho Community Development Trust and the Kay Motsepe Family Foundation, was launched in 2010 and further entrenched this year. The initiative is aimed at reviving the culture of school football amongst the youth. Annually R3.4 million is awarded to the winning schools. The winning funds are applied to school legacy projects benefiting not only the school but the community at large. The event will receive R30 million over five years.
Responsibility towards the natural environment

Highlights

• Completion of a sustainability framework for the Group
• Resource reductions targets have been set for 2011-2015, providing clear direction for the Group
• Sanlam ranked 8th overall on the South African Carbon Disclosure Leadership Index
• Enhanced understanding throughout the Group on the need for improved environmental performance
• More efficient use of energy and water, and reduced waste generation, as a result of employee engagement initiatives driving behavioural change

Challenges

• Ensuring continued reductions in energy, water and waste, as well as in our greenhouse gas emissions intensity
• Managing potential trade-offs between energy savings and productivity

As a leading South African financial services group, we understand that incorporating responsible environmental principles into our business operations contribute to the longer-term sustainability of our business. This section reviews our activities aimed at minimising our negative environmental impacts, by reducing our carbon footprint, conserving our resources, managing our waste and sourcing our supplies responsibly.
Managing our direct environmental impacts

We are committed to reducing the direct environmental impacts associated with our core business activities. These direct impacts are primarily associated with the energy and resource usage at our offices, and through employee travel. We also recognise the significance of the secondary environmental impacts associated with our portfolio of investment properties, the businesses we invest in and finance, and our suppliers’ business operations. As we strive to position ourselves as a leader in environmental sustainability in the South African financial services industry, we will seek to use our influence to raise levels of awareness amongst our clients, employees, business partners and other stakeholders on environmental management procedures.

This year we further developed our group environmental policy and environmental management structures. Our Group Environmental Committee - established in early 2010 with representatives from all units, and mandated to drive internal environmental sustainability within the Group - is achieving increasing impact in promoting and integrating environmental initiatives within the business.

The Environment and Sustainability Committee, which reports to the Board Social, Ethics and Sustainability Committee through Exco, coordinated a consultative process to refine the existing Group environmental policy to ensure its applicability to all the different business areas and to instil commitment from all units to implement the policy. The Sanlam Board of Directors, through the Board Social, Ethics and Sustainability Committee and Exco, have all endorsed the new policy.

We recently completed a process of developing a Group Sustainability Management Framework, assisted by external consultants, to establish a broader dashboard covering a range of business sustainability and environmental key performance indicators. This process, which included workshops with all business units, will lead to the development of a sustainability dashboard that will be finalised early next year. In 2012 we will continue to rollout improved environmental performance measurement systems to more buildings, and we will start to implement bigger projects; currently the focus is on setting priorities and introducing pilot projects.
Commuting to performance targets

A key achievement this year was reaching agreement on new performance targets for energy and water consumption and waste generation. A pragmatic approach was taken to define these targets, including a benchmarking exercise from similar industries. The new targets (see box) were approved by the Environment and Sustainability Committee in March 2011, and adopted in June 2011. These targets apply to all Sanlam business units and are being supported with education and awareness campaigns among staff, to ensure good environmental practice.

Introducing improved measurement and reporting systems has been a major focus this year, enabling a more informed, coordinated and strategic approach to identifying and responding to our environmental priorities. We are committed to continuously improving our environmental monitoring procedures across the business, in alignment with generally accepted reporting standards.

Recognising the importance of behavioural change as a means of achieving our targets, we have focused our efforts on communication and engagement with our staff. Raising levels of awareness and understanding has also assisted us in prioritising our initiatives. We also seek to encourage our supplier network to adopt best environmental practices. To this end, this year we finalised a new procurement policy that includes reference to the requirement for selecting suppliers with a good environmental track record. We are also currently reviewing our approach to property acquisition. In addition to the rental component of costs, we will consider resource demands, and potential to minimise these.

We are focusing more on measurement of our initiatives.”

– Ian Erlank, Manager: Facilities Management

Our long-standing partnership with the WWF and its Living Waters unit has driven the business towards better environmental stewardship in many aspects. This year a new partnership agreement for the next three years has been signed. This includes provision for joint research into water issues affecting the business and society, implementation of water-efficient practices, research into the development of products that address risks associated with water, and the identification of sustainable solutions for insurance and investments affected by water issues.

Environmental targets 2011

<table>
<thead>
<tr>
<th>Environmental targets</th>
<th>Response</th>
<th>Explanatory Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse gas emissions – 15% reduction in tonne per full time employee (FTE)</td>
<td>✔</td>
<td>Measures for energy efficiency, reducing waste, travelling and paper, will bring down levels of carbon emissions</td>
</tr>
<tr>
<td>Electricity – 20% reduction (kWh/m² of office space)</td>
<td>✔</td>
<td>Interventions for energy reduction approved and implementation underway</td>
</tr>
<tr>
<td>Municipal water – 10% reduction (kl/m² of office space)</td>
<td>✗</td>
<td>Water conservation interventions still to be identified</td>
</tr>
<tr>
<td>Paper – 15% reduction (kg/ZAR of turnover)</td>
<td>✔</td>
<td>Back-to-back printing is now a common practice and other interventions are being considered</td>
</tr>
<tr>
<td>Business travel – 5% reduction in air, road travel (km/FTE) and hotel/nights/FTE</td>
<td>✔</td>
<td>Video- and tele-conferencing instead of travelling used were appropriate</td>
</tr>
<tr>
<td>Total waste – 15% reduction in tonnes /FTE</td>
<td>✔</td>
<td>Waste minimisation measures include paper reduction and reducing the use of bottled water</td>
</tr>
<tr>
<td>Recycled waste – 50% increase in waste recycles (tonnes)</td>
<td>✗</td>
<td>Successful recycling initiative at head office will be rolled out to other Sanlam buildings</td>
</tr>
</tbody>
</table>

Good response: ✔ Partial response: ✗ No response: ✗
Climate change and energy

Sanlam recognises that climate change presents an important business and global risk. We are committed to upholding our responsibility to measure and reduce our carbon emissions, and to encourage responsible environmental practice in our sphere of influence. While considered a low-impact business, our greatest direct environmental impacts result from the buildings we occupy, with electricity consumption (Scope 2 emissions\(^5\)) accounting for the highest proportion of our greenhouse gas emissions. As a company with regional representation across all provinces and head office in Cape Town, employee commuting is the second-highest GHG emitting activity.

Sanlam has been a signatory to the Carbon Disclosure Project (CDP) since 2007. Sanlam’s Carbon Footprint Report is published separately on our website and more information is available in the online 2011 Sustainability Report. The environmental dashboard to be developed in 2012 will inform our process of measuring and monitoring our performance, and will allow us to undertake a deeper analysis of the risks and opportunities climate change presents to our business.

Our current efforts to reduce our footprint focus on promoting energy efficiency – primarily at our head office, and progressively at our other offices – through energy saving initiatives under the management of our Facilities team. We are also committed to promoting an increase in the use of video conferencing as an alternative to carbon emissions intensive business travel. In addition to contributing to our energy and carbon reduction target, it will also result in valuable cost savings.

A further opportunity we are exploring is to develop a portfolio of onsite renewable energy generation initiatives that will increase energy savings and resulting operational cost savings to the business; this will increase in significance in the context of rising energy prices and uncertainty of supply. As a result of amendments to South Africa’s draft Taxation Laws Amendment Bill 2009, anticipated energy taxes are likely to substantially increase the operational costs of Sanlam through associated taxes and penalties; there will also be tax allowances for energy-efficient equipment and renewable energy technologies.

Our carbon footprint performance

Sanlam remains focused on establishing an accurate and comprehensive carbon footprint assessment and carbon-emission reduction strategy. Our greenhouse gas measurements are undertaken in accordance with the most widely used global standard for Greenhouse Gas (GHG) accounting and reporting, the WBCSD/WRI GHG Protocol\(^6\).

\(^5\) Scope 2 emissions refer to indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam.

\(^6\) The GHG Protocol is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions. It is a partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) working with businesses, governments, and environmental groups around the world to build a new generation of credible and effective programs for tackling climate change.

As a signatory to the Energy Efficiency Accord, we are committed to reducing our fossil fuel energy consumption.”

- Ike Ndlovu, Head: Sustainability Management
This is compatible with other GHG standards such as ISO14064. Sanlam’s CO₂ emissions for 2011 calculate to 10.29 metric tonnes per full-time equivalent employee or 0.50 metric tonnes per square metre of office space across the six measured buildings. This is similar to last year’s performance (11.77 metric tonnes per full-time equivalent employee or 0.48 metric tonnes per square metre of office space). The decrease in total carbon footprint can be attributed to the significant decrease in electricity consumed and travel in commercial airlines, as a result of initiatives conducted over the year.

In 2011, Sanlam was ranked eighth overall on the CDP Disclosure Leadership Index that rates the performance of the JSE 100 participating companies. We are also a signatory to the CDP highlighting the importance we place on the CDP information to better inform our investment decisions.

Sanlam’s Carbon Footprint (key data indicators) (Jan-Dec 2011 versus 2010, 2009, 2008)

<table>
<thead>
<tr>
<th>Scope</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organisational boundary</strong></td>
<td>Head office, Hyde Park, Sanlynn, SIM, Glacier, Sanlam Sky</td>
<td>Head office, Hyde Park, Sanlynn, SIM, Glacier, Sanlam Sky</td>
<td>Head office, Hyde Park, Sanlynn, SIM, Glacier</td>
<td>Head office, Hyde Park, Sanlynn, SIM</td>
</tr>
<tr>
<td><strong>1 – Direct emissions from sources that we own or control</strong></td>
<td>1017</td>
<td>41</td>
<td>36</td>
<td>40</td>
</tr>
<tr>
<td><strong>2 – Indirect emissions from purchased electricity</strong></td>
<td>39 490</td>
<td>44 535</td>
<td>38 651</td>
<td>27 700</td>
</tr>
<tr>
<td><strong>3 – Indirect emissions from all other indirect sources that result from our activity</strong></td>
<td>10 690</td>
<td>11 677</td>
<td>11 458</td>
<td>10 248</td>
</tr>
<tr>
<td>Other - non Kyoto Gas</td>
<td>510</td>
<td>1 926</td>
<td>1 184</td>
<td>891</td>
</tr>
<tr>
<td><strong>Total Carbon Footprint</strong></td>
<td>50 791</td>
<td>58 179</td>
<td>51 292.72</td>
<td>38 879</td>
</tr>
<tr>
<td><strong>Emissions intensity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emissions/FTE</td>
<td>10.29</td>
<td>11.77</td>
<td>11.59</td>
<td>11.14</td>
</tr>
<tr>
<td>Emissions per m²</td>
<td>0.50</td>
<td>0.48</td>
<td>0.40</td>
<td>0.37</td>
</tr>
</tbody>
</table>

*This represents one of the KPIs of our Sustainability Management Framework. The basis of measurement there of is: Scope 1 emissions based on the GHG Protocol for six buildings: Sanlam Head Office, Sanlam Investment Management, Glacier, Hyde Park, Sannlyn and Sanlam Sky.

*This represents one of the KPIs of our Sustainability Management Framework. The basis of measurement there of is: Scope 2 emissions based on the GHG Protocol for six buildings: Sanlam Head Office, Sanlam Investment Management, Glacier, Hyde Park, Sannlyn and Sanlam Sky.
Sustainable water use

Water scarcity is a material issue for businesses that operate in South Africa and a strategic area of focus for Sanlam. This year we renewed our partnership with the WWF. This partnership promotes the wise management of our aquatic ecosystems and resources, including ground water management, and addresses water scarcity in South Africa. By the end of 2011, we had invested a total of R15 196 000 in the partnership with WWF since 2007.

As part of our long-term partnership with WWF, Sanlam will dedicate resources to assess and identify how we can use our sphere of influence in a systemic way to influence responsible water use and management in South Africa. We also plan to conduct research into solutions for insurance and investments affected by water. We will report back on our activities with WWF and the research teams in these areas during the year ahead, in our 2012 report.

In terms of our own water demands, this year we set the target of reducing our municipal water demands by 10%, by 2015. To monitor our progress it is imperative that water consumption is accurately measured and reported; a current focus is to improve our measuring systems to ensure reliability of data. This year we conducted a desktop study to determine current consumption (including a comparison between Sanlam and Santam Head office buildings); based on assumptions we have made predictions on how to reduce water consumption based on a variety of technologies that could be implemented.

Our current measures aimed at reducing water consumption include raising levels of awareness among our staff around water scarcity, the installation of manual flush systems on all toilets, and sound water management in our garden irrigation practices. Dual flush systems are to be introduced in toilets in the near future, and rainwater harvesting opportunities are being considered.

"As part of its partnership with WWF South Africa’s Freshwater and Marine Programmes, Sanlam will be investing resources to better understand how the Group can leverage its sphere of influence to build greater security of South Africa’s critical water resources.”

– Dr Deon Nel, Head of the Biodiversity Unit at WWF South Africa
Materials and waste management

The reduction of waste contributes to lower operational costs for materials, processing, and disposal and proactively reduces risk of any future cost increases in waste management. This year we undertook desktop research aimed at better understanding potential opportunities to improve our materials and waste performance. Currently, our focus is on separating waste and recycling. In addition to separating waste at source, we encourage increased recycling, double-sided printing and e-statements, as part of our drive to minimise the volume of paper used in client communications. The Facilities Management unit endeavours to purchase paper only from merchants or mills that have an environmental policy and/or a forestry policy to meet the ESG requirements of the Group Procurement Policy.

Sanlam head office has increased its average levels of recycling of all waste. We are investigating additional measures to reduce waste to landfill by additional 50%, as we strive to achieve our reduction targets set for 2011-2015 (see page 51). Recycling is managed by an external consultant, who provides the Facilities team with monthly reports. As part of our SMF, Sanlam has committed to improve measurement of the proportion of waste reused/recycled and the amount of responsible disposal of technological waste. All hazardous waste is disposed of according to legislative requirements. The companies who recycle our technological waste are audited to ensure compliance.
Assurance

Ernst & Young performed an independent limited assurance engagement on certain aspects of the online report.

Our compliance with the GRI G3 reporting requirements

Based on the GRI G3 reporting requirements, we are self-declared level B+ compliant. This is based on information contained in the online Sustainability Report and its supporting documents, together with other relevant information presented in our 2011 Integrated Annual Report and on the broader Sanlam Group website (www.sanlam.co.za).

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

<table>
<thead>
<tr>
<th>Strategy and profile</th>
<th>GRI indicator</th>
<th>GRI coverage</th>
<th>Reference / Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy and Analysis</td>
<td>1.1, 1.2</td>
<td>Full</td>
<td>Message from the Chairman of the Social, Ethics and Sustainability Committee; Message from Group Chief Executive; and Addressing our material sustainability pillars: The report at a glance.</td>
</tr>
<tr>
<td>Organisational Profile</td>
<td>2.1 - 2.10</td>
<td>Full</td>
<td>Sanlam Group at a glance; About this report; and This is Sanlam. Refer to our 2011 Integrated Report: Some awards and market recognition in 2011.</td>
</tr>
<tr>
<td>Report Profile</td>
<td>3.1 - 3.4</td>
<td>Full</td>
<td>About this report.</td>
</tr>
<tr>
<td>Report Scope and Boundary</td>
<td>3.5 - 3.12</td>
<td>Full</td>
<td>About this report; and Addressing our material sustainability pillars.</td>
</tr>
<tr>
<td>Assurance</td>
<td>3.13</td>
<td>Full</td>
<td>About this report; Assurance statement (online).</td>
</tr>
<tr>
<td>Governance, commitments and engagement</td>
<td>4.1 - 4.5</td>
<td>Full</td>
<td>Sustainability governance and management structure. Also refer to our 2011 Integrated Report: Corporate Governance report and Sanlam Board of directors and committee memberships.</td>
</tr>
<tr>
<td>Commitments to external initiatives</td>
<td>4.11</td>
<td>Full</td>
<td>A precautionary approach is taken through risk management which forms part of the Group’s centralised function. Message from the Chairman of the Social, Ethics and Sustainability Committee; Responsible products and services; Responsibility towards the natural environment; and Responsibility for developing our people.</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>4.14 - 4.17</td>
<td>Full</td>
<td>Engaging our stakeholders. The concerns raised by our stakeholders have informed the development of our Sustainability Management Framework and are therefore reflected in our material pillars.</td>
</tr>
<tr>
<td>Management approach and performance indicators</td>
<td>Economic</td>
<td>Environmental</td>
<td>Social</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>----------</td>
<td>---------------</td>
<td>--------</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core economic indicators</td>
<td>EC 1, 3, 4</td>
<td>Full</td>
<td>Our economic value added. Also refer to our 2011 Integrated Report: Annual Financial Statements note 32. Workplace transformation and diversity; Responsible procurement; Climate change and energy; and Promoting responsible investment. Please also refer to our 2011 Carbon Disclosure Project (CDP) response available at <a href="http://www.cdpproject.net">www.cdpproject.net</a>.</td>
</tr>
<tr>
<td></td>
<td>EC 2, 6, 7</td>
<td>Partial</td>
<td>Partial</td>
</tr>
<tr>
<td></td>
<td>EC 8</td>
<td>Not reported</td>
<td>Full</td>
</tr>
<tr>
<td>Additional Economic Indicators</td>
<td>EC 5</td>
<td>Not reported</td>
<td>Not material. Providing access to financial services; and Our economic value added.</td>
</tr>
<tr>
<td></td>
<td>EC 9</td>
<td>Partial</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Environment Indicators</td>
<td>EN 1, 3, 11, 12, 19, 20, 21, 23, 27</td>
<td>N/A</td>
<td>GRI coverage is not applicable (N/A) in instances where the indicator is not deemed material. Responsibility towards the natural environment.</td>
</tr>
<tr>
<td></td>
<td>EN 3, 4, 26, EN 16, 17, 28</td>
<td>Partial</td>
<td>Our carbon footprint performance. Please also refer to our 2011 Carbon Disclosure Project (CDP) response available at <a href="http://www.cdpproject.net">www.cdpproject.net</a>.</td>
</tr>
<tr>
<td></td>
<td>EN 22</td>
<td>Full</td>
<td>No significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations.</td>
</tr>
<tr>
<td>Additional Environment Indicators</td>
<td>EN 5, 6, 7, 18, 29</td>
<td>Partial</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>EN 9, 10, 13, 14, 15, 24, 30, EN 25</td>
<td>Full</td>
<td>Our carbon footprint performance. Please also refer to our 2011 Carbon Disclosure Project (CDP) response available at <a href="http://www.cdpproject.net">www.cdpproject.net</a>.</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core labour practices and decent work indicators</td>
<td>LA 1, 2, 13</td>
<td>Partial</td>
<td>Responsibility towards developing our people. Also refer to our 2011 Integrated Report: Corporate Governance report. 3.6% of our employees are covered by collective bargaining agreements.</td>
</tr>
<tr>
<td></td>
<td>LA 5, 7, 14</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LA 4, 8</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LA 10</td>
<td>Not reported</td>
<td></td>
</tr>
<tr>
<td>Additional Labour Practices and Decent Work Indicators</td>
<td>LA 3, 6, 9</td>
<td>Partial</td>
<td>Responsibility towards developing our people.</td>
</tr>
<tr>
<td></td>
<td>LA 12</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LA 11</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Core Human Rights Indicators</td>
<td>FS 15</td>
<td>Partial</td>
<td>Responsible products and services. No operations have been identified for risks relating to child or forced labour. No operations have been identified where the right to exercise freedom of association or collective bargaining is at risk.</td>
</tr>
<tr>
<td></td>
<td>HR 1, 2</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>HR 4, 5, 6, 7</td>
<td>Full</td>
<td>No operations have been identified for risks relating to child or forced labour. No operations have been identified where the right to exercise freedom of association or collective bargaining is at risk.</td>
</tr>
<tr>
<td>Additional Human Rights Indicators</td>
<td>HR 5, 8</td>
<td>N/A</td>
<td>There have been no incidents reported of violations involving rights of indigenous people.</td>
</tr>
<tr>
<td></td>
<td>HR 9</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>Core Society Indicators</td>
<td>SO 1</td>
<td>N/A</td>
<td>Responsible products and services; and Promoting ethical behaviour through good governance.</td>
</tr>
<tr>
<td></td>
<td>SO 2, 3, FS 13</td>
<td>Not reported</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SO 4, 5, 8, FS 14</td>
<td>Full</td>
<td>No donations were made to political parties. No legal actions against Sanlam for anti-competitive behaviour, anti-trust, and monopoly practices. No significant fines or non-monetary sanctions received for non-compliance with laws and regulations.</td>
</tr>
<tr>
<td>Additional Society Indicators</td>
<td>SO 6, 7</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>Core Product Responsibility Indicators</td>
<td>FS 1-4, 7, 10, 11, 16</td>
<td>Partial</td>
<td>Responsible products and services; Our socially responsible investment funds; Providing for ESG issues within Sanlam Investment Management (SIM); and Our material sustainability pillars: reviewing our 2011 performance. Increasing using proxy votes to influence remuneration. No significant fines received for non-compliance with laws and regulations concerning the provision and use of our products and services.</td>
</tr>
<tr>
<td></td>
<td>PR 1, FS 6, 8</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>PR 9, FS12</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td></td>
<td>PR 3, 6, FS 5, 9</td>
<td>Not reported</td>
<td></td>
</tr>
<tr>
<td>Additional Product Responsibility Indicators</td>
<td>PR 4, 7</td>
<td>Partial</td>
<td>Responsible products and services.</td>
</tr>
<tr>
<td></td>
<td>PR 2</td>
<td>N/A</td>
<td>Treating our clients fairly. There were no significant incidents of non compliance with laws and regulations concerning product and service information and labelling and no significant incidents of non-compliance with regulations and voluntary codes concerning marketing communications. There were no substantiated complaints regarding breaches of customer privacy and losses of customer data.</td>
</tr>
<tr>
<td></td>
<td>PR 5, 8</td>
<td>Full</td>
<td></td>
</tr>
</tbody>
</table>
## Glossary

<table>
<thead>
<tr>
<th>Acronyms</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
</tr>
<tr>
<td>AML</td>
<td>Anti-money laundering</td>
</tr>
<tr>
<td>ASISA</td>
<td>Association for Savings and Investment in South Africa</td>
</tr>
<tr>
<td>BBBEE</td>
<td>Broad-based Black Economic Empowerment</td>
</tr>
<tr>
<td>BEE</td>
<td>Black Economic Empowerment</td>
</tr>
<tr>
<td>BMI</td>
<td>Body Mass Index</td>
</tr>
<tr>
<td>BUSA</td>
<td>Business Unity South Africa</td>
</tr>
<tr>
<td>CCC</td>
<td>Client Contact Centre</td>
</tr>
<tr>
<td>CCMA</td>
<td>Commission for Conciliation, Mediation and Arbitration</td>
</tr>
<tr>
<td>CDP</td>
<td>Carbon Disclosure Project</td>
</tr>
<tr>
<td>CE</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>COP</td>
<td>Communication on Progress (Global Compact)</td>
</tr>
<tr>
<td>CRISA</td>
<td>Code for Responsible Investing</td>
</tr>
<tr>
<td>CSI</td>
<td>Corporate Social Investment</td>
</tr>
<tr>
<td>dti</td>
<td>Department of Trade and Industry</td>
</tr>
<tr>
<td>EAP</td>
<td>Employee Assistance Programme</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings Before Interest, Taxes, Depreciation and Amortisation</td>
</tr>
<tr>
<td>EE</td>
<td>Employment Equity</td>
</tr>
<tr>
<td>ESG</td>
<td>Environmental, social, governance</td>
</tr>
<tr>
<td>Exco</td>
<td>Executive Committee</td>
</tr>
<tr>
<td>FAIS</td>
<td>Financial Advisory and Intermediary Association</td>
</tr>
<tr>
<td>FARF</td>
<td>Financial Task Force</td>
</tr>
<tr>
<td>FS Code</td>
<td>Financial Sector Code</td>
</tr>
<tr>
<td>FSB</td>
<td>Financial Services Board</td>
</tr>
<tr>
<td>FSC</td>
<td>Financial Sector Charter</td>
</tr>
<tr>
<td>FTE</td>
<td>Full Time Employee</td>
</tr>
<tr>
<td>GHG</td>
<td>Greenhouse gas</td>
</tr>
<tr>
<td>GLP</td>
<td>Graduate Leadership Programme</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>HCT</td>
<td>Human Capital Transformation</td>
</tr>
<tr>
<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resources</td>
</tr>
<tr>
<td>IMN</td>
<td>Information Management Network</td>
</tr>
<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>ITISS</td>
<td>Information Technology Infrastructure Shared Services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Acronyms</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSE SRI</td>
<td>JSE Limited Socially Responsible Investment Index</td>
</tr>
<tr>
<td>KI</td>
<td>Kilolitre</td>
</tr>
<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
</tr>
<tr>
<td>KPMG</td>
<td>A global company providing Audit, Tax and Advisory services</td>
</tr>
<tr>
<td>kWh</td>
<td>Kilowatt hours</td>
</tr>
<tr>
<td>LSM</td>
<td>Living Standards Measure</td>
</tr>
<tr>
<td>NBI</td>
<td>National Business Initiative</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organisation</td>
</tr>
<tr>
<td>NHI</td>
<td>National Health Insurance</td>
</tr>
<tr>
<td>NSSS</td>
<td>National Social Security System</td>
</tr>
<tr>
<td>PHI</td>
<td>Policyholders’ Interest committee</td>
</tr>
<tr>
<td>POPI</td>
<td>Protection of Personal Information Bill (proposed)</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>PRI</td>
<td>Principles for Responsible Investment</td>
</tr>
<tr>
<td>SEB</td>
<td>Sanlam Employee Benefits</td>
</tr>
<tr>
<td>SEM</td>
<td>Sanlam Emerging Markets</td>
</tr>
<tr>
<td>SIIP</td>
<td>Sanlam International Investment Partners</td>
</tr>
<tr>
<td>SIM</td>
<td>Sanlam Investment Management</td>
</tr>
<tr>
<td>SME</td>
<td>Small to medium enterprises</td>
</tr>
<tr>
<td>SMF</td>
<td>Sustainability Management Framework</td>
</tr>
<tr>
<td>SPE</td>
<td>Sanlam Private Equity</td>
</tr>
<tr>
<td>SPF</td>
<td>Sanlam Personal Finance</td>
</tr>
<tr>
<td>SPI</td>
<td>Sanlam Private Investments</td>
</tr>
<tr>
<td>SPAB</td>
<td>Sanlam Provincial Advisory Board</td>
</tr>
<tr>
<td>SRI</td>
<td>Socially Responsible Investment</td>
</tr>
<tr>
<td>TCF</td>
<td>Treating Customers Fairly legislation</td>
</tr>
<tr>
<td>UB</td>
<td>Ubuntu-Botho (empowerment partner)</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UN PRI</td>
<td>United Nations Principles for Responsible Investment</td>
</tr>
<tr>
<td>UNGC</td>
<td>United Nations Global Compact</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>USB</td>
<td>University of Stellenbosch Business School</td>
</tr>
<tr>
<td>VoC</td>
<td>Voice of the Customer</td>
</tr>
<tr>
<td>WBCSD</td>
<td>World Business Council for Sustainable Development</td>
</tr>
<tr>
<td>WRI</td>
<td>World Resources Institute</td>
</tr>
<tr>
<td>WWF</td>
<td>World Wide Fund for Nature</td>
</tr>
</tbody>
</table>
Contact details

If you have any queries or comments about this report or Sanlam's sustainability performance, please contact Ike Ndlovu, Head of Sustainability Management at ike.ndlovu@sanlam.co.za or sustainabilitymanagement@sanlam.co.za or +27 21 947 2893.